Exposure Draft

Accounting Standard (AS) 18 (Revised 20XX)

(Corresponding to IAS 24)

Related Party Disclosures

(Last date for Comments: May 25, 2010)

Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Accounting Standard 18 (Revised 20XX)
(Corresponding to IAS 24)

Related Party Disclosures

Exposure Draft

Accounting Standard 18 *(Revised 20XX)* [1]
(Corresponding to IAS 24)

Related Party Disclosures

The following is the Exposure Draft of the Accounting Standard (AS) 18 (Revised 20XX), Related party Disclosures, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. The Board invites comments on any aspect of this Exposure Draft. The Board would particularly welcome answers to the question set out below. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than May 25, 2010. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.

(This Exposure Draft of the revised Accounting Standard includes paragraphs set in ***bold*** *type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposure Draft of the revised Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards[2]).*

Question : On the lines of the existing AS 18, the Exposure Draft of revised AS 18 includes brothers, sisters, father and mother as related parties, irrespective of their status of dependence on the individual (or vice versa). However, the same has not been included in IAS 24 as in the present environment, father, mother, brother, and sister may not influence, in all cases, the judgment of an individual and unless they are dependent. Do you agree with the view that the above relations should be included in the definition of related party. If not, then why?

[1] This Exposure Draft is issued pursuant to the decision to converge with IFRSs in respect of accounting periods commencing on or after April 1, 2011. All existing Accounting Standards and new Accounting Standards which are referred to in this Exposure Draft are also being revised or formulated, as the case may be, to converge with IFRSs from the aforesaid date. References to the other Standards may be viewed accordingly.

[2] Attention is specifically drawn to paragraph 4.3 of the Preface, according to which accounting standards are intended to apply only to items which are material.

Objective

1 The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Scope

2 **This Standard shall be applied in:**

- **(a) identifying related party relationships and transactions;**
- **(b) identifying outstanding balances, including commitments, between an entity and its related parties;**
- **(c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and**
- **(d) determining the disclosures to be made about those items.**

3 **This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, venturer or investor presented in accordance with Accounting Standard (AS) 21 (Revised 20XX)** ***Consolidated and Separate Financial Statements*****. This Standard also applies to individual financial statements.**

4 Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

4A Related party disclosure requirements as laid down in this Standard do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

4B In case a statute or a regulator or a similar competent authority governing an entity prohibit the entity to disclose certain information which is required to be disclosed as per this Standard, disclosure of such information is not warranted. For example, banks are obliged by law to maintain confidentiality in respect of their customers' transactions and this Standard would not override the obligation to preserve the confidentiality of customers' dealings.

Purpose of related party disclosures

5 Related party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, the entity has the ability to affect the financial and operating policies of the investee through the presence of control, joint control or significant influence.

6 A related party relationship could have an effect on the profit or loss and financial position of an entity. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer. Also, transactions between related parties may not be made at the same amounts as between unrelated parties.

7 The profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties. For example, a subsidiary may terminate relations with a trading partner on acquisition by the parent of a fellow subsidiary engaged in the same activity as the former trading partner. Alternatively, one party may refrain from acting because of the significant influence of another—for example, a subsidiary may be instructed by its parent not to engage in research and development.

8 For these reasons, knowledge of an entity's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the risks and opportunities facing the entity.

Definitions

9 **The following terms are used in this Standard with the meanings specified:**

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) **A person or a close member of that person's family is related to a reporting entity if that person:**

(i) **has control or joint control over the reporting entity;**

(ii) **has significant influence over the reporting entity; or**

(iii) **is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.**

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A *related party transaction* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

***Close members of the family of a person* are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:**

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner;

(c) brothers, sisters, father and mother of that person; and

(d) dependants of that person or that person's spouse or domestic partner.

***Compensation* includes all employee benefits (as defined in AS 15 (Revised 20XX) *Employee Benefits*) including employee benefits to which AS 33 (Issued 20XX) *Share-based Payments.* Employee benefits are all forms of**

consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(d) termination benefits; and

(e) share-based payment.

Control **is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.**

Joint control **is the contractually agreed sharing of control over an economic activity.**

Key management personnel **are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.**

Significant influence **is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.**

Government **refers to government, government agencies and similar bodies whether local, national or international.**

A *government-related entity* is an entity that is controlled, jointly controlled or significantly influenced by a government.

10 In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

11 In the context of this Standard, the following are not related parties:

(a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.

(b) two venturers simply because they share joint control over a joint venture.

(c) (i) providers of finance,

(ii) trade unions,

(iii) public utilities, and

(iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity,

simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).

(d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

12 In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

Disclosures

All entities

13 **Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.**

14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties. This is because the existence of control relationship may prevent the reporting entity from being independent in making

its financial and operating decisions. The disclosure of the name of the related party and the nature of the related party relationship where control exists may sometimes be at least as relevant in appraising an entity's prospects as are the operating results and the financial position presented in its financial statements. Such a related party may establish the entity's credit standing, determine the source and price of its raw materials, and determine to whom and at what price the product is sold.

15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in Accounting Standard (AS) 21 (Revised 20XX) *Consolidated and Separate Financial Statements,* AS 21 (Revised 20XX) AS 23 (Revised 20XX)*Investments in Associates* and AS 27 (Revised 20XX) *Interests in Joint Ventures*.

16 Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.

17 **An entity shall disclose key management personnel compensation in total and for each of the following categories:**

(a) short-term employee benefits;

(b) post-employment benefits;

(c) other long-term benefits;

(d) termination benefits; and

(e) share-based payment.

17A The statutes governing an entity often require disclosure in financial statements of transactions with certain categories of related parties. In particular, attention is focused on transactions with the directors or similar key management personnel of an entity, especially their remuneration and borrowings, because of the fiduciary nature of their relationship with the entity.

18 **If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:**

(a) the amount of the transactions;

(b) the amount of outstanding balances, including commitments, and:

(i) **their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and**

(ii) **details of any guarantees given or received;**

(c) **provisions for doubtful debts related to the amount of outstanding balances; and**

(d) **the expense recognised during the period in respect of bad or doubtful debts due from related parties.**

19 **The disclosures required by paragraph 18 shall be made separately for each of the following categories:**

(a) **the parent;**

(b) **entities with joint control or significant influence over the entity;**

(c) **subsidiaries;**

(d) **associates;**

(e) **joint ventures in which the entity is a venturer;**

(f) **key management personnel of the entity or its parent; and**

(g) **other related parties.**

20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in AS 1 (Revised 20XX) *Presentation of Financial Statements* for information to be presented either in the balance sheet or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.

21 The following are examples of transactions that are disclosed if they are with a related party:

(a) purchases or sales of goods (finished or unfinished);

(b) purchases or sales of property and other assets;

(c) rendering or receiving of services;

(d) leases;

(e) transfers of research and development;

(f) transfers under licence agreements;

(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);

(h) provision of guarantees or collateral;

(i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts[3] (recognized and unrecognised);

(j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party;

(k) management contracts including for deputation of employees.

22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties. (see paragraph 34B of AS 15 (Revised 20XX)).

23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

24 **Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.**

24A Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.

Government-related entities

25 **A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:**

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

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[3] AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets* defines executory contracts as contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.

26 **If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:**

(a) **the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);**

(b) **the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:**

(i) **the nature and amount of each individually significant transaction; and**

(ii) **for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.**

27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:

(a) significant in terms of size;

(b) carried out on non-market terms;

(c) outside normal day-to-day business operations, such as the purchase and sale of businesses;

(d) disclosed to regulatory or supervisory authorities;

(e) reported to senior management;

(f) subject to shareholder approval.

Effective date and transition

28 An entity to which this Accounting Standard is applicable shall apply it for accounting periods commencing on or after the date (to be announced separately and would be mandatory[4] in nature.

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[4] This implies that, while discharging their attest function, it will be the duty of the members of the Institute to examine whether this Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from this Accounting Standard, it will be their duty to

Withdrawal of AS 18 (issued 2000)

29 This Standard supersedes Accounting Standard 18 *Related Party Disclosures (issued 2000)* in respect of the entities to which this Accounting Standard is applicable.

make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviations.

Illustrative examples

The following examples accompany, but are not part of, AS 18 (Revised 20XX) Related Party Disclosures.

They illustrate:

• *the partial exemption for government-related entities; and*

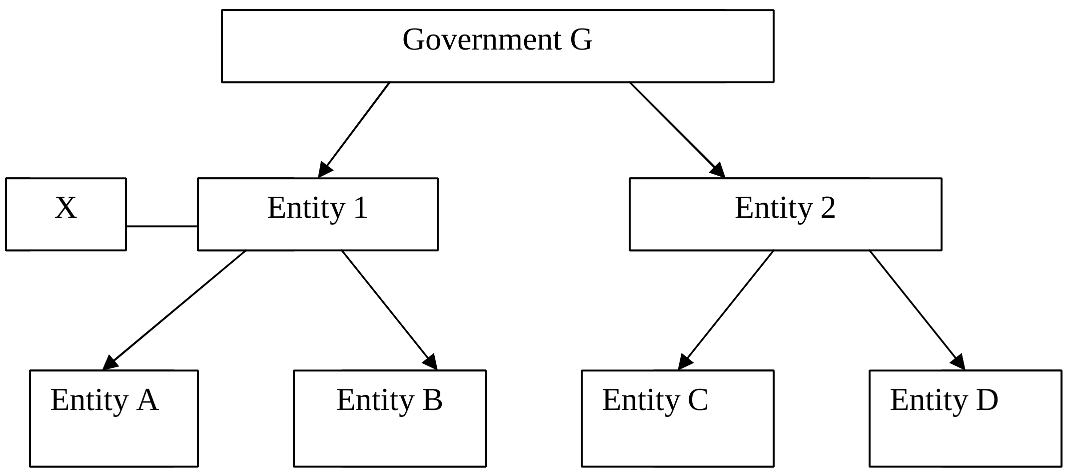
• *how the definition of a related party would apply in specified circumstances.*

In the examples, references to 'financial statements' relate to the individual, separate or consolidated financial statements.

Partial exemption for government-related entities

Example 1 – Exemption from disclosure (Paragraph 25)

IE 1 Government G directly or indirectly controls Entities 1 and 2 and Entities A, B, C and D. Person X is a member of the key management personnel of Entity 1.



IE 2 For Entity A's financial statements, the exemption in paragraph 25 applies to:

(a) transactions with Government G; and

(b) transactions with Entities 1 and 2 and Entities B, C and D.

However, that exemption does not apply to transactions with Person X.

Disclosure requirements when exemption applies (paragraph 26)

IE 3 In Entity A's financial statements, an example of disclosure to comply with paragraph 26 (b)(i) for **individually** significant transactions could be:

*Example of disclosure for individually significant transaction carried out on **non-market terms***

On 15 January 20X1 Entity A, a utility company in which Government G indirectly owns 75 per cent of outstanding shares, sold a 10 hectare piece of land to another government-related utility company for Rs 5 million. On 31 December 20X0 a plot of land in a similar location, of a similar size and with similar characteristics, was sold for Rs 3 million. There had not been any appreciation or depreciation of the land in the intervening period. See note X [of the financial statements] for disclosure of government assistance as required by AS 12 (Revised 20XX) *Accounting for Government Grants and Disclosure of Government Assistance* and notes Y and Z [of the financial statements] for compliance with other relevant Accounting Standards.

*Example of disclosure for individually significant transaction because of **size** of transaction*

In the year ended December 20X1 Government G provided Entity A, a utility company in which Government G indirectly owns 75 per cent of outstanding shares, with a loan equivalent to 50 per cent of its funding requirement, repayable in quarterly instalments over the next five years. Interest is charged on the loan at a rate of 3 per cent, which is comparable to that charged on Entity A's bank loans.* See notes Y and Z [of the financial statements] for compliance with other relevant Accounting Standards.

Example of disclosure of collectively significant transactions

In Entity A's financial statements, an example of disclosure to comply with paragraph 26(b)(ii) for **collectively** significant transactions could be:

Government G, indirectly, owns 75 per cent of Entity A's outstanding shares. Entity A's significant transactions with Government G and other entities controlled, jointly controlled or significantly influenced by Government G are [a large portion of its sales of goods and purchases of raw materials] or [about 50 per cent of its sales of goods and about 35 per cent of its purchases of raw materials].

The company also benefits from guarantees by Government G of the company's bank borrowing. See note X [of the financial statements] for disclosure of government assistance as required by AS 12 (Revised 20XX) *Accounting for Government Grants and Disclosure of Government Assistance* and notes Y and Z [of the financial statements] for compliance with other relevant Accounting Standards.

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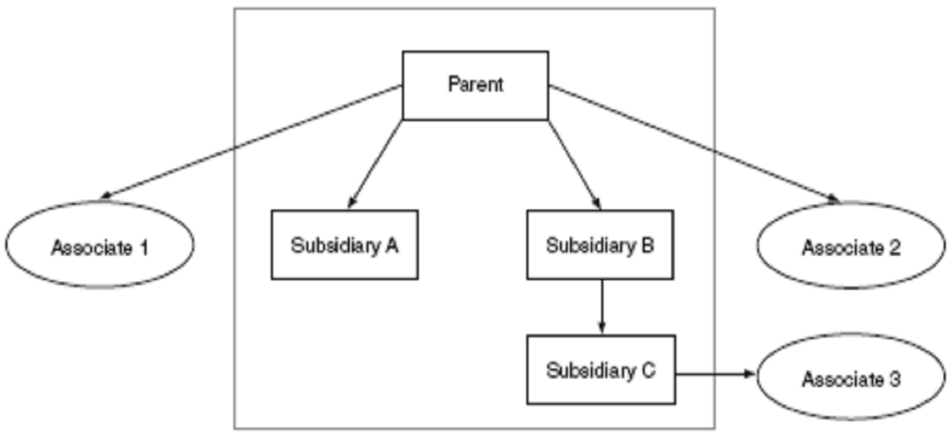
* If the reporting entity had concluded that this transaction constituted government assistance it would have needed to consider the disclosure requirements in AS 12 (Revised 20XX)

Definition of a related party

*The references are to subparagraphs of the definition of a **related party** in paragraph 9 of AS 18 (Revised 20XX).*

Example 2 – Associates and subsidiaries

IE 4 Parent entity has a controlling interest in Subsidiaries A, B and C and has significant influence over Associates 1 and 2. Subsidiary C has significant influence over Associate 3.



IE 5 For Parent's separate financial statements, Subsidiaries A, B and C and Associates 1, 2 and 3 are related parties. [*Paragraph 9(b)(i) and (ii)*]

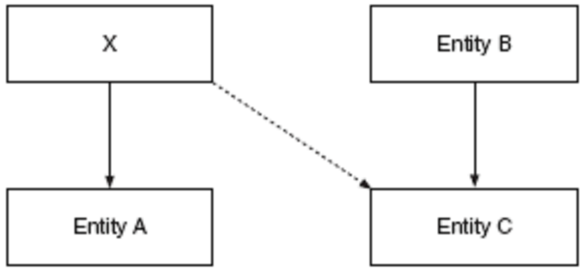
IE 6 For Subsidiary A's financial statements, Parent, Subsidiaries B and C and Associates 1, 2 and 3 are related parties. For Subsidiary B's separate financial statements, Parent, Subsidiaries A and C and Associates 1, 2 and 3 are related parties. For Subsidiary C's financial statements, Parent, Subsidiaries A and B and Associates 1, 2 and 3 are related parties. [*Paragraph 9(b)(i) and (ii)*]

IE 7 For the financial statements of Associates 1, 2 and 3, Parent and Subsidiaries A, B and C are related parties. Associates 1, 2 and 3 are not related to each other. [*Paragraph 9(b)(ii)*]

IE 8 For Parent's consolidated financial statements, Associates 1, 2 and 3 are related to the Group. [*Paragraph 9(b)(ii)*]

Example 3 – Key management personnel

IE 9 A person, X, has a 100 per cent investment in Entity A and is a member of the key management personnel of Entity C. Entity B has a 100 per cent investment in Entity C.



IE 10 For Entity C's financial statements, Entity A is related to Entity C because X controls Entity A and is a member of the key management personnel of Entity C. [*Paragraph 9(b)(vi)–(a)(iii)*]

IE 11 For Entity C's financial statements, Entity A is also related to Entity C if X is a member of the key management personnel of Entity B and not of Entity C. [*Paragraph 9(b)(vi)–(a)(iii)*]

IE 12 Furthermore, the outcome described in paragraphs IE10 and IE11 will be the same if X has joint control over Entity A. [*Paragraph 9(b)(vi)–(a)(iii)*] (If X had only significant influence over Entity A and not control or joint control, then Entities A and C would not be related to each other.)

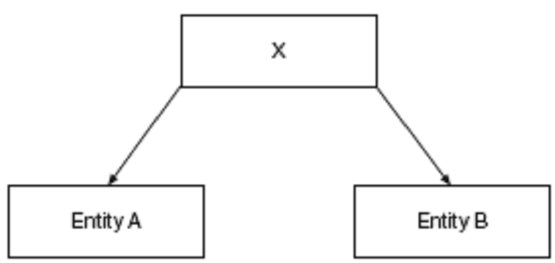
IE 13 For Entity A's financial statements, Entity C is related to Entity A because X controls A and is a member of Entity C's key management personnel. [*Paragraph 9(b)(vii)–(a)(i)*]

IE 14 Furthermore, the outcome described in paragraph IE13 will be the same if X has joint control over Entity A. The outcome will also be the same if X is a member of key management personnel of Entity B and not of Entity C. [*Paragraph 9(b)(vii)–(a)(i)*]

IE 15 For Entity B's consolidated financial statements, Entity A is a related party of the Group if X is a member of key management personnel of the Group. [*Paragraph 9(b)(vi)–(a)(iii)*]

Example 4 – Person as investor

IE 16 A person, X, has an investment in Entity A and Entity B.



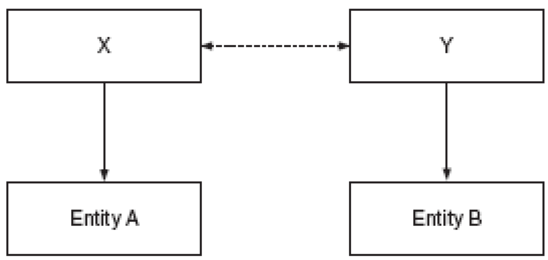
IE 17 For Entity A's financial statements, if X controls or jointly controls Entity A, Entity B is related to Entity A when X has control, joint control or significant influence over Entity B. [*Paragraph 9(b)(vi)–(a)(i) and 9(b)(vii)–(a)(i)*]

IE 18 For Entity B's financial statements, if X controls or jointly controls Entity A, Entity A is related to Entity B when X has control, joint control or significant influence over Entity B. [*Paragraph 9(b)(vi)–(a)(i) and 9(b)(vi)–(a)(ii)*]

IE 19 If X has significant influence over both Entity A and Entity B, Entities A and B are not related to each other.

Example 5 – Close members of the family holding investments

IE 20 A person, X, is the domestic partner of Y. X has an investment in Entity A and Y has an investment in Entity B.



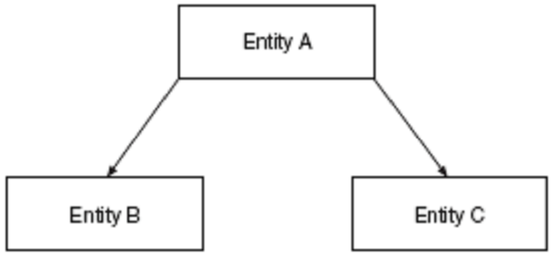
IE 21 For Entity A's financial statements, if X controls or jointly controls Entity A, Entity B is related to Entity A when Y has control, joint control or significant influence over Entity B. [*Paragraph 9(b)(vi)–(a)(i) and 9(b)(vii)–(a)(i)*]

IE 22 For Entity B's financial statements, if X controls or jointly controls Entity A, Entity A is related to Entity B when Y has control, joint control or significant influence over Entity B. [*Paragraph 9(b)(vi)–(a)(i) and 9(b)(vi)–(a)(ii)*]

IE 23 If X has significant influence over Entity A and Y has significant influence over Entity B, Entities A and B are not related to each other.

Example 6 – Entity with joint control

IE 24 Entity A has both (i) joint control over Entity B and (ii) joint control or significant influence over Entity C.



IE 25 For Entity B's financial statements, Entity C is related to Entity B. [*Paragraph 9(b)(iii) and (iv)*]

IE 26 Similarly, for Entity C's financial statements, Entity B is related to Entity C. [*Paragraph 9(b)(iii) and (iv)*]

Appendix A

Note: This appendix is not a part of the Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard (AS) 18 (Revised 20XX) and the corresponding International Accounting Standard (IAS) 24, Related Party Disclosures

Comparison with IAS 24, *Related Party Disclosures*

1. In the Exposure Draft of revised AS 18, disclosures which conflict with confidentiality requirements of statute/regulations are not required to be made since Accounting Standards can not override legal/regulatory requirements. (Paragraphs 4A and 4B of revised AS 18).

2. In the Exposure Draft of the revised AS 18, father, mother, brother and sister are included in the definition of the '***close members of the family of a person***

3. Paragraph 17A has been included in Exposure Draft of revised AS 18. It provides for additional disclosure requirements with respect to related parties, if required by any statute.

4. Paragraph 24A has been included in the Exposure Draft of revised AS 18 on the lines of existing AS 18. It provides additional clarificatory guidance regarding aggregation of transactions for disclosure.

Appendix B

Note: This appendix is provided to bring out the major differences between the Exposure Draft of revised AS 18 and the existing AS 18 (Issued 2000) with a view to facilitate commentators in sending their comments on the Exposure Draft of revised AS 18.

Major differences between the Exposure Draft of AS 18 (Revised 20XX), *Related Party Disclosures*, and the existing AS 18 (Issued 2000)

1. Existing AS 18 uses the term **"relatives of an individual"**, whereas, the Exposure Draft of revised AS 18 uses the term "**a close member of that person's family".** Definition of close members of family as per draft of revised AS 18 includes dependants of the person or of spouse. However, the existing AS 18 covers parents and siblings irrespective of their status as to dependence of an individual and it does not cover dependents. **(Paragraph 3 of existing AS 18 and paragraph 9 of revised AS 18)**

2. Existing AS-18 defines state-controlled enterprise as *"an enterprise which is under the control of the Central Government and/or any State Government(s)*"**.** However in the, Exposure Draft of revised AS 18, there would be extended coverage of Government Enterprises, as it defines a government-related entity as "an entity that is controlled, jointly controlled or significantly influenced by a government." Further, "Government refers to government, government agencies and similar bodies whether local, *national or international*." **(paragraph 10 of existing AS 18 and paragraph 9 of revised AS 18)**

3. Existing AS 18 covered key management personnels (KMPs) of the entity only, whereas, the Exposure Draft of revised AS 18 covers KMPs of the parent as well. **(Paragraph 3 of existing As 18 and paragraph 9 of revised AS 18)**

4. Under the Exposure Draft of revised AS 18 there is extended coverage in case of joint ventures. Two entities are related to each other in both their financial statements, if they are either co-ventures or one is a venture and the other is an associate. Whereas as per existing AS 18, co-ventures or co-associates are not related to each other.

5. Existing AS 18 mentions that where there is an inherent difficulty for management to determine the effect of influences which do not lead to transactions, disclosure of such effects is not required whereas the Exposure Draft of revised AS 18 does not specifically mentions this. **(paragraph 18 of existing AS 18)**

6. Existing AS 18 does not specifically cover entities that are post employment benefit plans, as related parties. However, the Exposure Draft of revised AS 18

specifically includes post employment benefit plans for the benefit of employees of an entity or its related entity as related parties.

7. Exposure Draft of the revised AS 18 requires an additional disclosure as to the name of the next most senior parent which produces consolidated financial statements for public use, whereas the existing AS-18 has no such requirement. **(paragraph 13 of revised AS 18)**

8. Exposure Draft of revised AS 18 requires extended disclosures for compensation of KMPs under different categories, whereas the existing AS 18 does not specifically require. **(paragraph 17 of revised AS 18)**

9. Exposure Draft of revised AS 18 requires *"the amount of the transactions"* need to be disclosed, whereas existing AS 18 gives an option to disclose the *"Volume of the transactions either as an amount or as an appropriate proportion".* **(paragraph 23(iv) of existing AS 18 and paragraph 18 (a) of revised AS 18)**

10. Exposure Draft of AS 18 requires disclosures of certain information by the government related entities, whereas the existing AS 18 presently exempts the disclosure of such information**. (paragraph 25 of revised AS 18 and paragraph 9 of existing standard)**

11. Existing AS 18 includes clarificatory text, primarily with regard to control, substantial interest (including 20% threshold),significant influence (including 20% threshold) . However, the Exposure Draft of AS 18 does not include such clarificatory text and allows respective standards to deal with the same.