

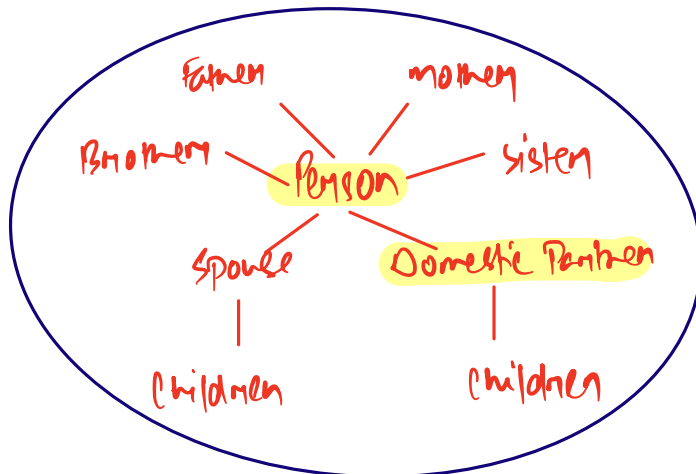
Ind As 24 - Related Party disclosures

Objective — Necessary Disclosure w.r.t.

- i) Related Party Relationships.
- ii) Related Party Transactions.
- iii) Outstanding Balances with Related Parties.
- iv) Commitment with Related Parties.

Close person includes

Person's children, spouse, domestic partner, brother, sister, father, mother
children of that person spouse or domestic partner
dependents of that person or person's spouse or domestic partner.



→ Also include Dependents of Person, Person's spouse and Domestic Partner.

A related party is a person or an entity that is related to the reporting entity.

Key Management Personnel → Those persons having Authority and Responsibility

↓ born

Planning, Directing and Controlling

↓

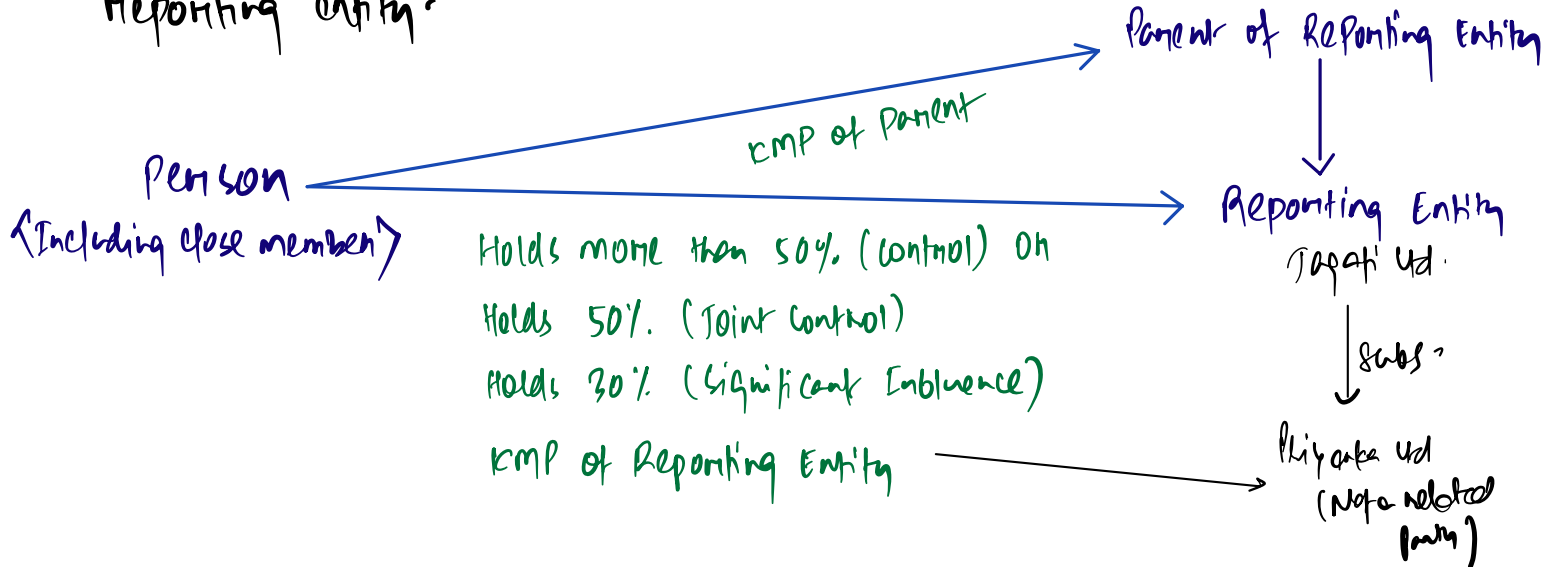
Activities of Entity (Directly or Indirectly)

< may include Executive as well as Non Executive Director >

Understanding Relationship between Reporting Entity and Person

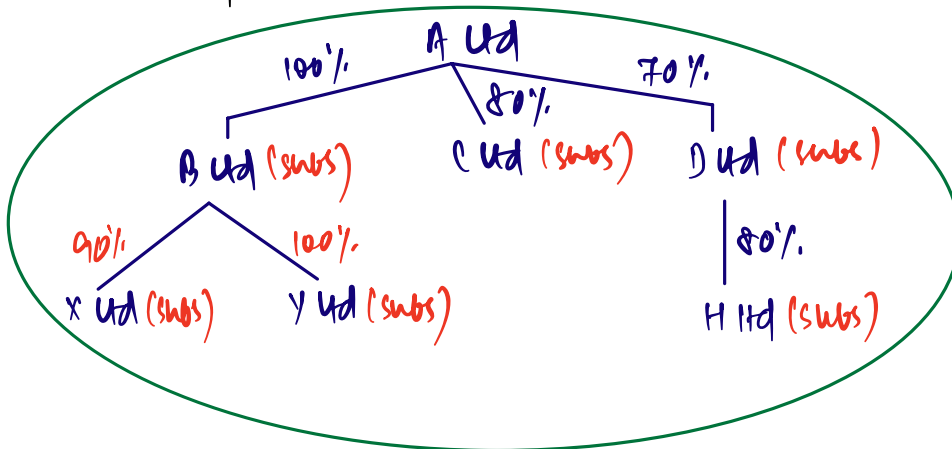
A Person or a close member of that Person's Family is related to a reporting entity if that person has :

- (i) Control or Joint Control over reporting entity
- (ii) has significant influence over reporting entity.
- (iii) is a member of KMP of reporting entity or KMP of a parent of reporting entity.



Understanding Relationship between Reporting Entity and other Entities.

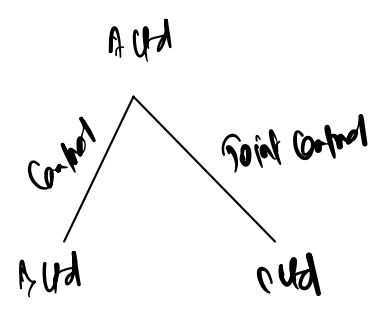
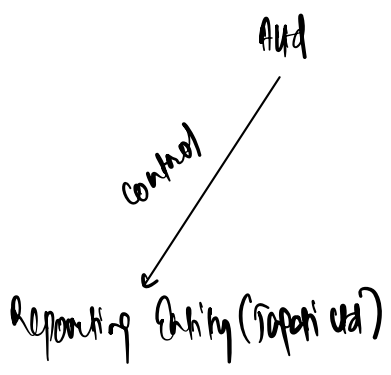
1. The Entity and Reporting Entity are members of the same Group.



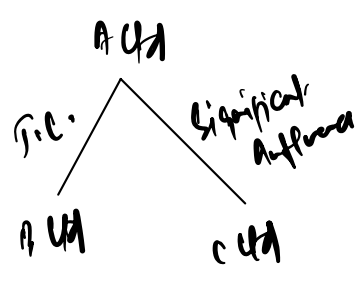
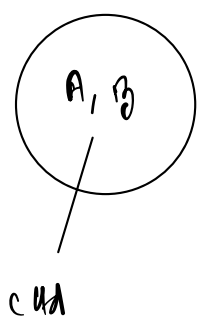
A, B, C, D, X, Y & H are all members of the same Group and related to each other.

2. One Entity is an Associate or Joint Venture of another Entity. (Or an Associate/ JV of a member of a group of which other Entity is a member)

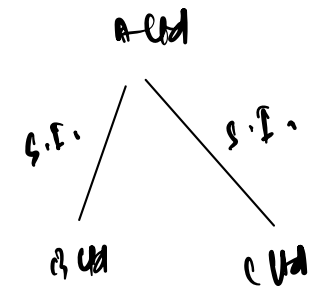
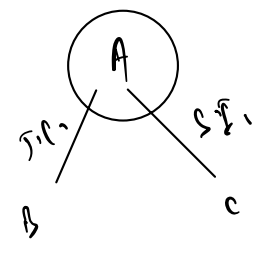
3. Both Entities are Joint Venture of the same third Party.



B & C are related

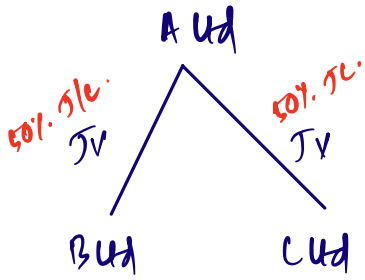


B & C are related

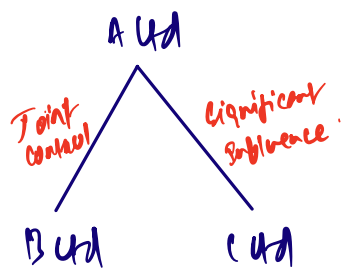


B & C are not related,

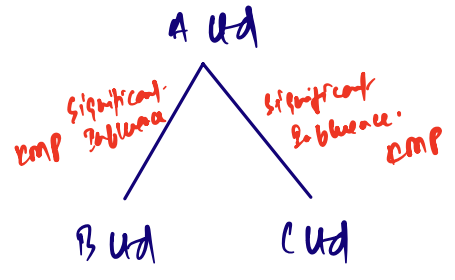
h. One Entity is JV of third Entity and other is an Associate of third Entity.



B and C are related

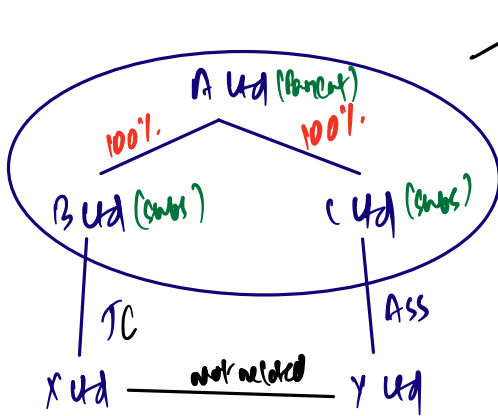


B and C are related



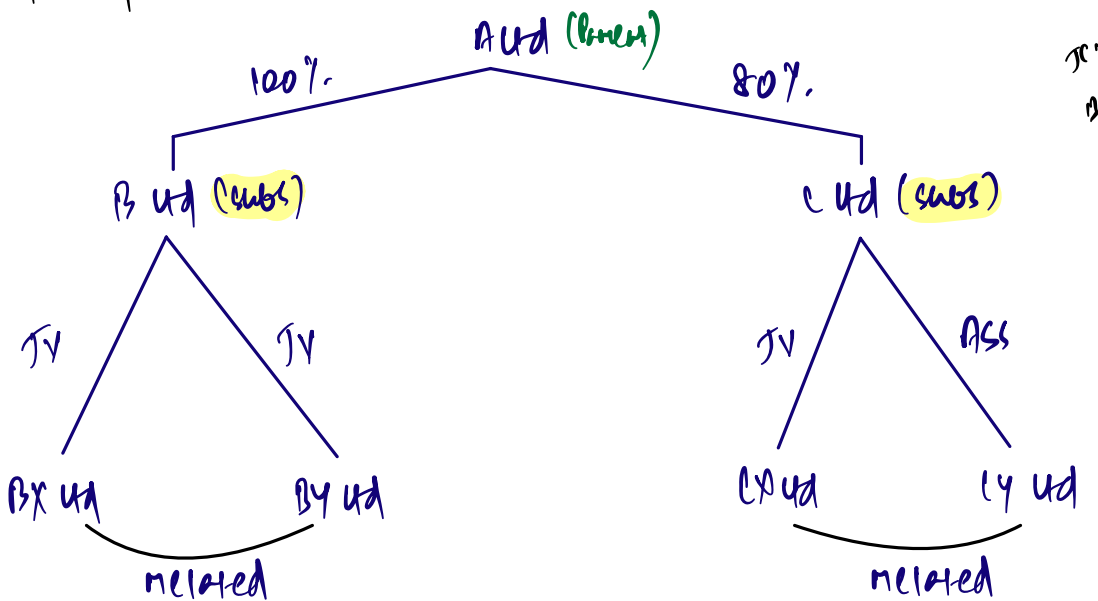
B and C are not related.

Another Example



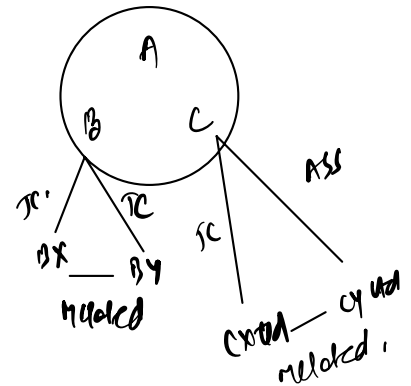
X Ltd is related to B Ltd and members A Ltd & C Ltd.
 Y Ltd is related to C Ltd and members A Ltd & B Ltd.
 X Ltd and Y Ltd are not related.

Another Example



Bx and By are related to each other

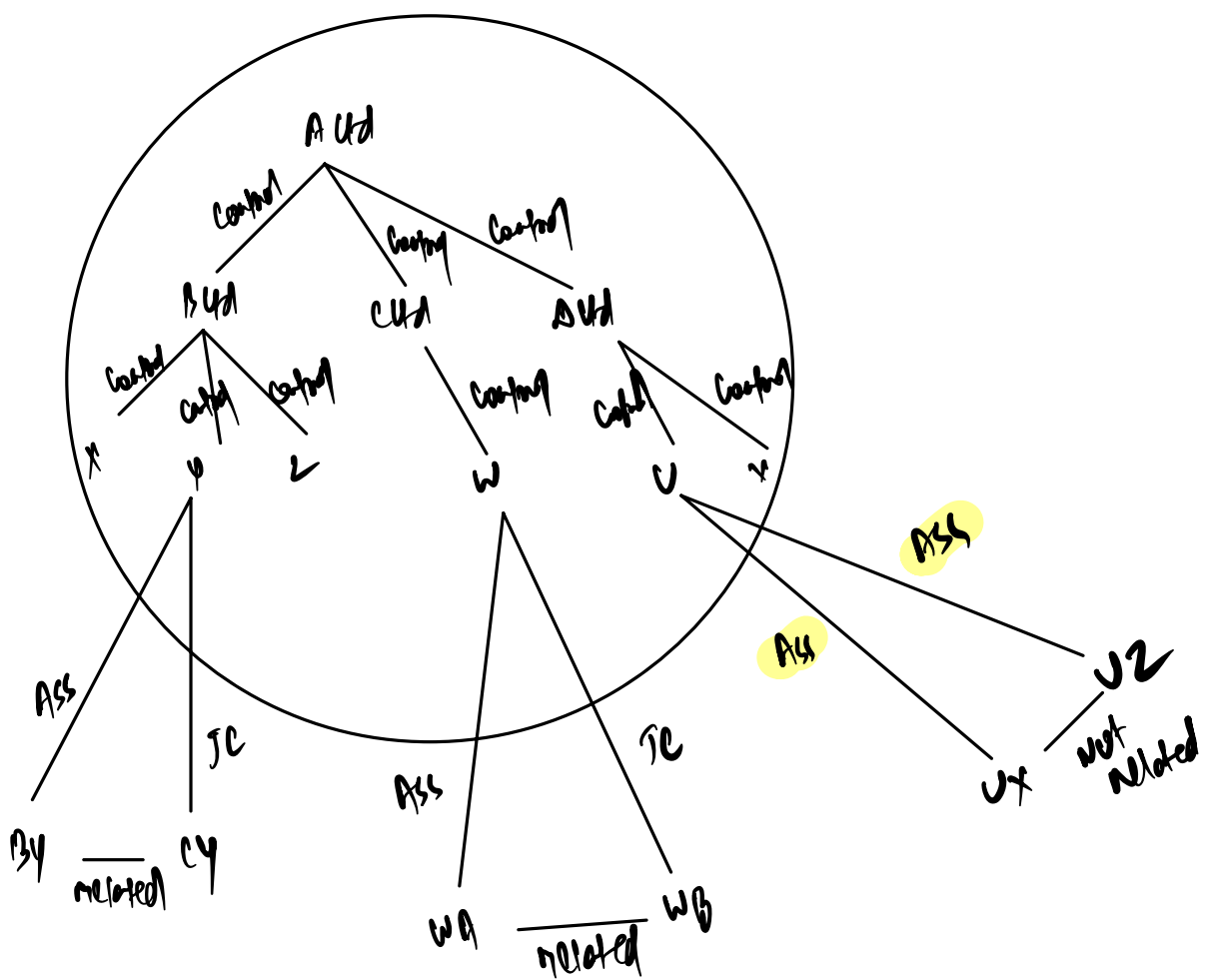
Cx and Cy are related to each other.



1. Bx, By related to B Ltd and main group members A Ltd and C Ltd.

2. Cx, Cy related to C Ltd and main group members A Ltd and B Ltd.

3. Bx, By not related to Cx, Cy

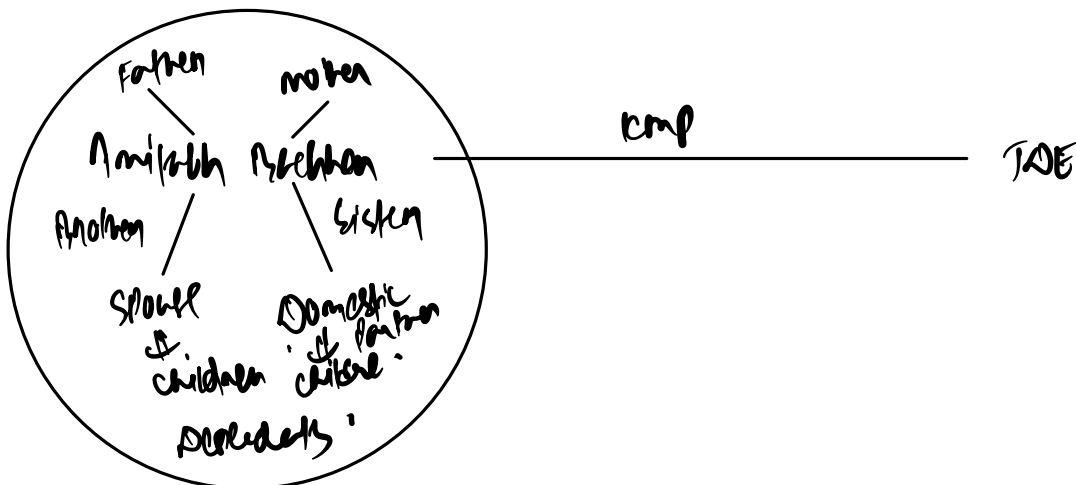


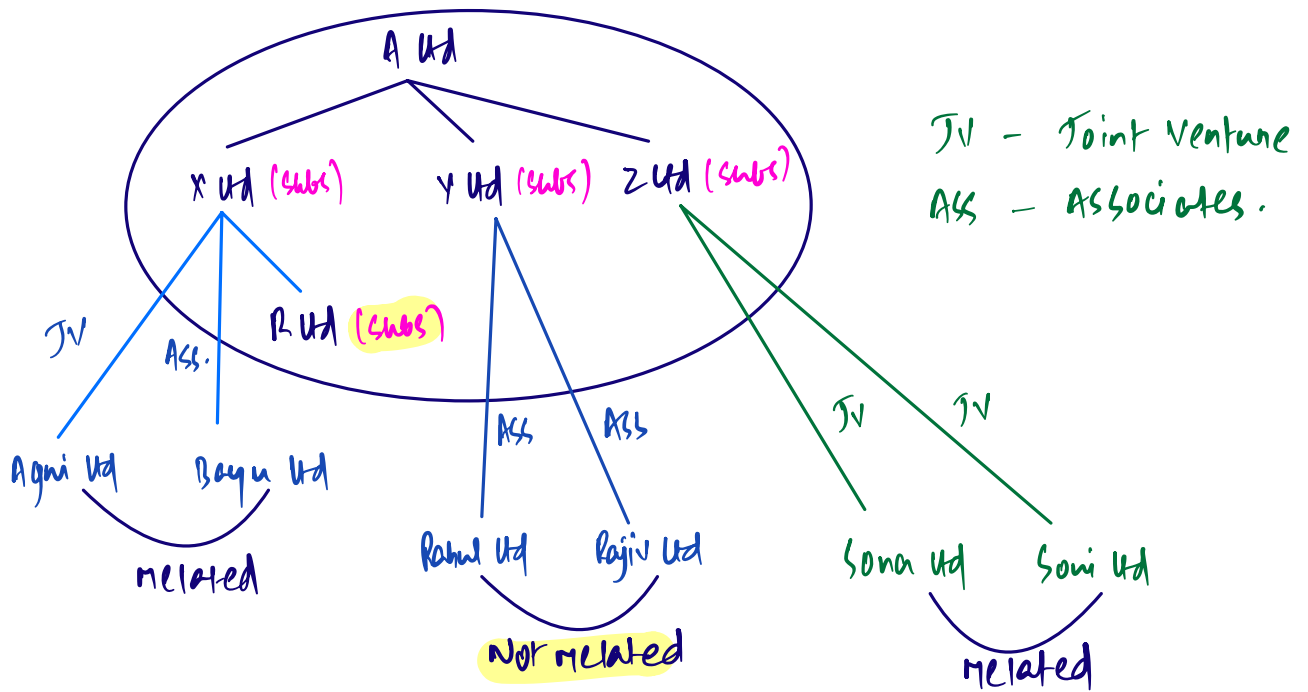
Amitabh Bachchan EMP JAGATI DIGITAL EDUCATION

Amitabh Bachchan and Jagati Digital Education are related entities.

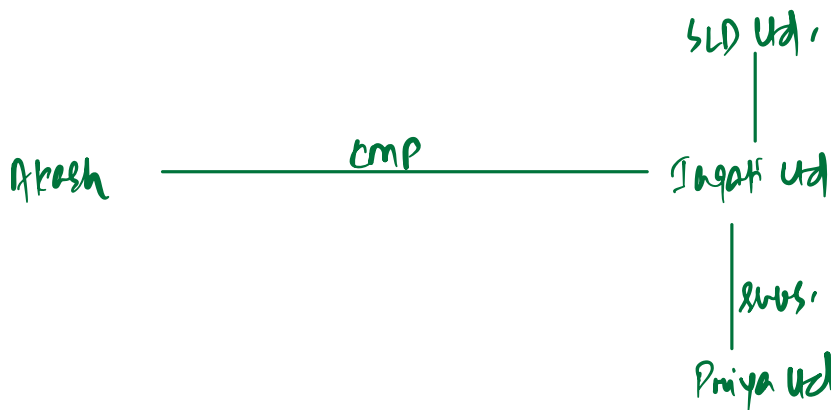
Whether Jaya Bachchan & Abhishek Bachchan are also related to Jagati Digital Education?

Yes because they are close members of Amitabh Bachchan



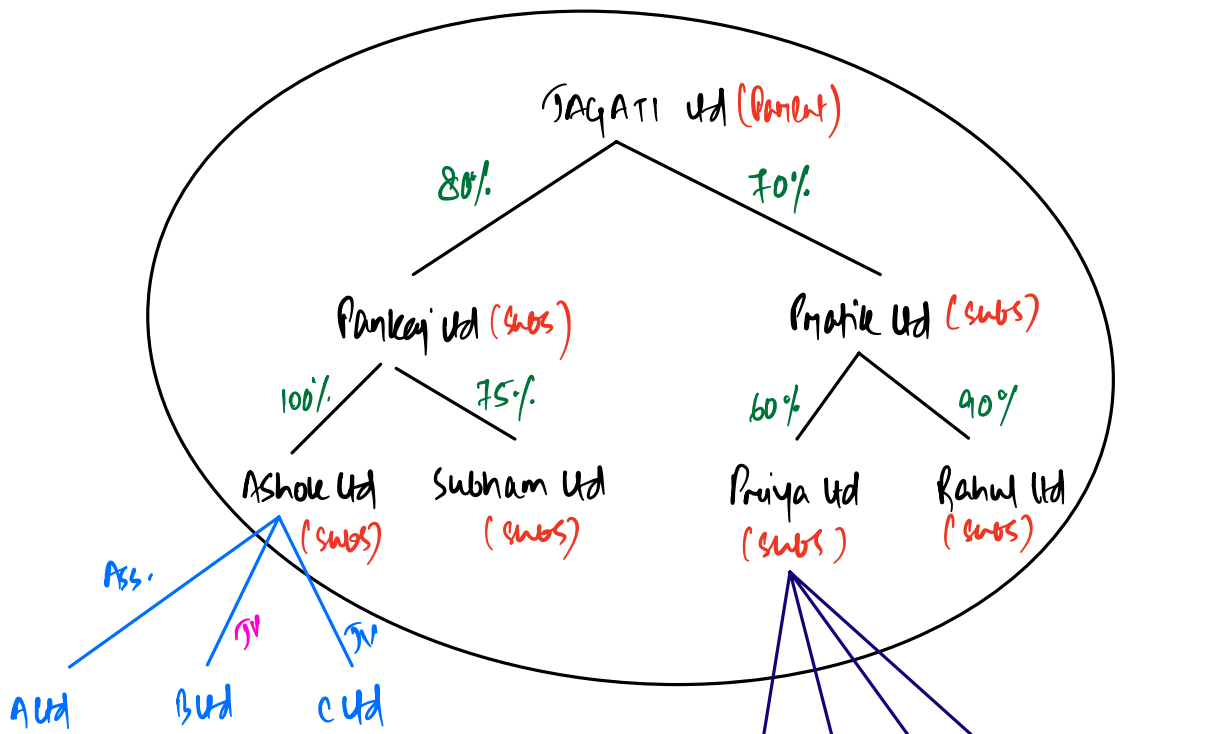


1. Agni and Bayu are related to each other.
2. Agni and Bayu are related to X Ltd and all members of same group.
3. Agni and Bayu not related to Rahul, Rajiv, Sona, Soni.
4. Rahul and Rajiv are not related to each other.
5. Sona and Soni are related to each other.
6. Sona and Soni not related to Rahul, Rajiv, Agni, Bayu.



If Apkash is comp of Jagati Ltd then Apkash is R.P. of Jagati Ltd's subsidiary as well
 (Apkash — R.P. — Jagati Ltd / Priya Ltd)

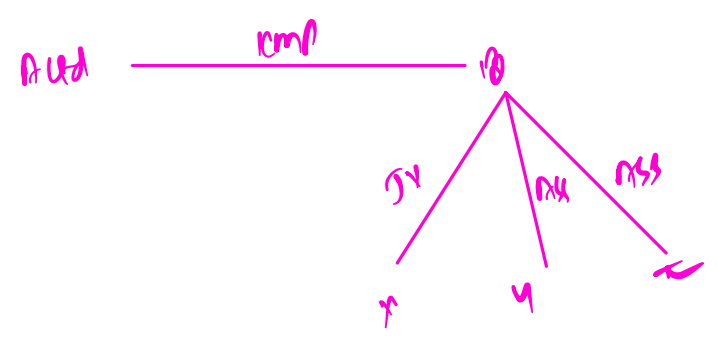
Apkash is not R.P. of SLD Ltd.



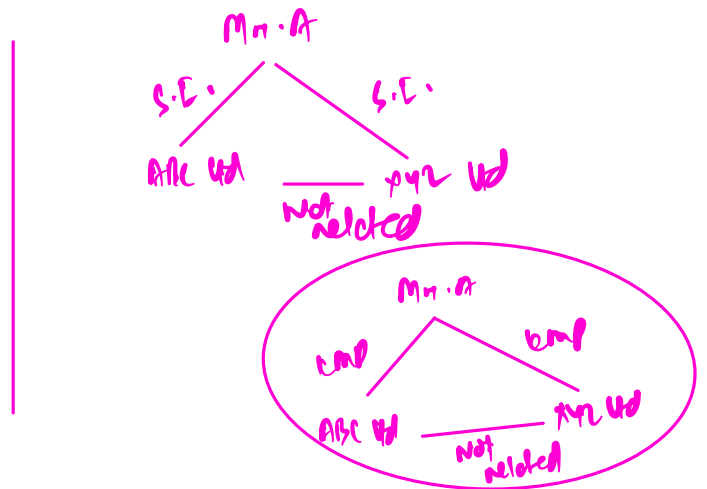
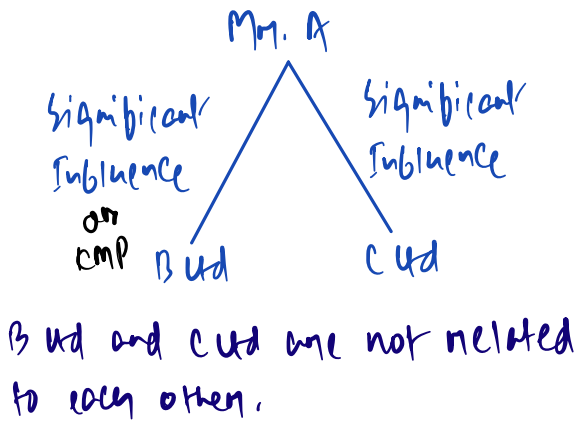
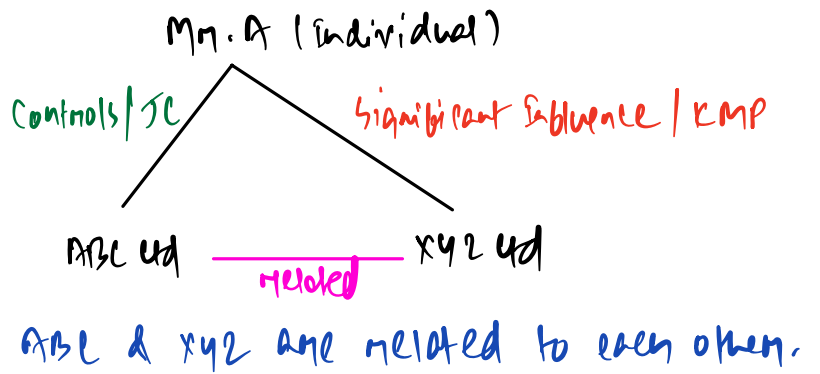
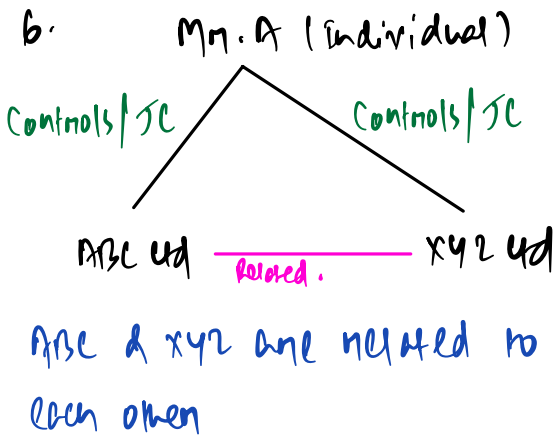
1. A, B & C are related to each other
2. A, B & C are related to Ashok Ud & all members of the same group
3. A, B & C are not related to X, Y, Z & ZZ Ud.

1. X and Y are not related.
2. X and Z; X and ZZ; Y and Z; Y and ZZ are related
3. X, Y, Z & ZZ are related to Priya and all other group members.
4. X, Y, Z & ZZ not related to A, B & C.

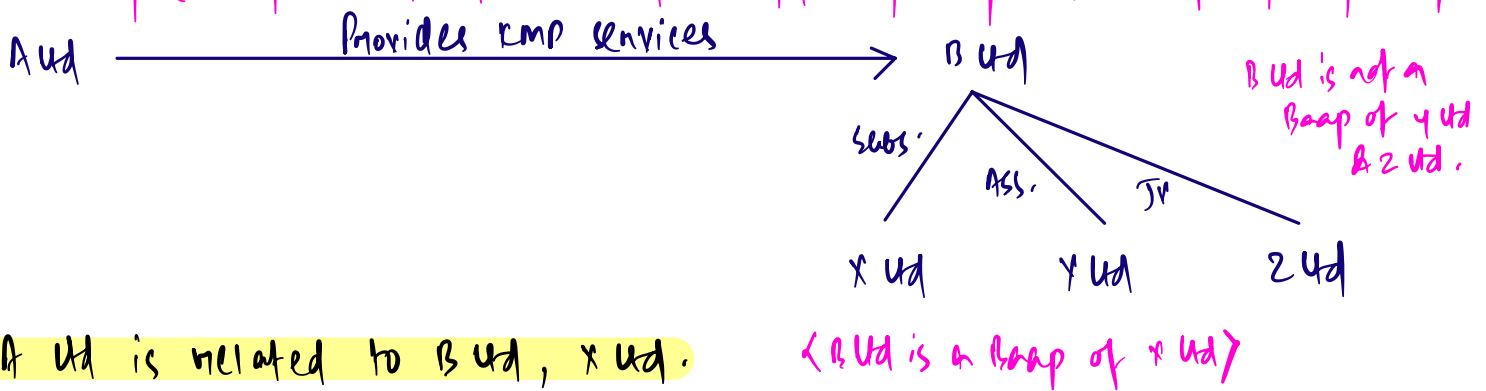
Reason



5. The Entity is a Post Employment Benefit plan for the benefit of employees of either reporting entity or entity related to reporting Entity.



f. The Entity (or any member) provides EMP to Reporting Entity or Parent of Reporting Entity.



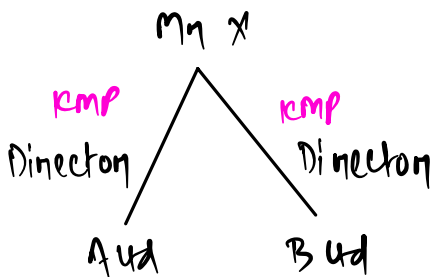
A Ltd is related to B Ltd, X Ltd.



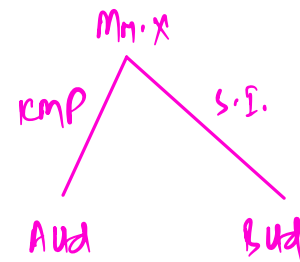
A Ltd is related to X Ltd but not related to B Ltd.

Understanding who are not related parties

- a) Two entities are not related parties simply because they have a director or other member of key management personnel in common or because member of key management personnel of one entity has significant influence over the other entity.

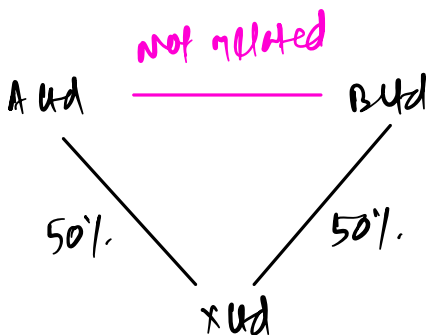
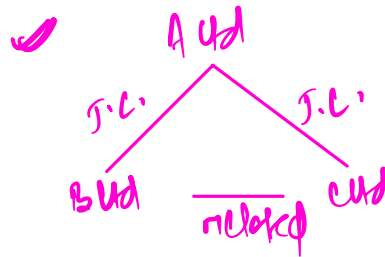


A Ltd and B Ltd are not related parties.



A and B are not related parties

- b) Two venturers are not related parties simply because they share joint control over a joint venture.

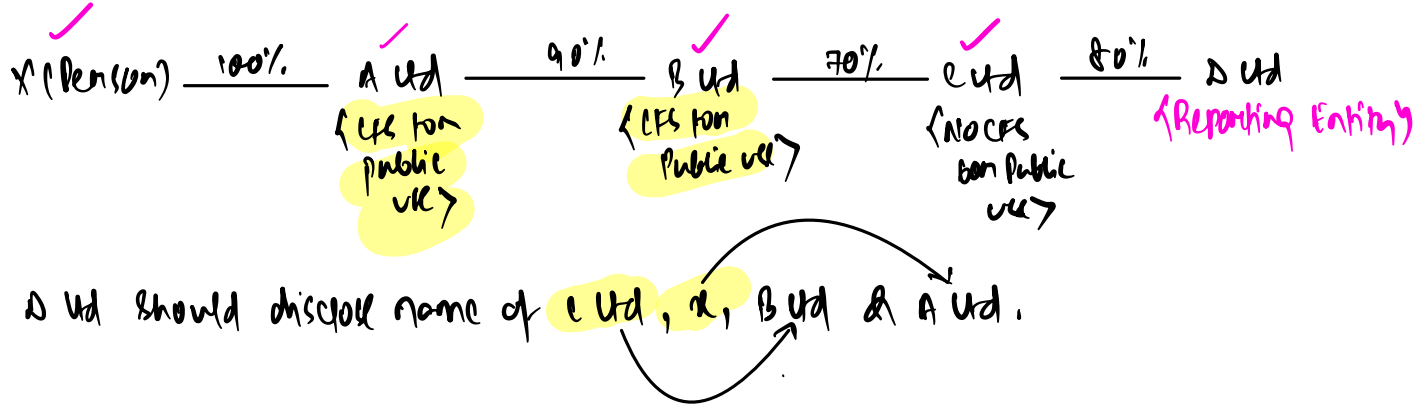


A Ltd and B Ltd are co-venturers but not related parties.

- c) providers of finance, (i) trade unions, (ii) public utilities, and (iii) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, are not related parties simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).

- d) A customer, supplier, franchisor, distributor or general agent with whom an entity transacts significant volume of business, simply by virtue of the resulting economic dependence

If neither entity's parent nor ultimate Controlling Party produces CFS from Public use, the name of next most senior parent that does shall be disclosed



Category 2 Disclosure

Two types of disclosures are required. ∴

First ∴ Disclosures related to compensation to KMP.

i) Total Compensation to KMP
 ↓
 500000

2) Compensation from each following categories

- i) Short term Employee Benefits: 1500000
- ii) Post Employee Benefits: 1200000
- iii) Long term Employee Benefits: 1300000
- iv) Termination Benefits.
- v) Short Based Payments (Ind AS 102) 1000000

Second ∴ Disclosures when there have been related party transactions during the year.

1. Nature of Related party Relationships.
2. Information about R.P. transactions, outstanding balances & commitments.
3. Amount of transactions: 500000 (USD)
4. Amount of outstanding balances including commitments: 200000 Receivable, 200000
5. Provisions from doubtful debts related to amount of outstanding balances.
6. Expenses recognised during the period in respect of bad or doubtful debts

Government Related Entities

Government - Government refers to government, government agencies and similar bodies whether local, national or international.

Government Related Entity - is an entity that is controlled, jointly controlled or significantly influenced by a government

EXEMPTION TO GOVERNMENT-RELATED ENTITIES

A reporting entity is exempt from the disclosure requirements in relation to:

- a) Related Party transactions
- b) Outstanding balances and
- c) Commitments with:
 - i. a government that has control, joint control or significant influence over the reporting entity; and
 - ii. another entity that is a related party because the same government has control, joint-control or significant influence over both the reporting entity and the other entity.

However, in case the reporting entity opts to apply the exemption, it shall disclose:

- a) the name of the government;
- b) the nature of the government's relationship with the entity (whether the government has control, joint control or significant influence over the entity);
- c) to enable the users of the entity's financial statements to understand the effect of related party transactions on its financial statements, the following information in sufficient details:
 - i. the nature and amount of each individually significant transaction;
 - ii. for other transactions that are not significant individually but are significant when aggregated, either a qualitative or quantitative indication of their extent.

Thus the Reporting Entity is expected to apply its judgement to determine level of details it is required to disclose.

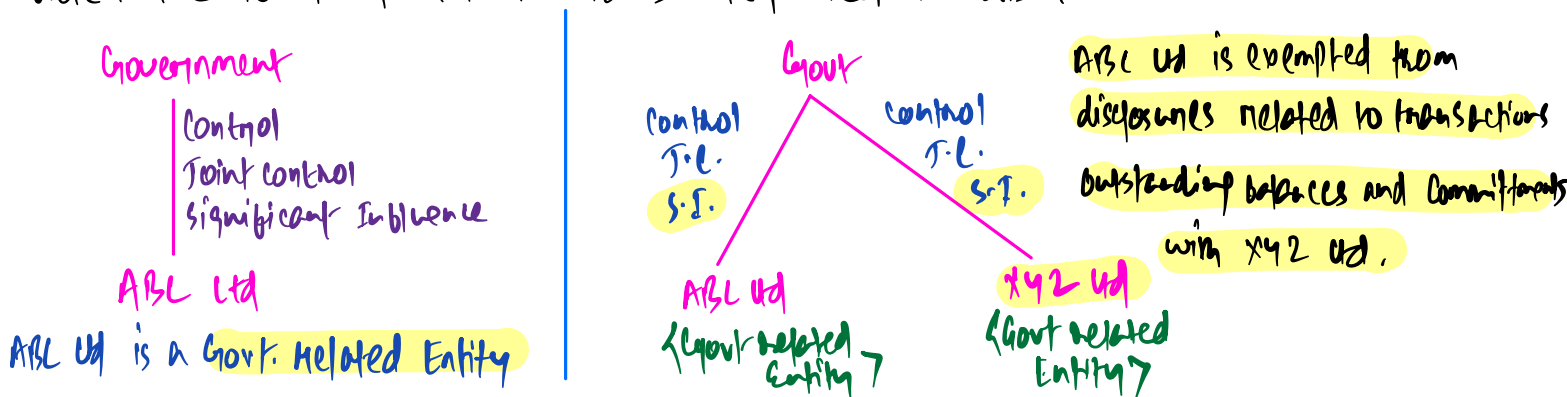
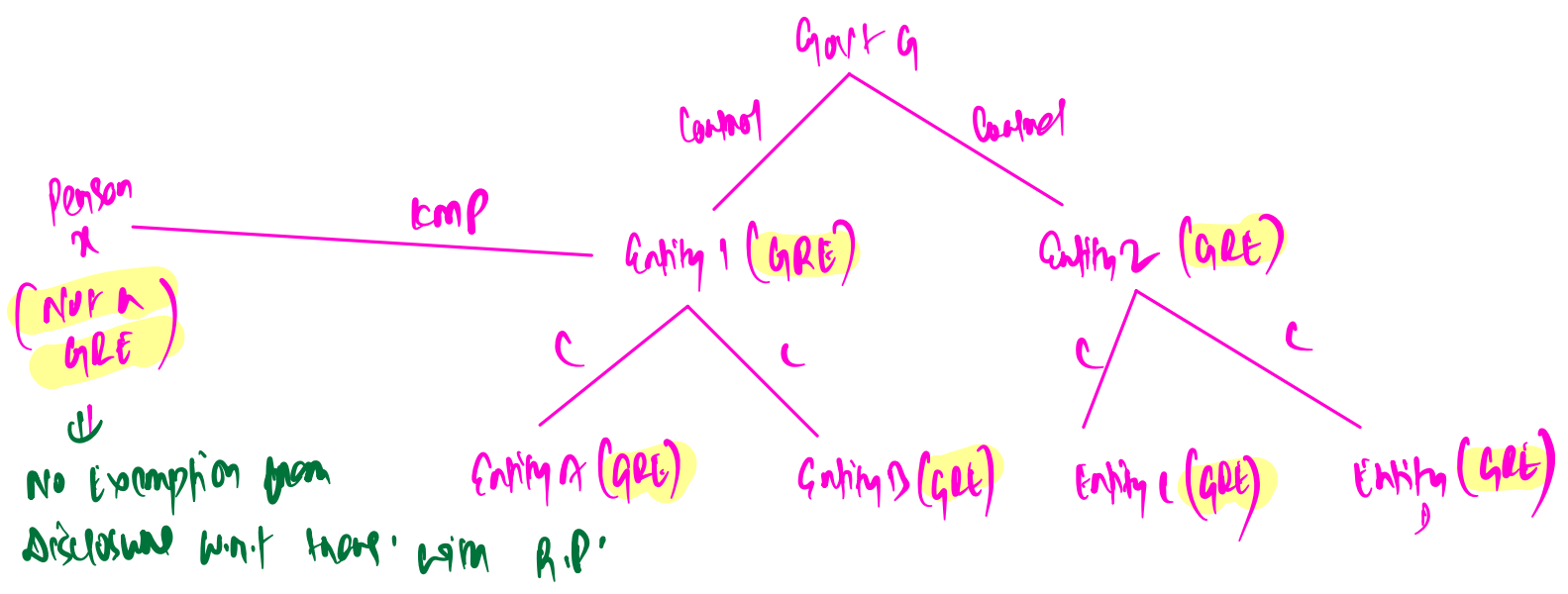


Illustration 4: Partial exemption for government related entities

Government G directly controls Entity 1 and Entity 2. It directly controls Entity A and Entity B through Entity 1, and Entity C and Entity D through Entity 2. Person X is a member of the Key Management Personnel in Entity 1.

Examine the entity to whom the exemption for disclosure to be given and for transaction with whom.

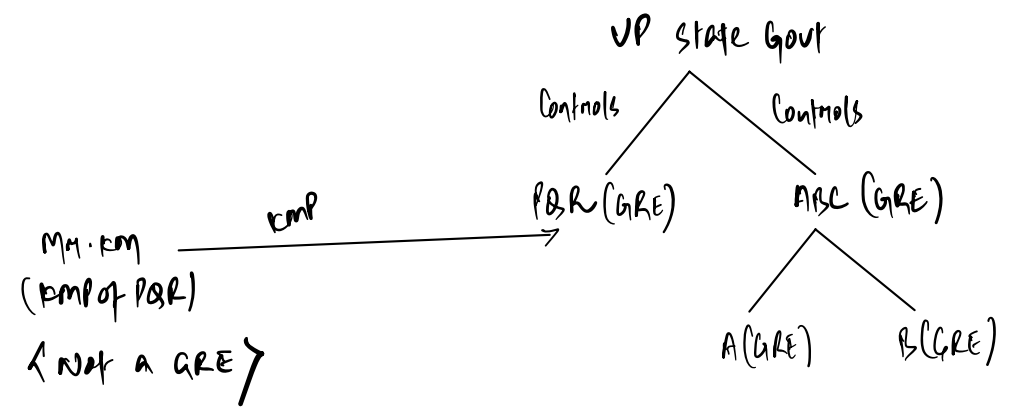


TYPE Q6

Question 6(RTP Nov'19)

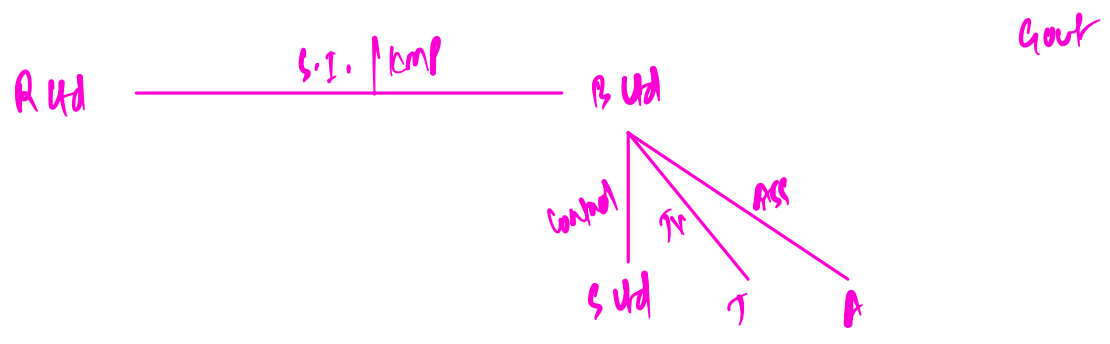
Uttar Pradesh State Government holds 60% shares in PQR Limited and 55% shares in ABC Limited. PQR Limited has two subsidiaries namely P Limited and Q Limited. ABC Limited has two subsidiaries namely A Limited and B Limited. Mr. KM is one of the Key management personnel in PQR Limited.

- Determine the entity to whom exemption from disclosure of related party transactions is to be given. Also examine the transactions and with whom such exemption applies.
- What are the disclosure requirements for the entity which has availed the exemption?



Example: 15 *v.v. simple*

R Limited has an associate B Limited. B Limited has a subsidiary S Limited, a joint venture J Limited and an associate A Limited. R Limited is the reporting entity. It identifies B Limited and S Limited as its related parties. J Limited and A Limited are not related parties of R Limited



R & B are related, R & S are related

R is not related to J & A

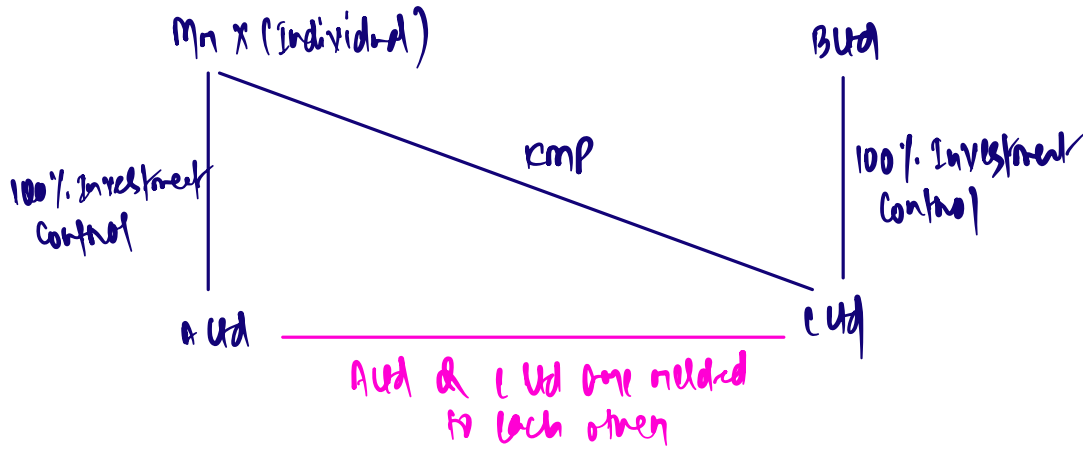
Illustration 2: Key management personnel

Mr. X has a 100% investment in A Limited. He is also a member of the key management personnel (KMP) of C Limited. B Limited has a 100% investment in C Limited.

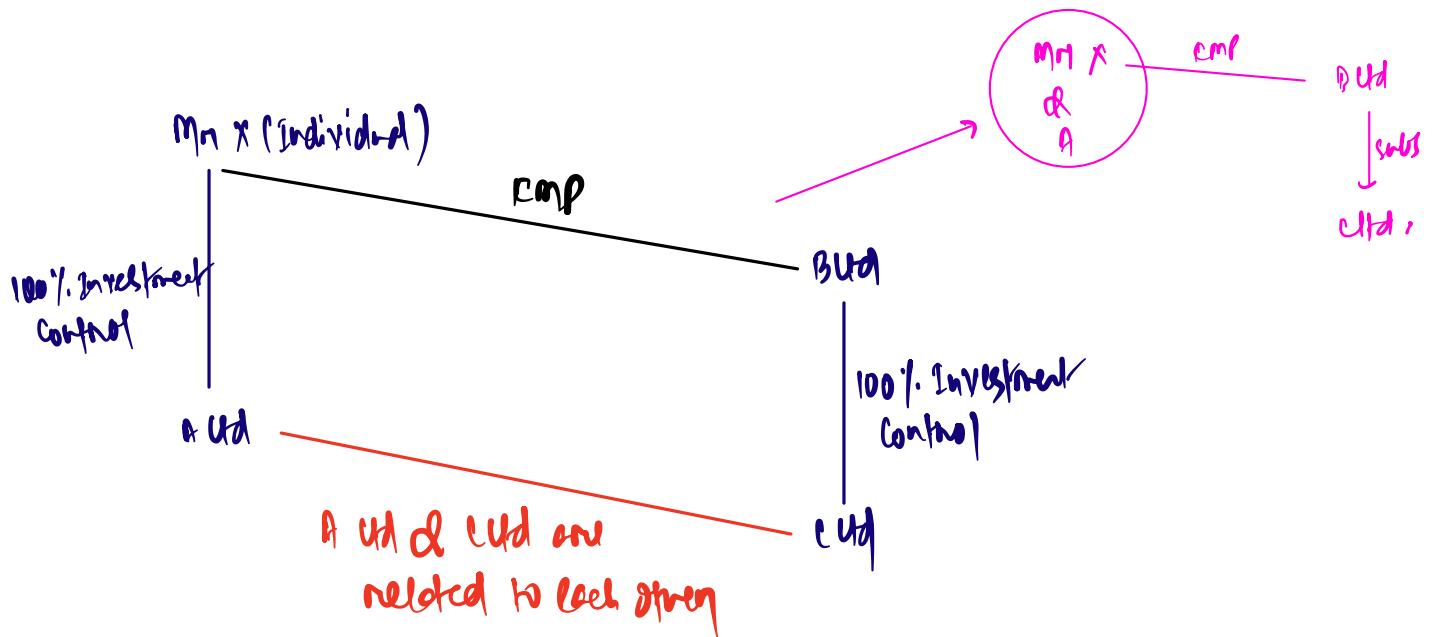
Required:

- Examine related party relationships from the perspective of C Limited for A Limited. *Yes,*
- Examine related party relationships from the perspective of C Limited for A Limited if Mr. X is a KMP of B Limited and not C Limited.
- Will the outcome in (a) & (b) would be different if Mr. X has joint control over A Limited?
- Will the outcome in (a) & (b) would be different if Mr. X has significant influence over A Limited?

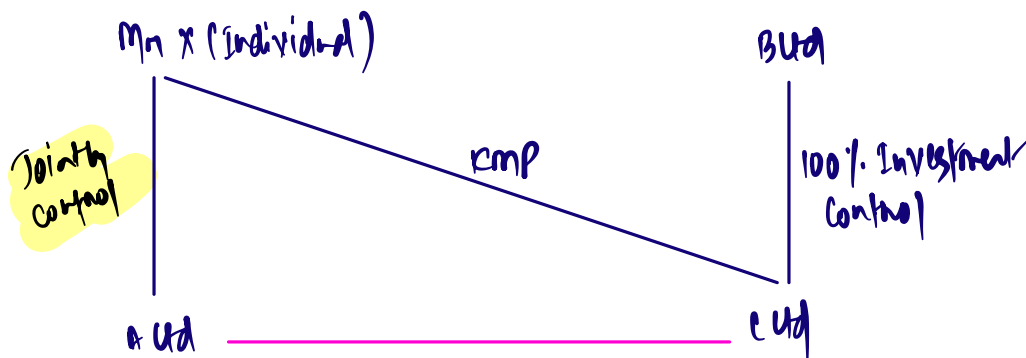
a)



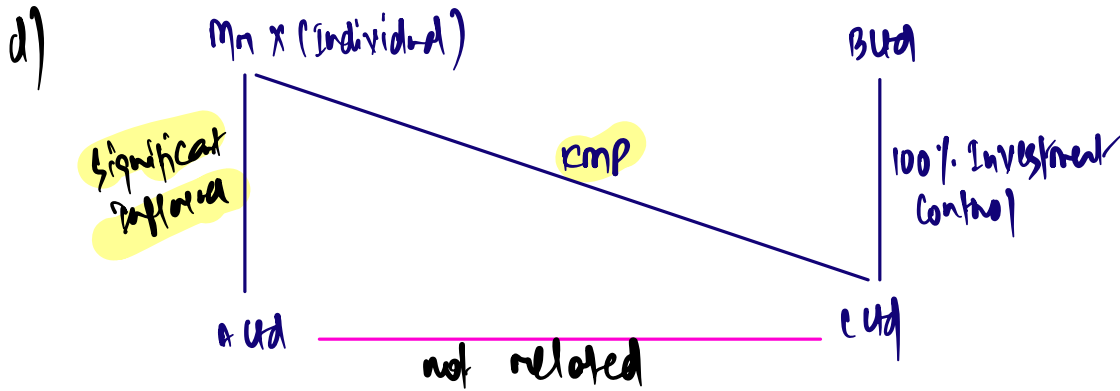
(b)



c)



outcome will be same as it does not matter whether Ma-X controls A Ltd or jointly controls A Ltd.



Answer,

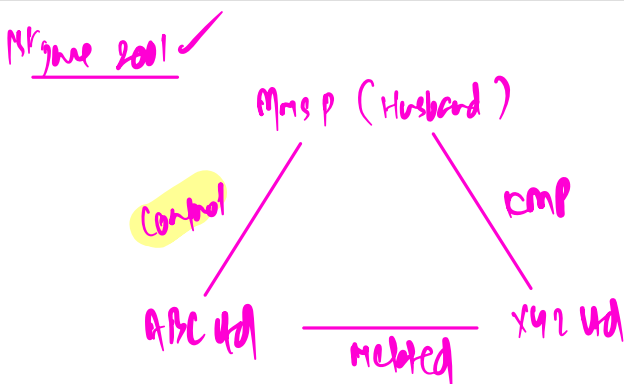
A Ltd and C Ltd are not related to each other.

Question 3 (MTP Oct'20 & RTP Nov'18)

ABC Ltd. is a long-standing customer of XYZ Ltd. Mrs. P whose husband is a director in XYZ Ltd. purchased a controlling interest in entity ABC Ltd. on 1st June, 20X1. Sales of products from XYZ Ltd. to ABC Ltd. in the two-month period from 1st April 20X1 to 31st May 20X1 totalled ₹8,00,000. Following the share purchase by Mrs. P, XYZ Ltd. began to supply the products at a discount of 20% to their normal selling price and allowed ABC Ltd. three months' credit (previously ABC Ltd. was only

allowed one month's credit, XYZ Ltd.'s normal credit policy). Sales of products from XYZ Ltd. to ABC Ltd. in the ten-month period from 1st June 20X1 to 31st March 20X2 totalled ₹60,00,000. On 31st March 20X2, the trade receivables of XYZ Ltd. included ₹18,00,000 in respect of amounts owing by ABC Ltd.

Analyse and show (where possible by quantifying amounts) how the above event would be reported in the financial statements of XYZ Ltd. for the year ended 31st March 20X2 as per Ind AS. You are required to mention the disclosure requirements as well.



1st June 2001 → ABC Ltd and XYZ Ltd are related to each other.

1st April - 31st March → Sales 800000 of ABC but no related party relationship
∴ No disclosure required

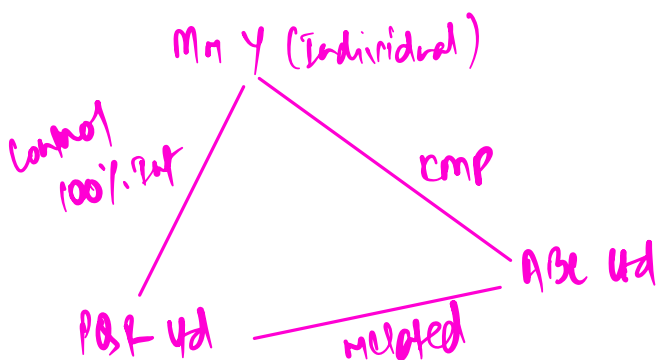
1st June - 31st March → ₹ 6000000 sales disclosure →
Amt. of o/s Balance = 1800000 disclosure.

Question 5

Mr. X, is the financial controller of ABC Ltd., a listed entity which prepares consolidated financial statements in accordance with Ind AS. Mr. X has recently produced the final draft of the financial statements of ABC Ltd. for the year ended 31st March, 20X2 to the managing director Mr. Y for approval. Mr. Y, who is not an accountant, had raised following query from Mr. X after going through the draft financial statements:

One of the notes to the financial statements gives details of purchases made by ABC Ltd. from PQR Ltd. during the period 20X1-20X2. Mr. Y owns 100% of the shares in PQR Ltd. However, he feels that there is no requirement for any disclosure to be made in ABC Ltd.'s financial statements since the transaction is carried out on normal commercial terms and is totally insignificant to ABC Ltd., as it represents less than 1% of ABC Ltd.'s purchases.

Provide answers to the query raised by the Managing Director Mr. Y as per Ind AS.



PQR and ABC are related to each other