AS 18 – Related Party Disclosures

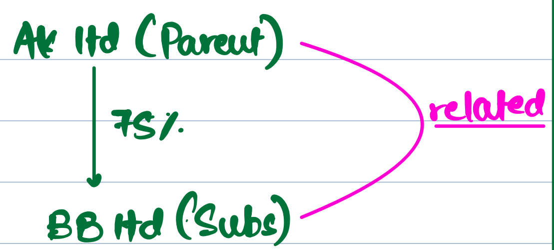
* Control (AS 21) more than 50% → Subs
* Significant Influence (20 to 50%) → Associate
* Joint control btw 2 or more parties (AS 27) → Joint Venture.

i] Related Party Relationships

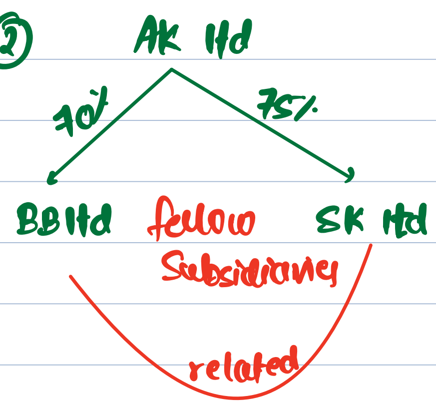
AS 18 deals with four types of related party relationships:

a) Co. that directly or indirectly controls or are controlled by, or are under common control with reporting Co.
This includes holding companies, subsidiaries & fellow subsidiaries

eg ①



eg ②



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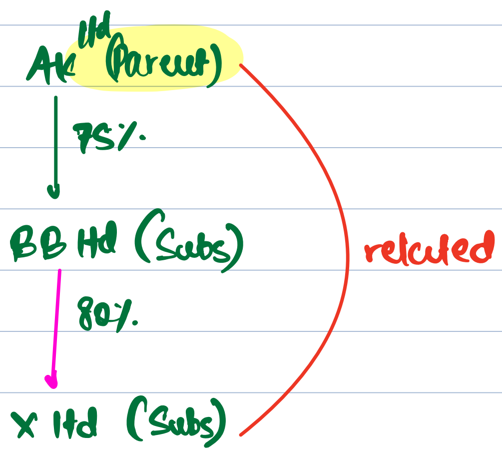


b) Associates & Joint Ventures of the Co.

eg ④

AK ltd
35%
X ltd
(Associate)
related

eg ⑤

not related
AK ltd — Deepak ltd
related
related
AK Deep ltd
(Joint Venture)

c) Individuals having control or significant influence over the co. & relatives of such individual.

eg ⑥

Aman
(+) his relatives
70% control
XYZ ltd
related

eg 7.

Aman
(+) his relatives
35% sig. infl.
PQR ltd
related

* Relatives → Spouse, son, daughter, brother, sister, mother & father

(key managerial person)

D) KMP of the Co. & relatives of such KMP

eg 8.

Aman
(+) his relatives
KMP
Reliance ltd
related

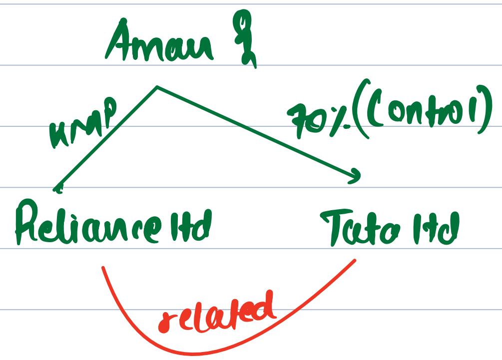
* KMP → Managing Director, whole time Director, Manager, any other appointed person.

KMP are those persons who have the authority & are responsible for planning, directing, controlling the activities.

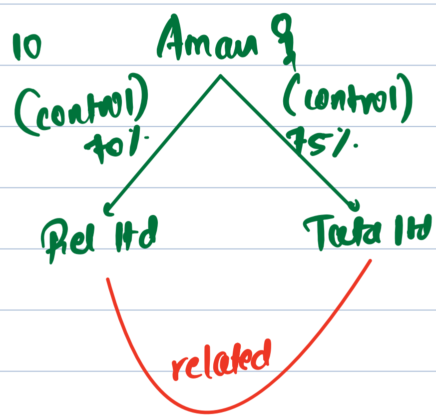
Note: Non executive director is not considered as KMP

E) If one co. is controlled by a person & that same person is KMP in another Co. then those 2 companies are also related.

eg 9:



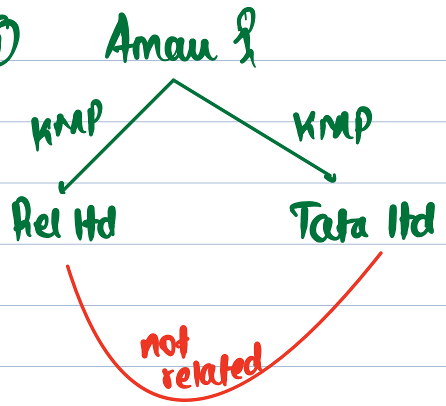
eg 10



2] Who are NOT deemed to be related parties

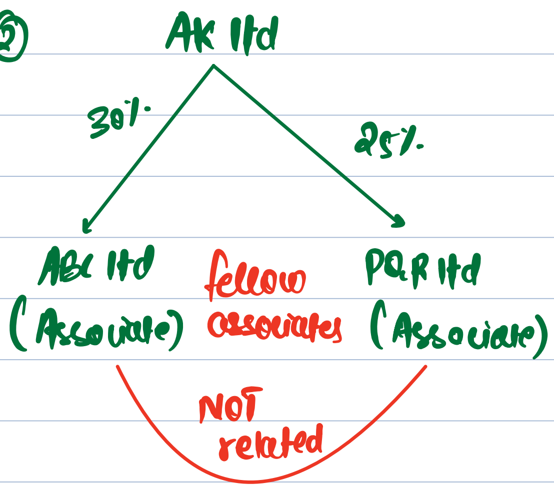
A] Two Co. are not related simply because they have a KMP in common

Imp
eg ①



B] Fellow associates, co-associates are NOT related parties.

Imp
eg ②



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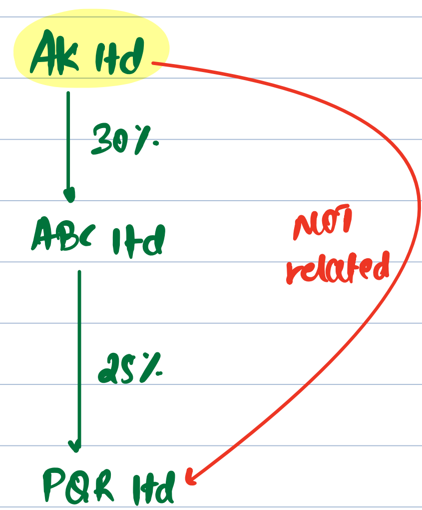
eg ③



C] A single customer, supplier, franchiser, distributor or general agent with whom co. transacts a significant volume of Busn will not be related parties.

d] Parties listed below are also not related in course of their normal dealings with the Co. (providers of finance, trade unions, public utilities, govt dept).

3] <u>Disclosure requirements</u>

<u>Relationship of Parent-Subs</u>

Disclose even if there is No transaction

<u>All other relations</u>

Disclose only if there is transaction with related party during the year.

<u>Disclose the following info:</u>

1) Name of Related party
2) Relationship
3) Nature of transaction
4) Volume of transaction
5) Amount outstanding
6) Amt w/off as Bad debts
7) Any other element

<u>Note:</u>

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

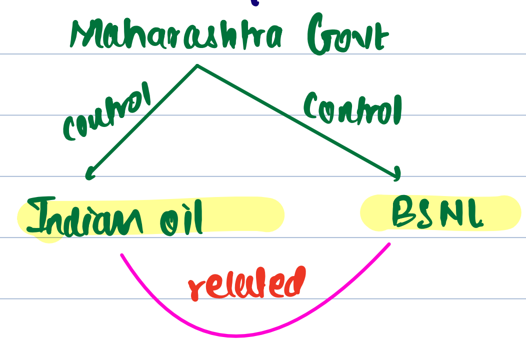
4] Exemption from related party disclosures in certain situations

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 compenent authority (any other commercial contract btw parties to maintain confidentiality won't be considered for this purpose)

eg: Banks ⟶ maintain confidentiality of their customers.

b) State controlled co. are not required to follow disc. requirements.

eg:



But exempt from disc requirements.