



# IAS 24 Related Party Disclosures

## Objective

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent or investors with joint control of, or significant influence over, an investee presented in accordance with IFRS 10 *Consolidated Financial Statements* or IAS 27 *Separate Financial Statements*.

This Standard also applies to individual financial statements. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

## Scope

This Standard shall be applied in:

- (a) identifying related party relationships and transactions;
- (b) identifying outstanding balances, including commitments, between an entity and its related parties;
- (c) identifying the circumstances in which disclosure of the items above is required; and
- (d) determining the disclosures to be made about those items.

## Effective date and transition

An entity shall apply this Standard retrospectively for annual periods beginning on or after 1 January 2011. Earlier application is permitted, either of the whole Standard or of the partial exemption for government-related entities.

## Defined terms

*A related party transaction* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

*Close member of a person's family* are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity, and include:

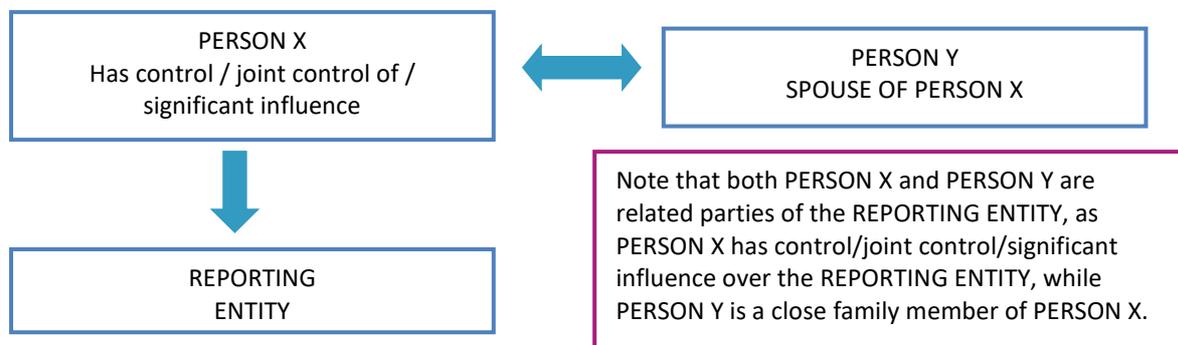
- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

*Key management personnel* are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Standard contains a detailed definition of a *related party*; the individual elements are summarised below:

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- has control or joint control of, or significant influence over, the reporting entity;



- or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following applies:

- The entity and the reporting entity are members of the same group.
- One of the entities is an associate or joint venture of the other entity or if both entities are joint ventures of the same third party.
- The entity is a post-employment benefit plan of the employees of either the reporting entity or an entity related to the reporting entity.
- The entity is significantly influenced by a person that has control or joint control of the reporting entity or is a member of the key management personnel of the other entity or its parent.
- The entity provides key management personnel services to the reporting entity or to its parent. The entity performing the key management personnel services is also referred to as the “management entity”.

## Presentation and disclosure

An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of related parties, balances and transactions:

### In the Notes to the financial statement:

- (a) The following matters shall be disclosed for all entities:
- relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party;
  - If neither the entity’s parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.
- (b) An entity shall disclose compensation of key management personnel in total and for each of the following categories:
- short-term employee benefits;
  - post-employment benefits;
  - other long-term benefits;
  - termination benefits; and

**In the Notes to the financial statement:**

- (v) share-based payments.

If an entity obtains key management personnel services from another entity (“the management entity”), the entity is not required to disclose the compensation paid or payable by the management entity to the management entity’s employees or directors.

- (c) If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, in addition to disclosure of compensation of key management personnel, disclosure shall include:

- (i) the amount of the transactions;
- (ii) the amount of outstanding balances, including commitments and:
  - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - details of any guarantees given or received;
- (iii) provisions for doubtful debts related to the amount of outstanding balances; and
- (iv) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

The disclosures required above shall be made separately for each of the following categories:

- (i) the parent;
- (ii) entities with joint control of, or significant influence over, the entity;
- (iii) subsidiaries;
- (iv) associates;
- (v) joint ventures in which the entity is party to the joint venture;
- (vi) key management personnel of the entity or its parent; and
- (vii) other related parties.

Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

- (d) A reporting entity is exempt from the disclosure requirements of related party transactions and outstanding balances, including commitments, with:
  - (i) a government that has control or joint control of, or significant influence over, the reporting entity; and
  - (ii) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

If a reporting entity applies this exemption, it shall disclose the following about the transactions and related outstanding balances:

- (i) the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
- (ii) the following information in sufficient detail to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements:
  - the nature and amount of each individually significant transaction; and
  - for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.
- (iii) An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of government grants and other forms of government assistance.