

Pankaj Kumar Agrawal

B.Com(H), CA Final & CS Final

Related Party Disclosures

Objective :

To establish requirements for : -

- Disclosure of related party relationships.
- Disclosure of transactions between a reporting enterprise and its related parties.

As-18 Related Party Disclosures

Issuing Authority:	The Institute of Chartered Accountants of India.
Effective from:	Accounting periods starting on or after 1.4.2001
Nature:	Mandatory

Scope:

Applies to: the financial statements of each reporting enterprise, and the consolidated financial statements by a holding company.

Does not apply: in circumstances where disclosure would conflict with reporting enterprise's duties of confidentiality, as specifically required in terms of statute or by any other regulator or similar competent authority.

State-controlled enterprises are not required to disclose transactions with other state owned enterprise, and Intra-group transactions are not required to be disclosed in consolidated financial statements.

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Related party relationships:

The Accounting Standard applies to only the following related party relationships:

- An enterprise controlling the reporting enterprise directly or indirectly through intermediaries
- An enterprise controlled - directly or indirectly through intermediaries by the reporting enterprise.
- An enterprise under common control with the reporting enterprise.
- Associates and joint ventures of the reporting enterprise
- Investing party or venturer in the associates and joint ventures of reporting enterprise
- Individual and relatives of any such individual owning directly or indirectly voting power that gives them control or significant influence over the enterprise.
- Key management personnel and their relatives.
- Enterprise over which such individual or key personnel are able to exercise significant influence.

Note: Control refers to:

- o > 50% ownership
- o Control of the composition of governing body
 - Direct appointment
 - Appointment by virtue of position in the controlling enterprise
 - Nomination
- o Substantial interest in voting power (> 20%) and the power to direct by statute or agreement the financial and/or operating policies

Significant Influence refers to participation in financial and operating policies but not control of those policies

The Accounting Standard does not apply to the following related party relationships:

- Two companies simply because they have a director in common.
- single customer, supplier, franchiser, distributor merely by virtue of resulting economic dependence
- Providers of finance, trade unions, public utilities or government departments, in their dealing in normal course of business.

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Disclosure requirements

- Even if there is no transaction but control exists:
 - o Name of the related party and
 - o Nature of related party relationship.
- If there are transactions:
 - o Name of the related party
 - o Nature of relationship.
 - o Description of nature of transactions.
 - o Volume of the transactions.
 - o Amount outstanding at the Balance Sheet date.
 - o Amount provided in respect of doubtful debts, written off, written back during the year.
 - o Any other element as may be necessary for better understanding of financial statements.

Disclosure Requirements of Schedule VI to the Companies Act, 1956

Balance Sheet

- Loans (Secured as well as unsecured) from directors and managers.
- Where loans (secured as well as unsecured) have been guaranteed by managers and / or directors, a mention thereof and aggregate amount under each head.
- Calls unpaid by directors.
- Loans and advances (secured & unsecured) from subsidiaries.
- Amount due to subsidiaries (sundry creditors).
- Amount of any guarantee given by the company on behalf of directors or other officers of the company.
- Current accounts (debit or credit) with directors and managers.
- Investment in shares, debentures or bonds of subsidiary companies.
- Debts due by directors or officers of the company or any of them either severally or jointly with other person.
- Debts due by firms or private companies respectively in which director is a partner or a director or a member.
- Debts due from other companies under the same management with their names and maximum amount due at any time during the year.
- Advances and loans to subsidiaries or to partnership firms in which the company or any of its subsidiaries is a partner.
- Investment in bodies corporate under the same management.

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Profit & Loss Account

- Amount of interest on company's loans and debentures paid to directors or manager.
- Dividend from subsidiary companies.
- Provision for losses of subsidiary companies.
- Detailed information of payment of managerial remuneration, perquisites, benefits, allowances or commission, pension, gratuities, payments for provident fund to the directors or manager, and
- Details of calculation of net profit and commission payable to directors.

Differences between IAS, USGAAP & AS

IAS	FAS	AS
Disclosure of all transactions	Disclosure of material related party transactions	Disclosure of related party transactions

IAS - 24	FAS - 57	AS - 18
A substantial interest investing power and the power to direct by agreement the financial / operating policies.	Control includes possession of the power to direct or cause the direction of management & policies by contract.	A substantial interest investing power and the power to direct by agreement the financial / operating policies.
At any point of time one party has the ability to control the other.	No such reference.	At any point of time one party has the ability to control the other.