

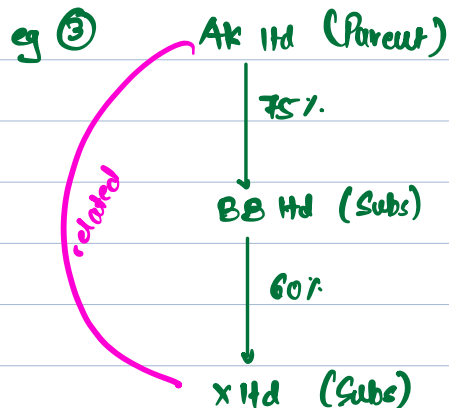
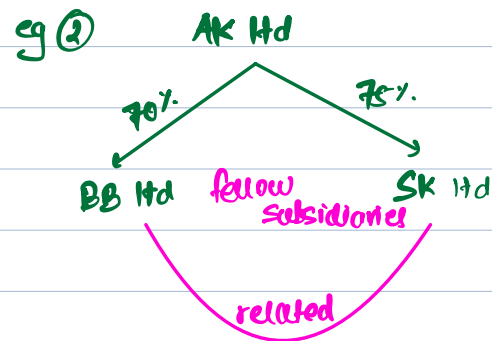
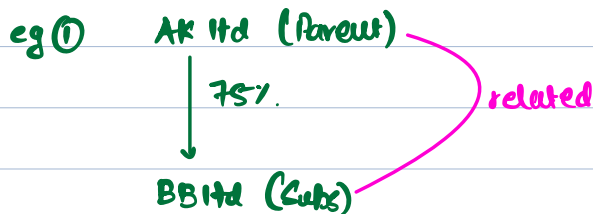
AS 18 → Related Party Disclosures

- a) Control (AS 21) more than 50% b) Significant Influence (AS 23) 20% to 50% c) Joint control → parties have joint control 2 or more parties

i) Related Party Relationships

AS 18 deals with the following types of related party relationships;

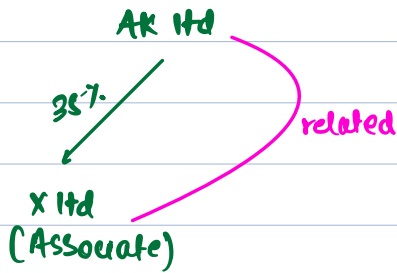
- eg ①
a) enterprises that directly or indirectly control or are controlled by) or (are under common control with the reporting enterprise)(this includes holding companies, subsidiaries, and fellow subsidiaries)



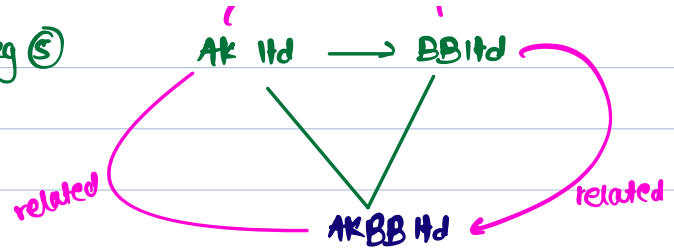
B) Associates and joint venture of the reporting enterprise

not related

eg ④

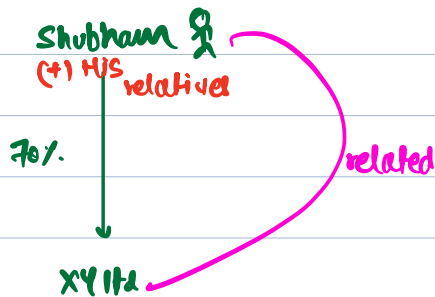


eg ⑤

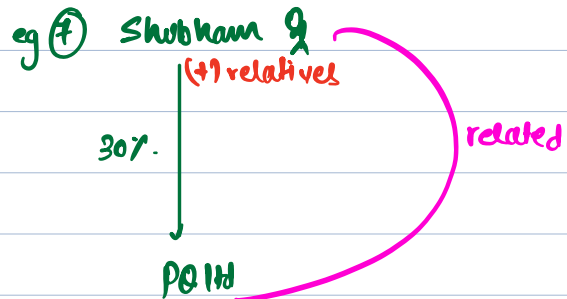


C) individuals having control or significant influence over the enterprise and relatives of such individual.

eg ⑥



eg ⑦

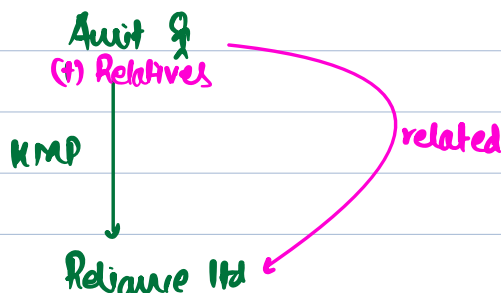


* Relatives : Spouse, Son, daughter, brother, sister, father & mother.

Key managerial person.

D) KMP of the enterprise and relatives of such KMP.

eg ⑧



* KMP — Managing director, whole time Director, Manager AND any other appointed person

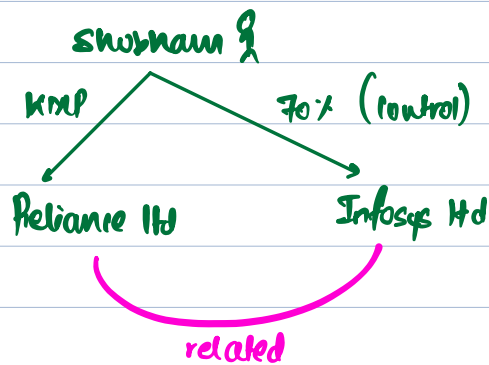


KMP are those persons who have the authority & are responsible for planning, directing & controlling the activities.

(Note: Non-executive director is not considered as KMP)

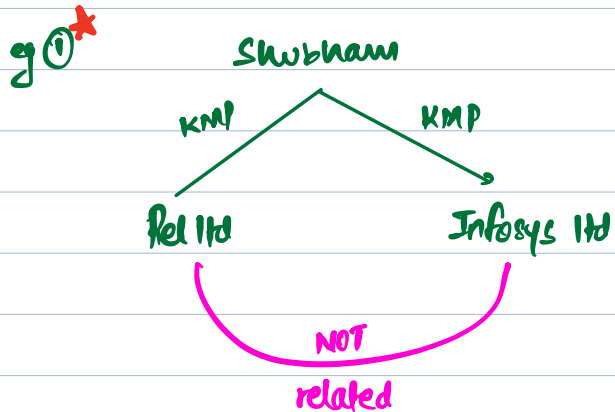
E) if one enterprise is controlled by a person and that same person is KMP in another enterprise then those two enterprises are also related.

eg ①

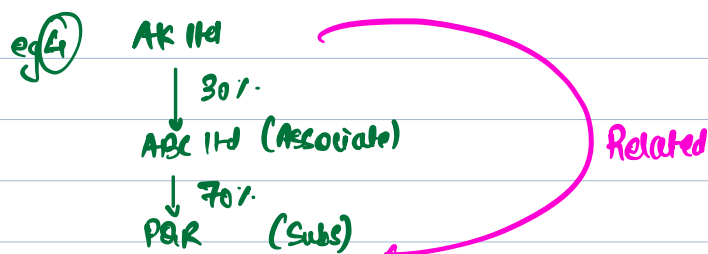
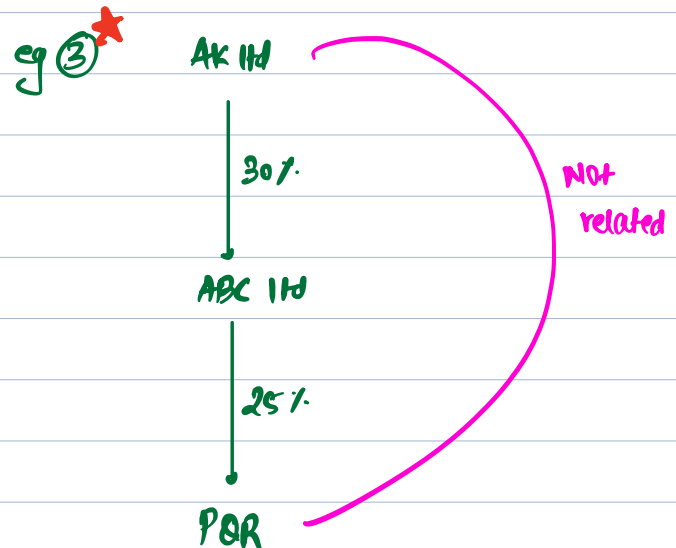
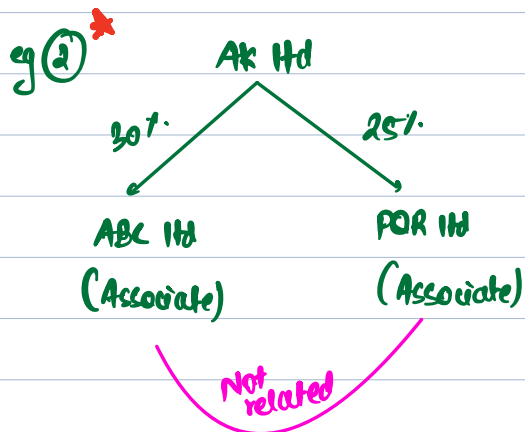


2] Who are **NOT** deemed to be related parties (Spoilers)

A) two companies are **not** related simply because they have a KMP in common



B) fellow associates, co-associates are not treated as related parties

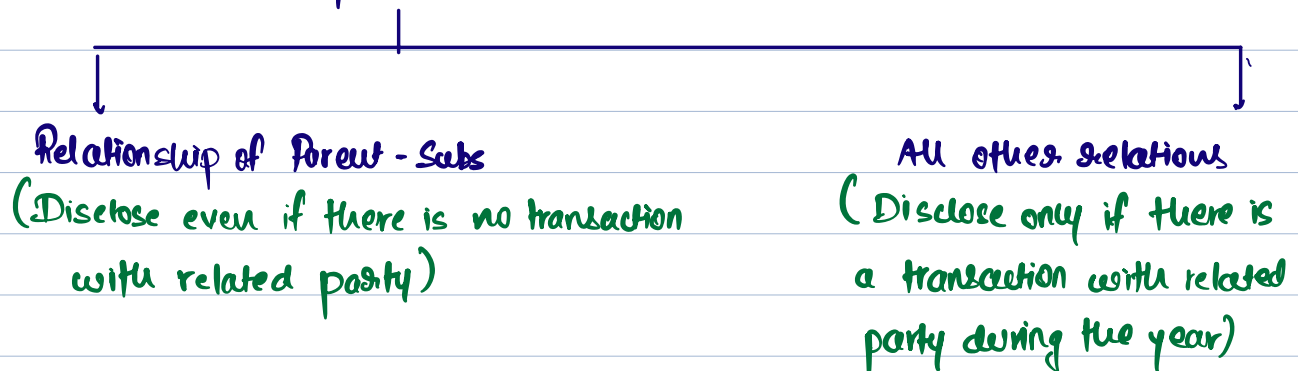


Hint: 2 A's (Alpha) are never related

C) a single customer, supplier, franchiser, distributor or general agent with whom an enterprise transacts 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.

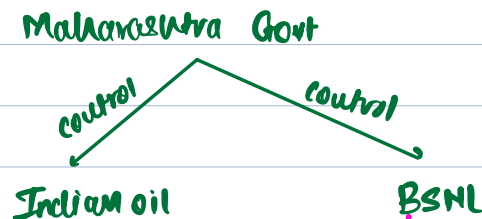
4] Exemption from related party disclosure in certain situations

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