



→ **Control means** → 1. ownership of more than 50% of the voting power
(include fellow subsidiaries)

OR

(in case of company)

2. control of the composition of the board of directors (majority of directors)

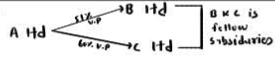
OR

3. Substantial interest in voting power (20% or more but up to 50%)

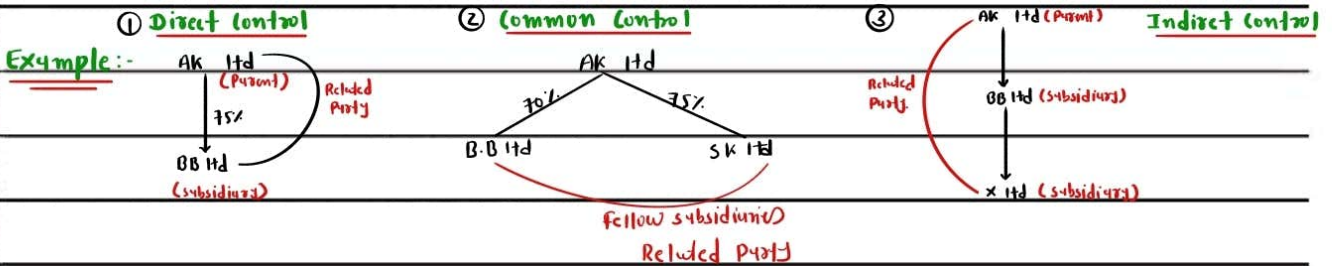
and

Power to direct financial and/or operating policies.

Fellow subsidiary Example



★ Enterprises that **Directly control** or **Indirectly control** or **under common control** with the reporting enterprise (include Holding / subsidiaries / fellow subsidiaries)



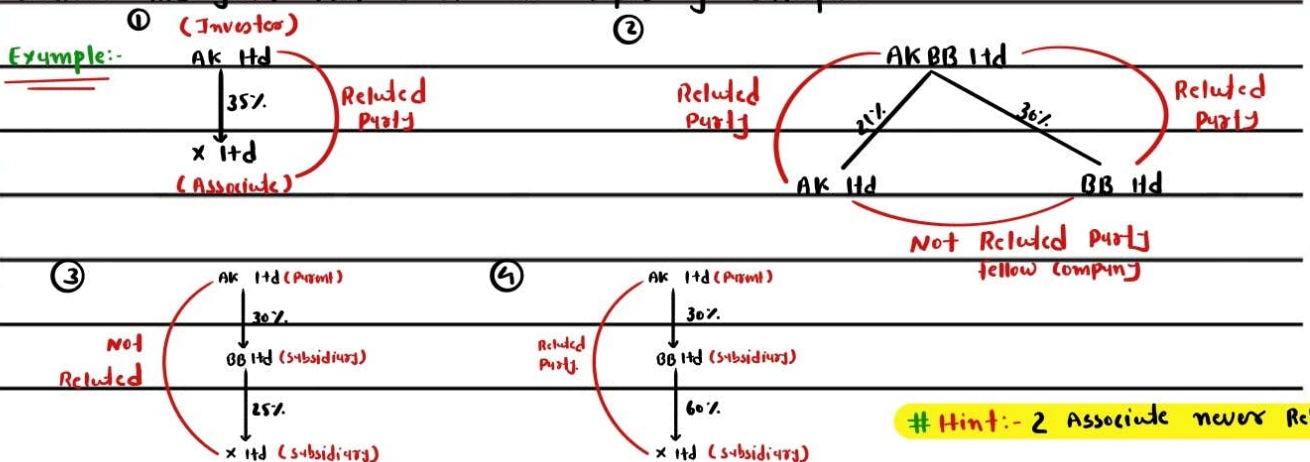
→ **Significant influence** → Power to participate in financial and/or operating policies decisions
(Not fellow subsidiaries include)

① Statute/Law (without share holding) ② Agreement (without share holding) ③ 20% or more V.P

Example:- A Ltd hold in B Ltd 25% voting power but not participate in decision making:- Ltd A or B → Not Related Party

Example:- A Ltd hold in B Ltd 25% voting power and participate in decision making:- Ltd A or B → Related Party

★ Associate and joint venture of the reporting enterprise.

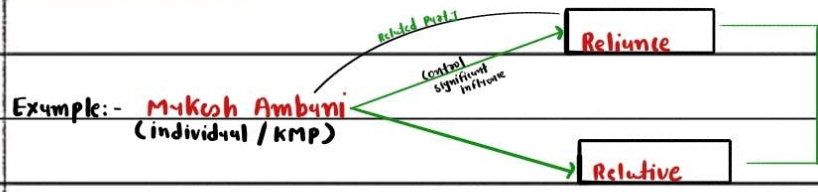


Hint:- 2 Associate never Related



Individual/KMP → Individual OR KMP who have control OR Significant influence in Entity.

& relatives of such Individual/KMP.



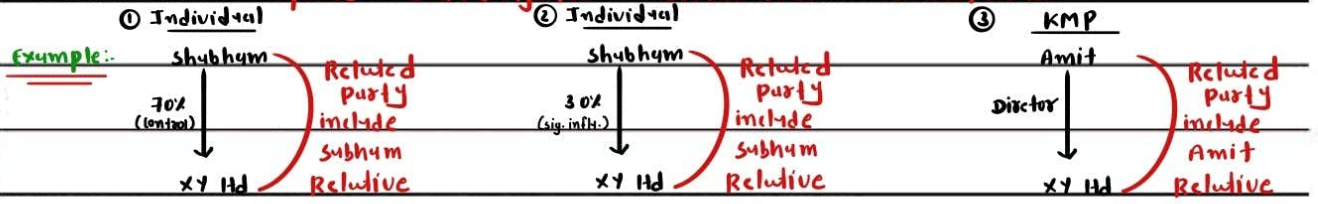
KMP means:- Authority of

- ① Planning
- ② Directing
- ③ Controlling

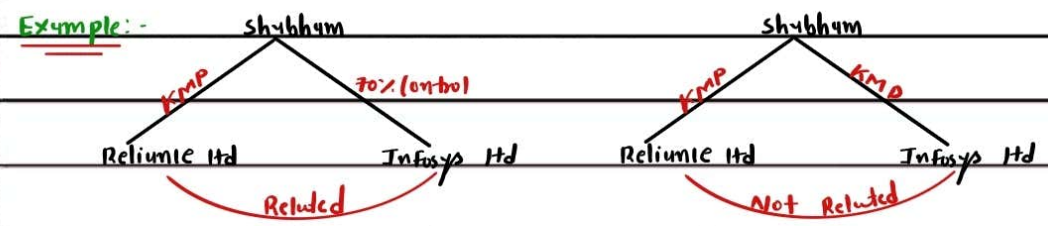
The Activities of the entity

Non-executive director is not consider as KMP

∴ Relative include → spouse → Son / daughter → brother / sister → father / mother.



Related Entity → one enterprise is controlled by a person and that same person is KMP in another enterprise then these two enterprise are also related.

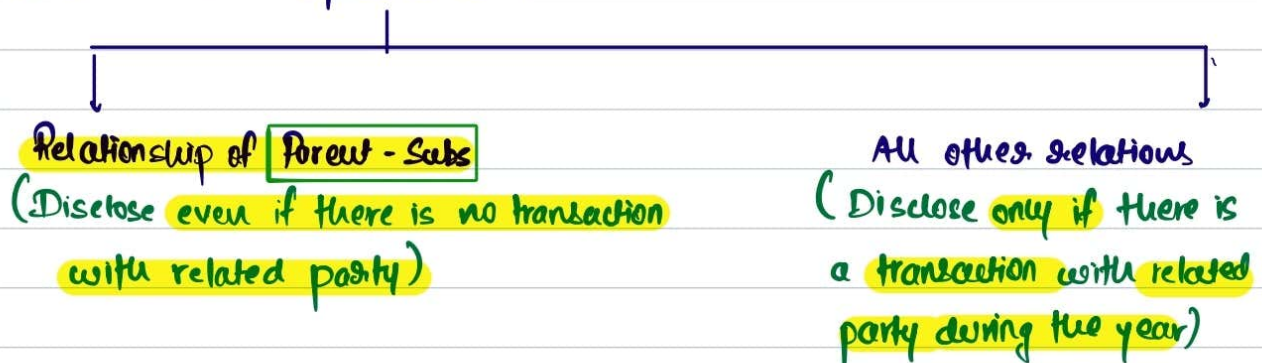




C) a **single** customer, supplier, franchiser, distributor or general agent with whom an enterprise transact a significant volume of business will not be related parties

D) the parties listed below, are also **not related** in course of their **normal dealings with the enterprise** (providers of Finance, trade unions, public utilities, government departments)

3) Disclosure requirements



In respect of disclosure requirements, the enterprise should disclose the following information:

- 1) Name of related party
- 2) Relationship
- 3) Nature of transaction
- 4) Volume of transaction
- 5) Amount outstanding
- 6) Amount written off as Bad debts
- 7) Any other element.

Note:

- 1) Remuneration paid to KMP should be considered as a related party transaction requiring disclosures.
- 2) Remuneration paid to non-executive director should not be considered as a related party transaction.

4] Exemption from related party disclosure in certain situations

A) related party disclosure requirements do not apply where providing such disclosure would be in **conflict of confidentiality** as required by any **statute or any regulator or similar competent authority** → eg: Banks
(any other commercial contract between the parties to maintain confidentiality won't be considered for this purpose)

↓
maintain
confidentiality
of their
customers

B) state controlled Enterprises are not required to follow disclosure requirements

eg:



But exempt from disclosure requirement