



IFRS Training

IAS 24 – Related Party Disclosure



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Section 1

Overview



Section 2

Scope

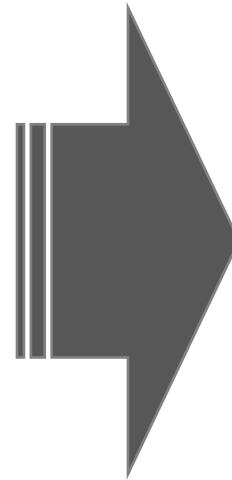




- ✓ IAS 24 **will be applied** in identifying:

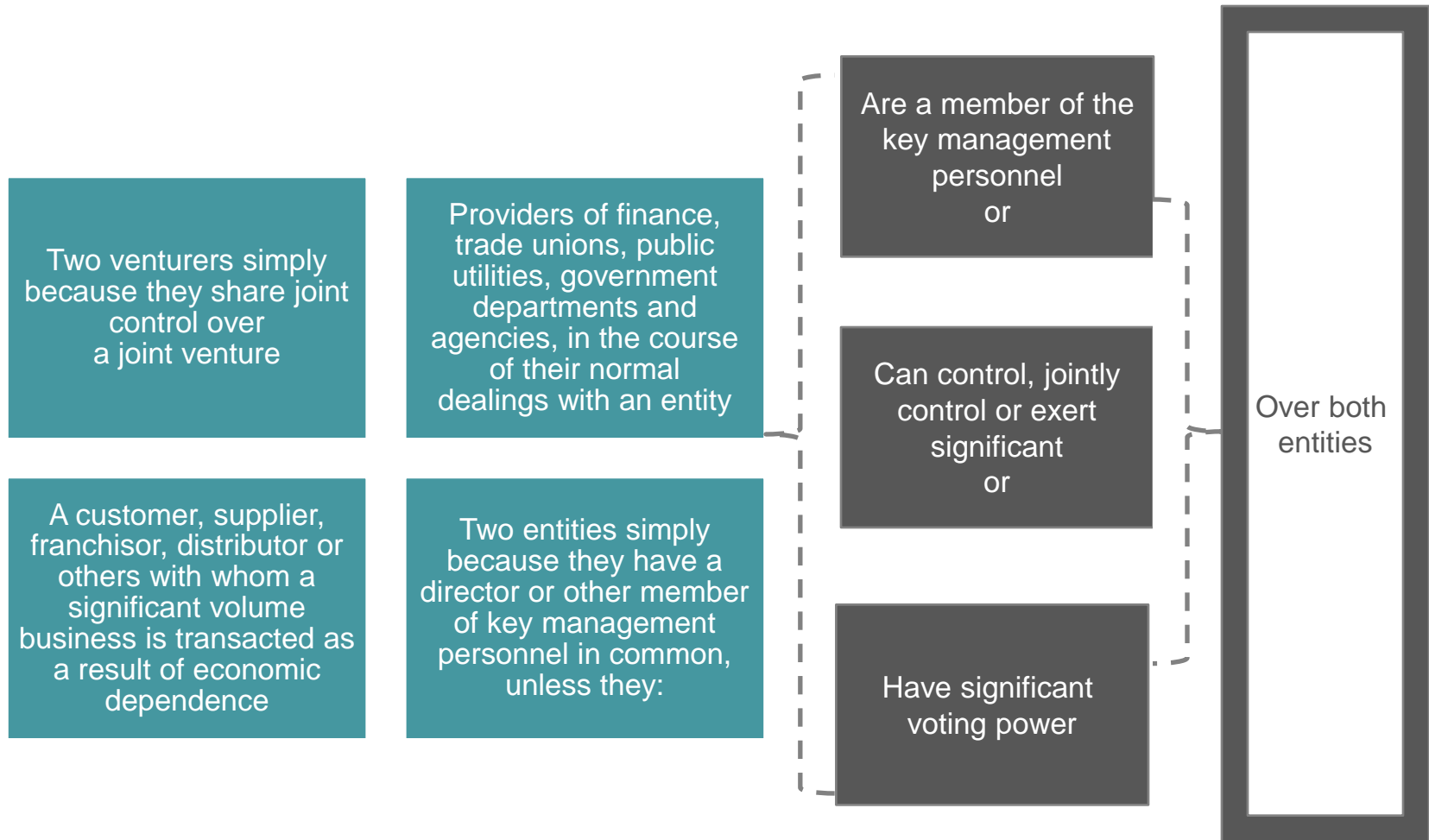
IAS 24

- RP relationships and transactions
- Outstanding balances between an entity and its RPs
- When the disclosures are required
- Disclosures to be made



IAS 24 **requires disclosure in the separate financial statements of an investor in a subsidiary, associate or joint venture**

Parties Deemed not to be Related



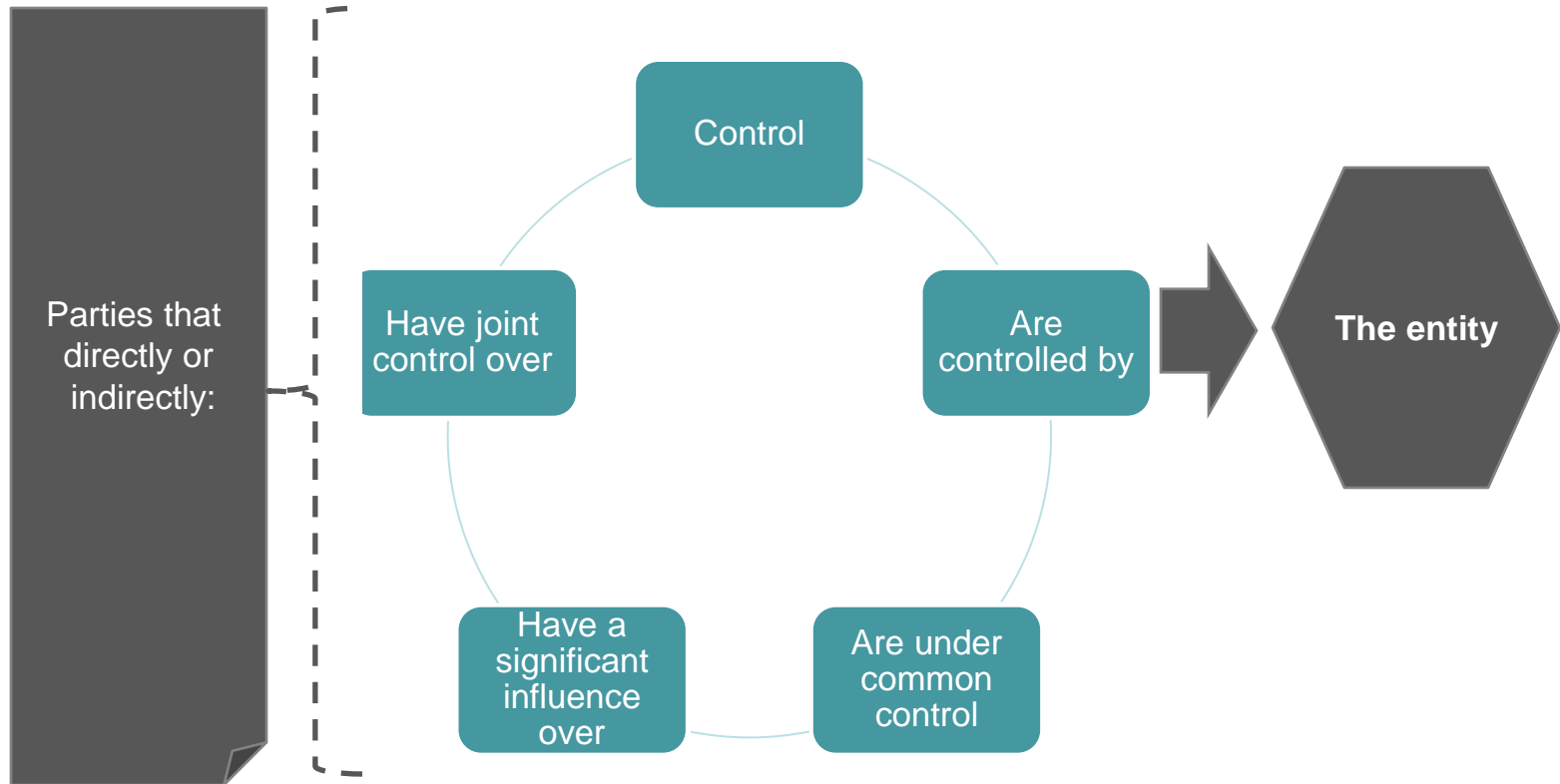
Section 3

Definitions





a) Parties that directly or indirectly:





- b) Associates of the entity
- c) Joint ventures in which the entity is a venturer
- d) **Key management personnel** (i.e. persons having authority and responsibility for planning, directing and controlling activities of the reporting entity) including directors
- e) **Close family members** of (a) and (d); Those who may be expected to influence or be influenced by the individual in their dealings with the entity. May include: domestic partner and children, children of domestic partner or dependents or dependents of domestic partner
- f) **Entities that are controlled by, jointly controlled by, or under significant influence of, or in which a significant voting power is held by any person** described in (d) or (e)
- g) **The party is a post-employment benefit plan** for the benefit of the employees or related parties of the entity



Substance of relationship, not merely legal form, should be considered. One party has the ability to **control** the other party or exercise **significant influence** over the related party in making financial and operating decisions

- ✓ A transfer of resources, services or obligations between related parties, regardless of whether a price is charged



Control, Significant Influence and Joint Control



- ✓ Control
 - ☐ **Has power to** over the investee
 - ☐ Rights to variable returns
 - ☐ The ability to affect those returns
- ✓ Significant influence
 - ☐ **Power to participate** in (**no** control) the entity's financial and operating policy decisions
 - ☐ May be gained by share ownership, statute or agreement
- ✓ Joint control
 - ☐ The contractually agreed **sharing of control** over an economic activity

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Section 4

The Related Party Issue



*A related party relationship **could have an effect** on SOFP and operating results:*

Entering into transactions which unrelated parties would not

Transactions not at the same amounts as for unrelated parties

Even if RP transactions do not occur, mere existence of the relationship may affect transactions with other parties

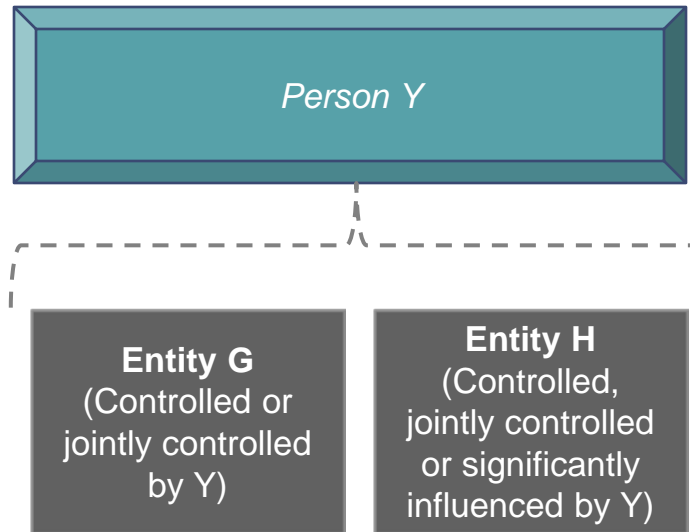


Pricing Methods

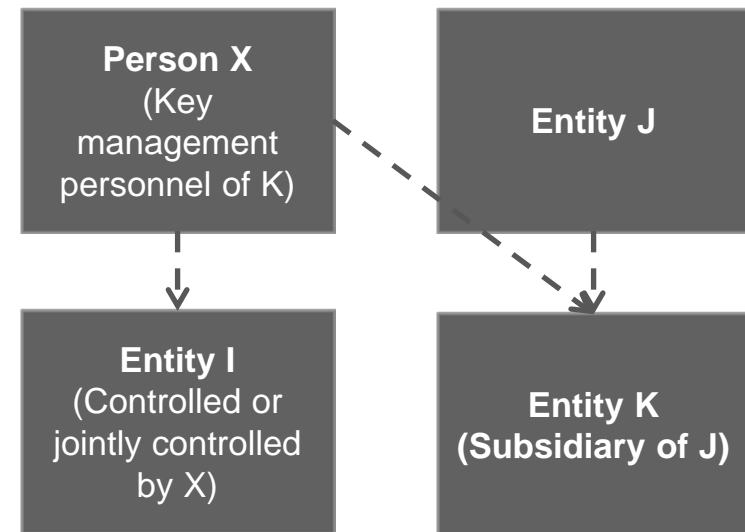


- ✓ Comparable uncontrolled prices
- ✓ Resale price reduced by a margin to arrive at a transfer price
- ✓ Cost plus method
- ✓ No price (free provision of management services and interest free credit)

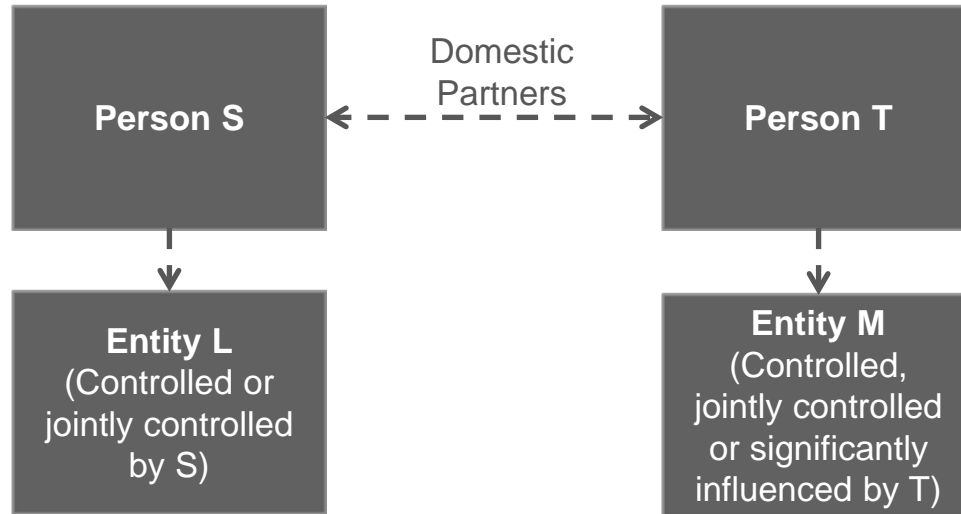
Examples



- ✓ Y controls or has joint control of entity G, and has control, joint control of or significant influence over entity H
- ✓ H is a related party for G's financial statements. G is a related party for H's financial statements



- ✓ For I's financial statements, K is a related party because X controls I and is a member of the key management personnel of K
- ✓ For the same reasons I is a related party for the financial statements of K

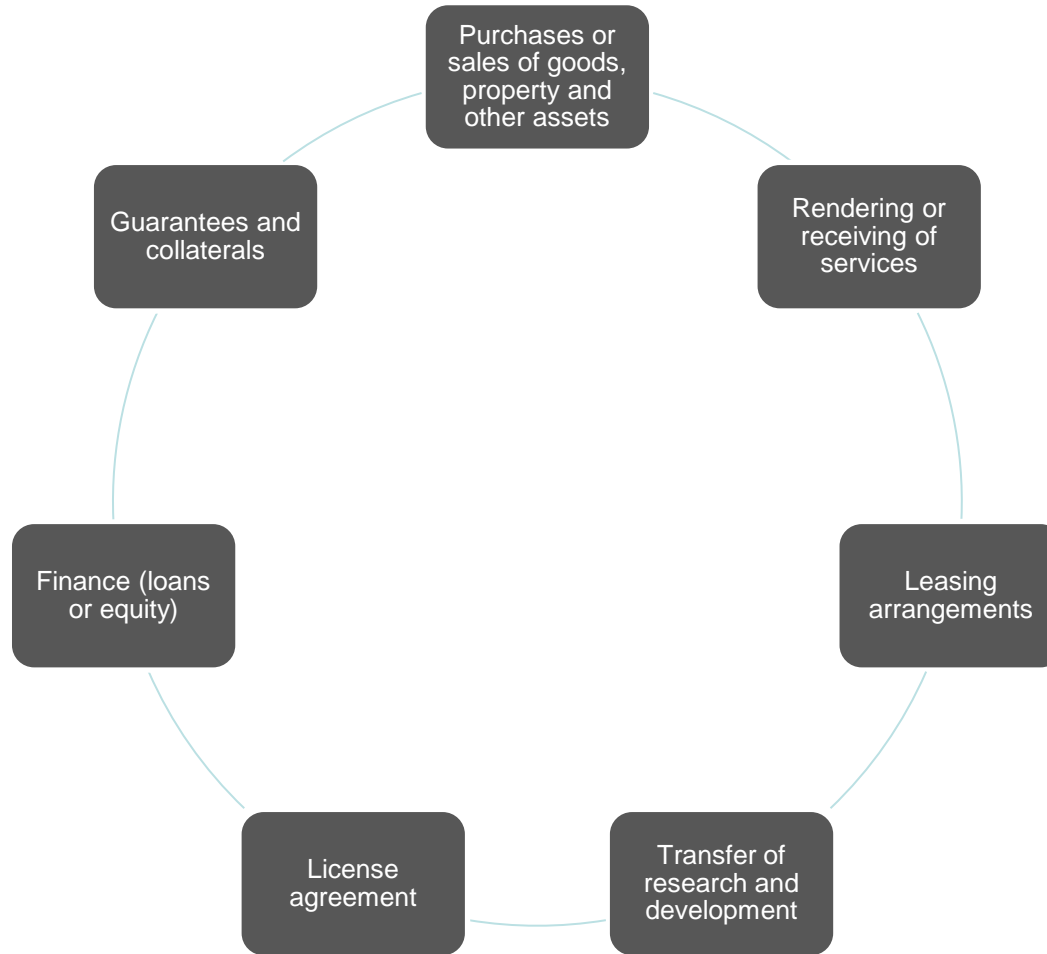


- ✓ Both entities L and M are related parties
- ✓ If S and T only had significant influence over L and M respectively, the two entities would not be related parties

Section 5

Disclosures







- ✓ Related party relationships where control exists (irrespective of whether there have been RP transactions), for example, between a parents and its subsidiaries
- ✓ Name of the parent company or the ultimate controlling party
- ✓ Key management compensation must be disclosed in total as follows:
 - ☐ Short term employee benefits
 - ☐ Post employment benefits
 - ☐ Other long-term benefits
 - ☐ Termination benefits
 - ☐ Share based payment





- ✓ If there have been transactions between related parties, the entity must disclose the nature of the relationships and information about the balances and transactions. The minimum disclosures are:
 - ☐ The nature of the relationships
 - ☐ Amount of transactions
 - ☐ Amount of outstanding balances, including: terms and conditions and any guarantees
 - ☐ Doubtful debt provisions (not allowances)



- ✓ These disclosures shall be made separately for each of the following classifications or RP:
 - ☐ Parent
 - ☐ Subsidiaries
 - ☐ Associates
 - ☐ Joint ventures
 - ☐ Key management personnel
 - ☐ Parties with joint control or significant influence over the entity
 - ☐ Other



- ✓ Similar items may be aggregated so long as users can understand the effects of the transactions of the financial statements