

AS-18

Name: Related party disclosures

Objective

disclosure of:

- related party relationship
- transaction b/w entity & related party

Related parties

- Enterprise that directly or indirectly ~~are~~ control or are controlled or are under common control with reporting enterprise
- Associate or joint venture of reporting enterprise or invested party in respect of which reporting enterprise is an associate or joint venture
- individuals owning directly, indirectly, an interest in the reporting enterprise which gives them control or significant influence over the enterprise, & relatives of such individuals
- KMP & relatives of KMP
- Enterprise over which person described in (c) or (d) is able to exercise significant influence. This includes enterprise by directors or major shareholders & enterprise in which KMP is common with reporting enterprise

Exception

- director in common
- single customer, supplier, franchiser, distributor or general agent
- Provider of finance, trade unions, public utilities & govt. dept. & govt. agencies

- NO disclosure in CFS for intra-group transaction
- NO disclosure in FS of state controlled enterprise and transaction with other state-controlled enterprise

Important terms

Control

- Ownership (directly, indirectly) → more than one half
- Control of composition of BOD
- Substantial interest in voting power

Relative

son - daughter

father - mother

brother - sister

SPOUSE

Control of composition of Board

Power, without the consent or concurrence of any other person - appoint or remove all or majority of directors

Substantial interest

20% or more → int. in voting power

Related party issue (purpose of this std.)

- Without the disclosure of related parties it is generally presumed that all transactions are on arms length price.
- But due to related party transaction, it is possible transactions executed may not be same as general transactions.
- Sometimes, related parties influence ~~from~~ to ~~doings~~ do something or refrain the reporting entity from doing something.
- Sometimes, transaction occurs only due to existence of related party relation.

Due to above reasons related party disclosure is necessary.

Disclosure

- When no transaction taken place

- (1) Name of related party
- (2) Nature of relationship

- When transaction taken place

- (1) Name of related party
- (2) Nature of relationship
- (3) Nature of transaction
- (4) Volume of transaction
- (5) Any other element of related party transaction necessary for an understanding
[asset buy at a price materially different from normal terms]
- (6) Proportion of ops/items pertaining to related at BIS
- (7) Amt. written off & written back