AS - 18

DO NOT WRITE ANYTHING HERE

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

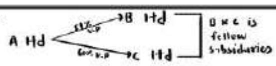
OR

(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.

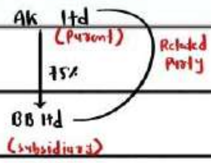
Fellow subsidiary Example :-



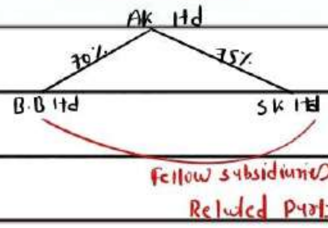
☆ Enterprises that — Directly control / Indirectly control or under common control with the reporting enterprise (include Holding / subsidiaries / fellow subsidiaries)

Example :-

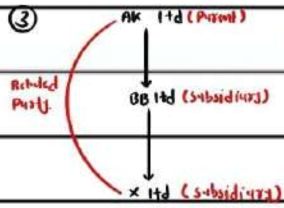
① Direct control



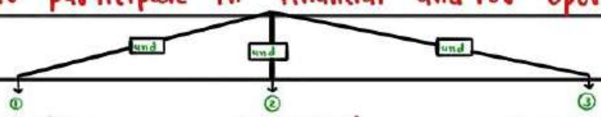
② Common Control



③ Indirect Control



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



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

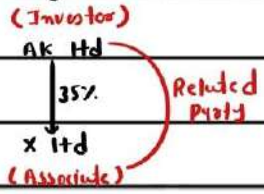
Example :- A ltd hold in B ltd 25% voting power but not participate in decision making :- Ltd A or B → Not Related Party

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

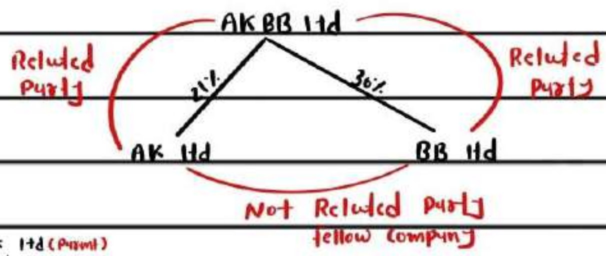
☆ Associate and joint venture of the reporting enterprise.

Example :-

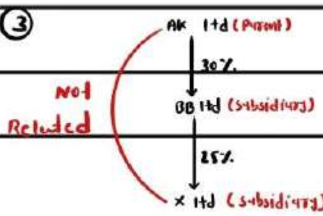
①



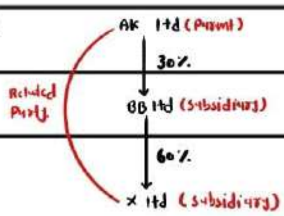
②



③



④

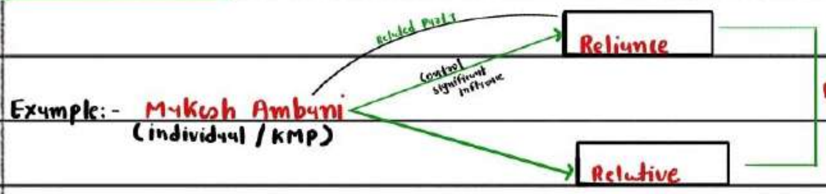


Hint :- 2 Associate never Related

DO NOT WRITE ANYTHING HERE

Individual/KMP → Individual OR KMP who have control OR significant influence in entity & relatives of such Individual/KMP.

Example:- Mukesh Ambani (individual / KMP)



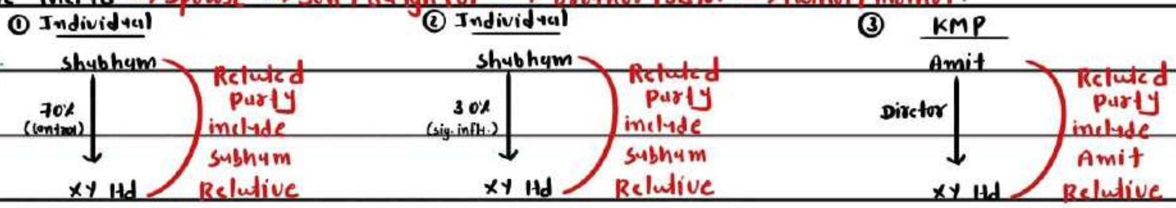
KMP means:- Authority of
1. Planning
2. Directing
3. Controlling

The Activities of the entity

Non-executive director is not consider as KMP)

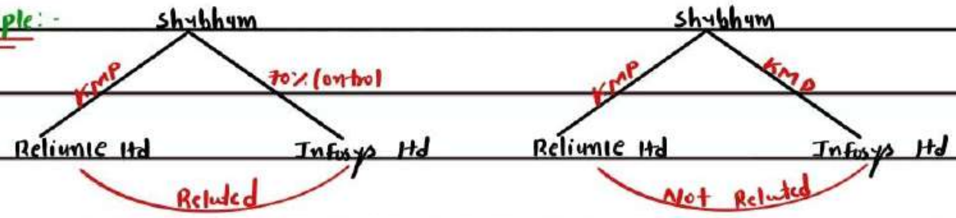
∴ Relative includ → spouse → Son / daughter → brother / sister → father / mother.

Example:-



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

Example:-



C) a $\boxed{\text{single}}$ 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)

8) Disclosure requirements

Relationship of $\boxed{\text{Parent - Subs}}$
(Disclose even if there is no transaction with related party)

All other relations
(Disclose only if there is a transaction with related party during the year)

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:

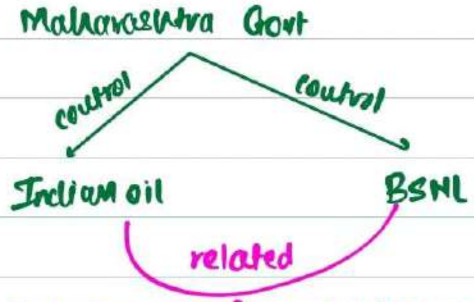
1) Remuneration paid to KMP should be considered as a related party transaction requiring disclosures.
2) Remuneration paid to non-executive director should not be considered as a related party transaction.

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 → maintain confidentiality of their customers
(any other commercial contract between the parties to maintain confidentiality won't be considered for this purpose)

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

eg:



But exempt from disclosure requirement