



financial executives
international

COMMITTEE ON CORPORATE REPORTING

July 18, 2013

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 38

Dear Board:

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) appreciates the opportunity to share its views on the Public Company Accounting Oversight Board’s (“PCAOB” or “Board”) Release No. 2013-004, “Proposed Auditing Standard – Related Parties; Proposed Amendments to Certain PCAOB Auditing Standards Regarding Significant Unusual Transactions; and Other Proposed Amendments to PCAOB Auditing Standards” (“the Release”). FEI is a leading international organization of senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually.

Related parties and significant transactions outside the normal course of business are critical areas requiring auditor focus to address potential risks of material misstatement to a Company’s financial statements. We appreciate the Board’s efforts in undertaking this project and also in putting it forward as a reproposal at this time. We support the repropose standard, along with the improvements made from the original proposal.

Because related party transactions and significant transactions outside the normal course of business are critical areas of potentially significant audit risk, we believe that this proposed standard should apply to all companies, including Emerging Growth Companies. Overall, we believe the frequency and relative magnitude of related party transactions is greater at smaller companies and start-up companies; therefore, the audit risk of material misstatement from such activity is higher and audit focus in these areas is even more important at such companies.

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We appreciate the Board's consideration of these matters and welcome the opportunity to discuss any and all related matters. If you have questions, please contact Lorraine Malonza at (973) 765-1047 or lmalonza@financialexecutives.org.

Sincerely,

A handwritten signature in cursive script that reads "Stephen J. Cosgrove". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Stephen J. Cosgrove
Chair, Committee on Corporate Reporting
Financial Executives International

cc: Martin F. Baumann, Chief Auditor and Director of Professional Standards