Related party disclosure

1★ **Related party** – ya toh control hai / ya toh significant influence } kb? → kisi bhi samay

one party has ability to control or exercise significant influence over other party at any time during period.

- **Control**
  - voting power >50%
  - or Power to compose BOD ↓ authority or control to decide who will be the directors of the company
    - (voting power >50% and Power to compose BOD) ↓ AS-21 Holding Subsidiary relationship
  - or Power to direct + Substantial interest (VP ≥ 20%)
- **Significant influence**
  - Power to participate in financial &/or operating policy decisions
    - Statute/Law
    - Agreement
    - VP > 20% unless otherwise assumed.
    - → ye power yha pe milegi

2★ **Identification of related party relationship** – (Para 3(a) to (e)).

3(a) → Enterprises directly or indirectly through subsidiary, control or are controlled by or are under common control with entity.

Ex 1) $X\,Ltd \xrightarrow{\text{control}} Y\,Ltd$ → X and Y Ltd are RP

X Ltd ↓ Control; Y Ltd ↓ controlled

2) $A\,Ltd \xrightarrow{70\%} X\,Ltd$, $A\,Ltd \xrightarrow{70\%} Y\,Ltd$ → for A Ltd: X Ltd & Y Ltd are RP

X and Y Ltd are also RP (common control)

3) $\underset{H}{X\,Ltd} \xrightarrow{70\%} \underset{S_H}{Y\,Ltd} \xrightarrow{60\%} \underset{S}{Z\,Ltd}$ → for X Ltd → Both Y and Z are RP (Subsidiaries)

subsidiary ki subsidiary is subsidiary only

4) $\underset{H}{X\,Ltd} \longrightarrow \underset{S}{Y\,Ltd} \xrightarrow[\text{+ Power to direct}]{25\%} Z\,Ltd$ → for X Ltd → Y Ltd is RP (subsidiary)
→ Z Ltd is RP (indirectly through S)

S× → substantial

Note → group of parent and subsidiaries are always related to each other.

→ chain kitna bhi bna ho wo ek dusre ke relative hi honge.

means jo apne k[illegible] ke decision me standards [illegible]

3(b) → Associates & Joint venture of reporting entity and investing party or venture for which reporting entity is associate JV.

substantial unit

Example :- 1)

$$\begin{tikzcd} X\ Ltd \arrow[r] \arrow[dr] & Y\ Ltd\ (associates) \\ & Z\ Ltd\ (Joint\ venture) \end{tikzcd}$$

→ X Ltd & Y Ltd (associates) are RP

X Ltd & Z Ltd (JV) are RP

2) $X\ Ltd \xrightarrow{20\%} Y\ Ltd \xrightarrow{20\%} Z\ Ltd.$ → X Ltd and Z Ltd are not RP

common associates are not RP.

3). $X\ Ltd \xrightarrow{70\%} Y\ Ltd \xrightarrow{20\%} Z\ Ltd.$ → X Ltd and Z Ltd are RP (indirectly through Subsidiary).

4)

$$\begin{tikzcd} X\ Ltd \arrow[r, "20\%"] \arrow[dr, "30\%"'] & Y\ Ltd. \\ & Z\ Ltd. \end{tikzcd}$$

→ Y Ltd and Z Ltd are not RP (common / fellow associates / J.V not RP)

5)

$$\begin{tikzcd} & A\ Ltd \arrow[dl, "25\%"'] \arrow[dr, "JV"] \arrow[dl, bend right=50, dash, "RP"'] \arrow[dr, bend left=50, dash, "RP"] & \\ B\ Ltd \arrow[rr, bend right, dash, "RPX"'] & & C\ Ltd \end{tikzcd}$$

Note → In case of associates or JV relationship is always face to face.

3(c) Individuals who have control or significant influence and their relatives.

Ex → 1) $Mr\ X \xrightarrow[\text{significant influence}]{\text{control or}} A\ Ltd$ X & A Ltd are

Relatives → Mother & father
→ Brother & sister
→ Son & daughter
→ Spouse and children

3(d) KMP & their relatives
↓
Means any Person having authority of planning directing & controlling. It may be CEO, CFO, Manager etc.

Ex:- Mr X $\xrightarrow{KMP}$ A Ltd ∴ X & A are RP.

3(e). Person Prescribed in (c) & (D) exercise

Ex:- 1) Mohan $\xrightarrow{30\%}$ X Ltd
Mohan $\xrightarrow{25\%}$ Y Ltd

Mohan & X Ltd ∴ RP → 3(c)
Mohan & Y Ltd → RP → 3(c)
X & Y Ltd → RP → 3(e)

2) Mohan $\xrightarrow{KMP}$ X Ltd.
Brother ↕
Sohan ⟶ Y Ltd.

X Ltd → Mohan/Sohan : RP → 3(d)
Y Ltd → Sohan/Mohan : RP → 3(c)
X Ltd & Y Ltd : RP → 8(e).

3★ Disclosure
whether related at any time during period

Yes
Any transaction took place i.e. T/F of resources or obligation → NO → Does Control exist? → NO → No disclosure required

Yes → Disclose
a) Nature of RP
b) Nature of relationship
c) Nature of transaction
d) Volume of "
e) amt due
f) BD written off/ written back
g) Provision for BD

Does Control exist? ↓ Disclose
a) Name of RP
b) Nature of relationship

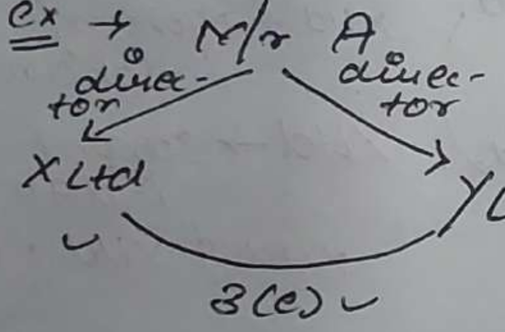
NO → No disclosure required

4* Exception of disclosure requirement (no need to give disclosure)

(1) Transactions during period when no relationship.
(2) Disclosure which are against ethics of business (confidentiality ke naam pe disclosure dene se nhi bch skte).
(3) Intragroup transactions in CFS (consolidated FS)
(4) Banks
(5) for Govt/SG controlled entity.

5* No related parties

1* Two Companies Simply because of common director.



In professional capacity

X & Y Ltd are not related

2* Single customer, Supplier, franchisee, distributor etc.
↳ sirf is wjh se nhi maana hn agr ye prove ho gya ki unka significant interest hai toh maan lenge.

3* Providers of finance (Banks), Trade unions, Govt dep
loan dene se related party nhi bn jayenge.

common control is covered but not common associates.

⇒ Transactions with related parties, for services provided/received free of cost, be required to be disclosed?

⇒ related party transaction is "a transfer of resources or obligations between parties, regardless of whether or not a price is charged"

* remuneration paid to non executive director is not a related party transaction ↓ only involved in planning stage.