

Related Party Disclosures

Ind - AS 24

Agenda

- ▶ Objective and Scope
- ▶ Definitions
- ▶ Disclosure Requirements
- ▶ Key Differences

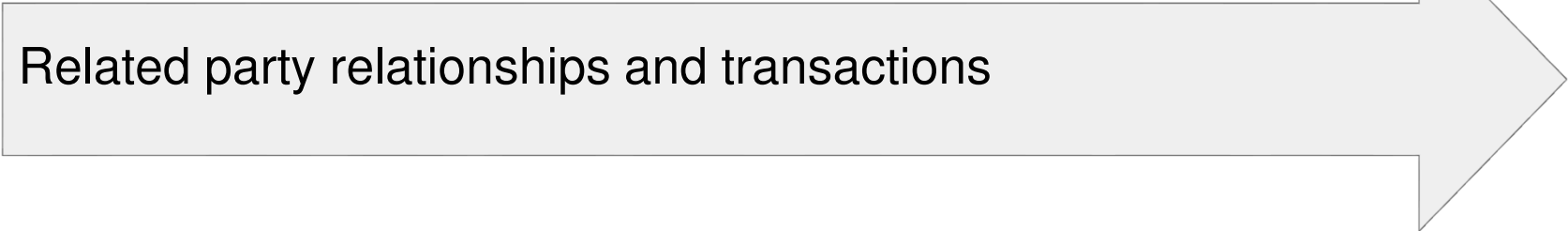
Objective and Scope

Purpose of related party disclosures-

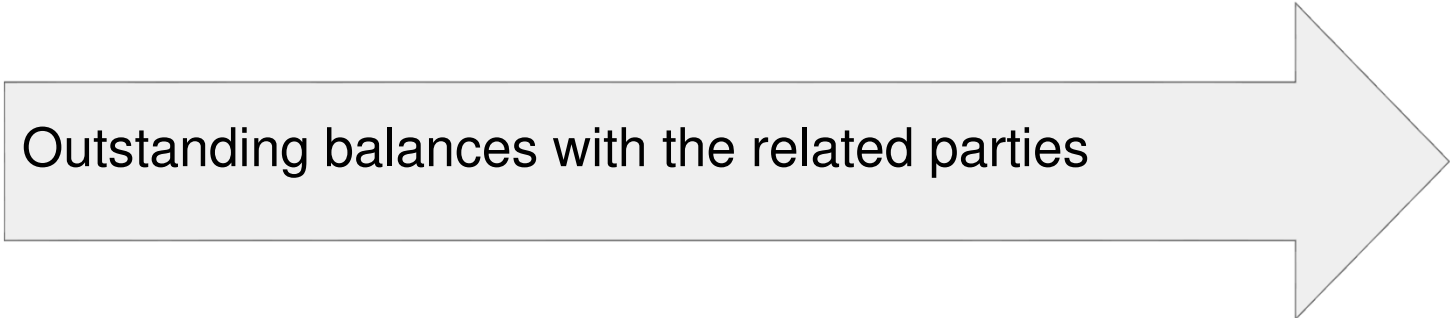
- ▶ The profit or loss and financial position of an entity may be affected by a related party relationship
- ▶ For these reasons, knowledge of an entity's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the risks and opportunities facing the entity.

Objective and Scope

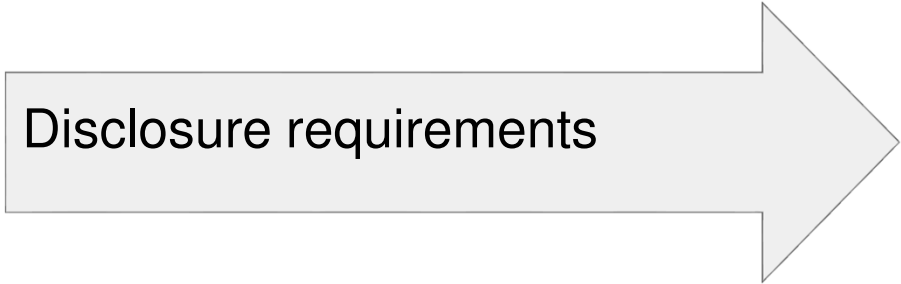
- ▶ Ind - AS 24 is applied to identify:



Related party relationships and transactions



Outstanding balances with the related parties



Disclosure requirements

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What is a related party?

A related party is a **person** or an **entity** that is related to the reporting entity

A person or a close family member is related if he:

- ▶ Has control/joint control;
 - ▶ Has significant influence;
 - ▶ Is a member of the key management personnel (KMP);
- of the reporting entity or its parent.

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 including:

- ▶ that person's children, spouse or domestic partner, brother, sister, father and mother;
- ▶ children of that person's spouse or domestic partner; and
- ▶ dependants of that person or that person's spouse or domestic partner.

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.

What is a related party?

An entity is related to a reporting entity if any of the below conditions are met:

- They belong to the same group
- One entity is JV or an associate of the other entity
- Both parties are JV of the same third party
- One entity is a joint venture of a third party and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the employees
- The entity is controlled or jointly controlled by a related person
- A person having control or joint control of the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity.
- The entity provides key management personnel services to the reporting entity or to the parent of the reporting entity.

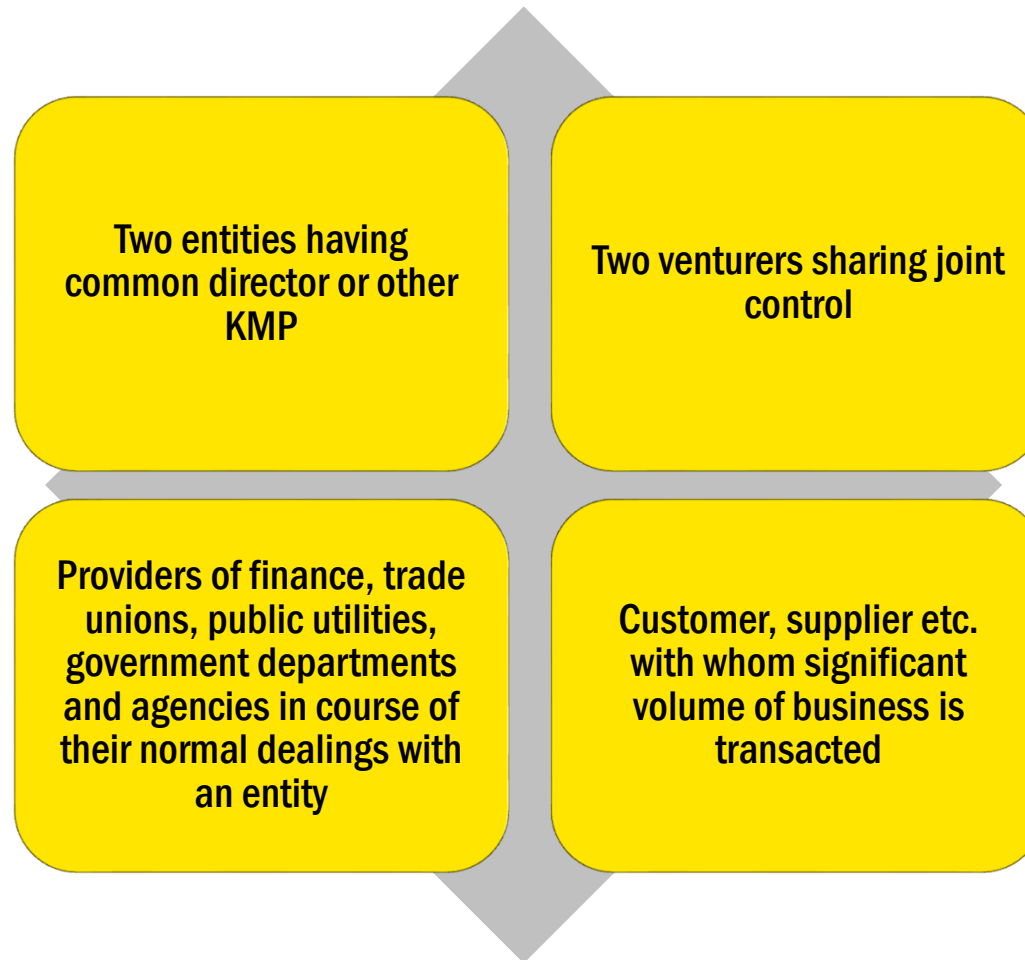
A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, **regardless of whether a price is charged.**

Examples of Related party transactions



Exceptions

- ▶ Below parties are deemed not to be related:



Example 1- Person as investor

Mrs. X has an investment in Entity A and Entity B.

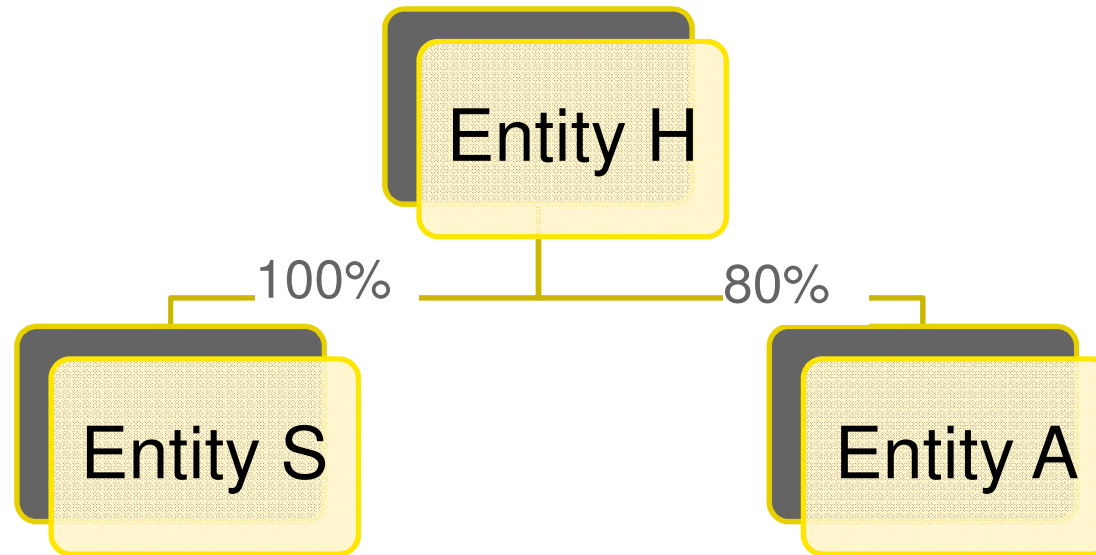
For entity A's financial statements, if Mrs. X controls or jointly controls Entity A, Entity B is related to Entity A when Mrs. X has control, joint control or significant influence over Entity B.

For entity B's financial statements, if Mrs. X controls or jointly controls Entity A, Entity A is related to Entity B when Mrs. X has control, joint control or significant influence over Entity B.

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

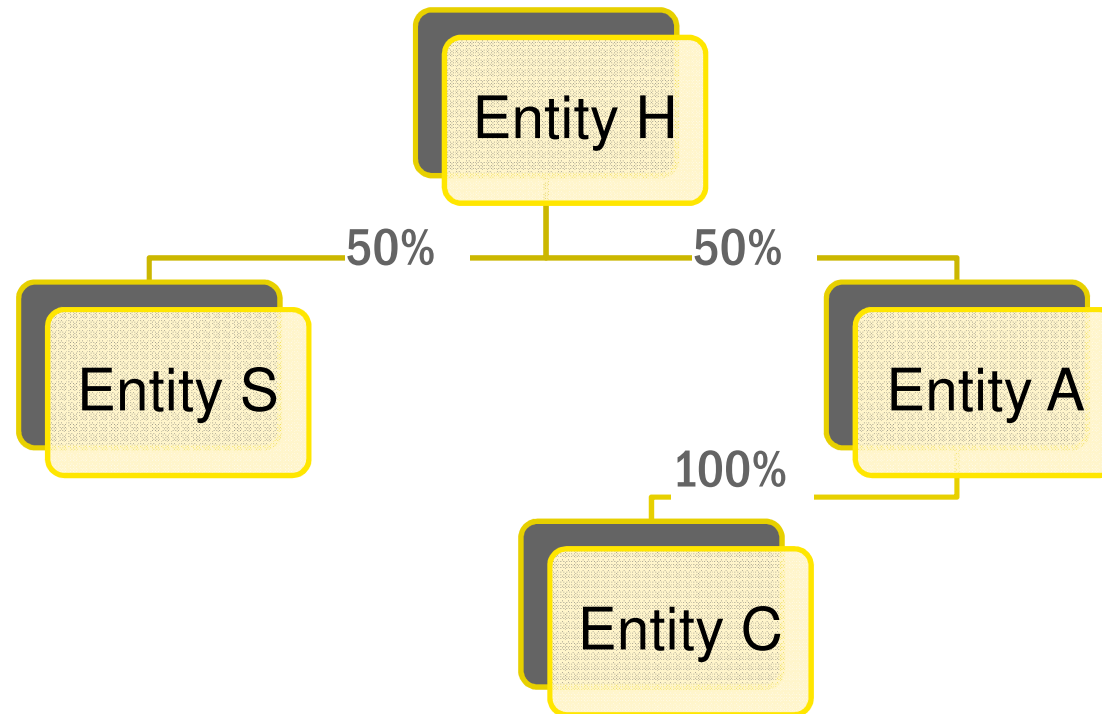
If Mrs. X is a member of the key management personnel of both Entity A and Entity B, entities A and B are not related to each other (if there is no other indicator of the related party relationship)

Example 2- Member of same group



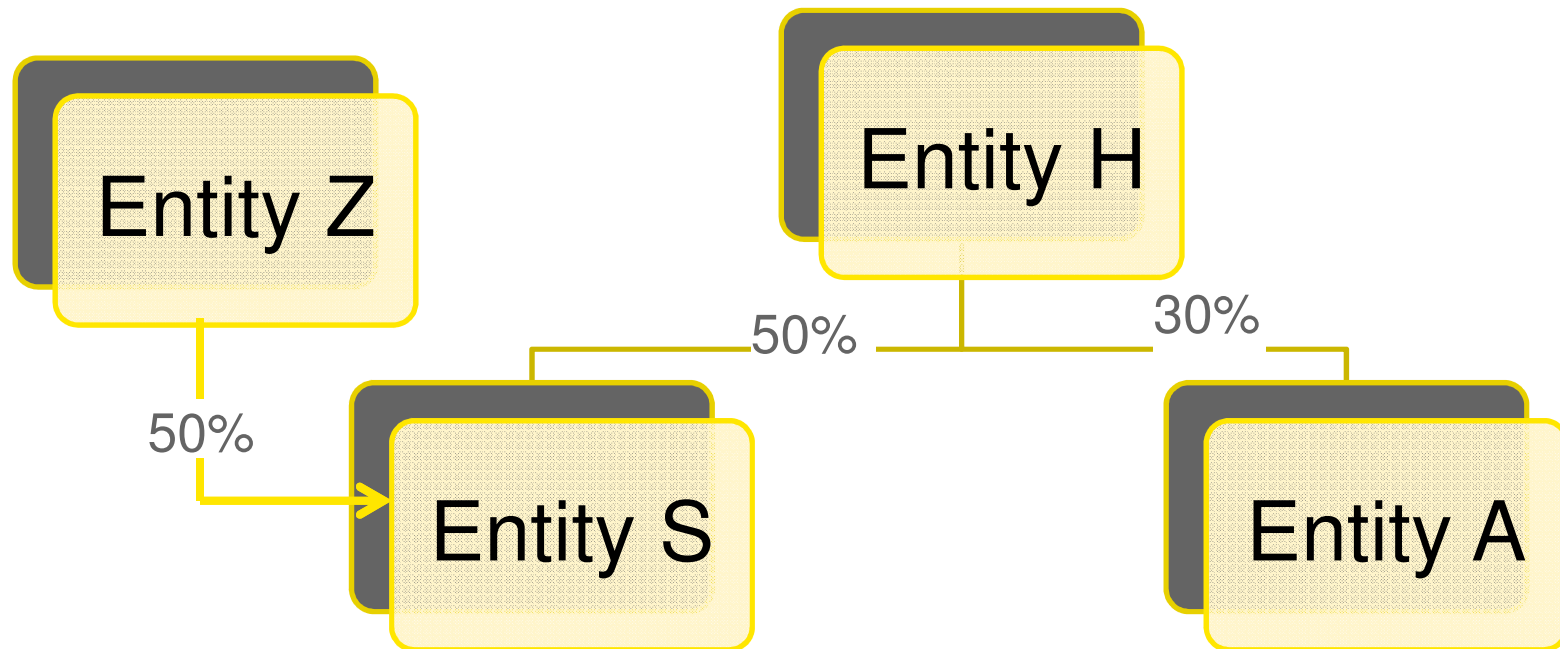
Entities H, S and A are all related parties to each other as they are members of the same group. Both Entity S and Entity A are subsidiaries of Entity H.

Example 3- JV of the same third party



Entities S and A are joint ventures of Entity H and are therefore related parties. Entity C, as a subsidiary of Entity A, is also a related party of Entity H and Entity S.

Example 4- JV and associates of the same third party



Entity S is a joint venture of Entity H and Entity A is an associate of Entity H. Therefore, entities S and A are related parties.

However, Z and H are not related parties

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Disclosure Requirements

Disclosure requirements for related parties

- All related party relationships where control exists irrespective of transactions held
- Name of the entity's parent and the ultimate controlling party
- Key management compensation must be disclosed in total for each of the benefits
- Separate disclosure for each of the related party category (e.g., parent, subsidiary etc.)

Disclosure requirements for related party transactions

- Amount of related party transactions
- Amount of outstanding balances including commitments and their terms and conditions, guarantees given or received
- Provision for doubtful debts related to outstanding amounts
- the expense recognised during the period in respect of bad or doubtful debts due from related parties

Disclosure – KMP Compensation

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

- ▶ short-term employee benefits;
- ▶ post-employment benefits;
- ▶ other long-term benefits;
- ▶ termination benefits; and
- ▶ share-based payment

If an entity obtains key management personnel services from another entity (the 'management entity'), the entity is not required to apply the requirements in paragraph 17 to the compensation paid or payable by the management entity to the management entity's employees or directors.

Government-related entities

Ind - AS 24 relaxes the disclosures for some government related entities.

A reporting entity is exempt from disclosure requirements if transactions are with:

- A government having control, joint control or significant influence over it; and
- Another entity over which the government has control, joint control or significant influence.

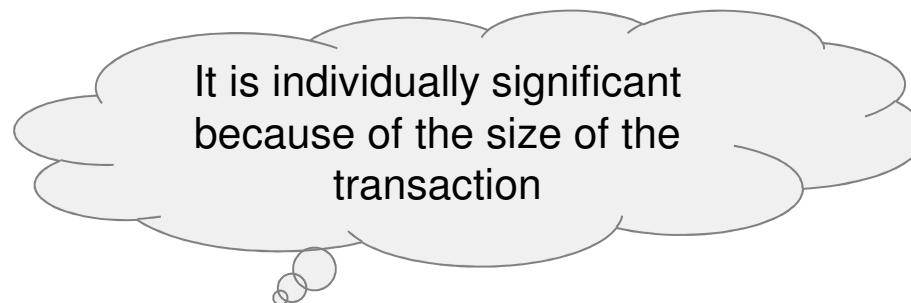
Required disclosures:

- Name of the government and nature of the relationship
- The nature and amount of the individually significant transactions, and for transactions that are collectively significant, qualitative and quantitative indication of collectively significant transactions.
- Factors considered in determining the significance of transactions.

Case Study 1- Individually significant transaction

In the year ended 31 December 2013 Government G provided the company with a loan equivalent to 50% of its funding requirement, repayable in quarterly instalments over the next five years. Interest is charged on the loan at a rate of 5% which is comparable to that charged on the company's external bank loans.

Is this transaction individually significant?



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Key Differences between Ind - AS and IGAAP

Issue	IGAAP	Ind - AS 24
Definition of Related party	Parties are related if one party has the ability to control the other party or exercise significance influence over it.	Wider definition of related party (as discussed earlier)
Definition of close member of family	No definition of close member of the family.	Defined in Ind - AS 24
Post employment benefit plans	These are not included as related parties.	These are included as related parties.

Key Differences between Ind - AS and IGAAP

Issue	IGAAP	Ind - AS 24
Items to be disclosed	Volume of transactions and outstanding items to be disclosed as an amount or appropriate proportions.	Amount of transactions and the amount of outstanding balances including commitments need to be disclosed.

Thank You!