

1) Identification of Related Parties

CONTROL

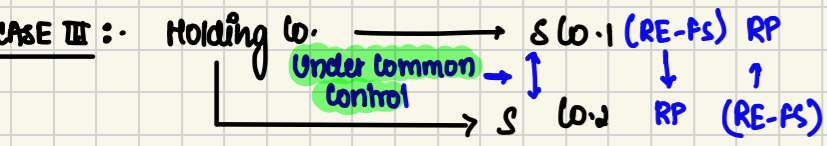
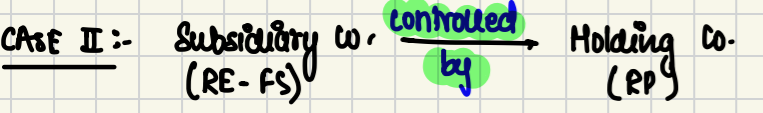
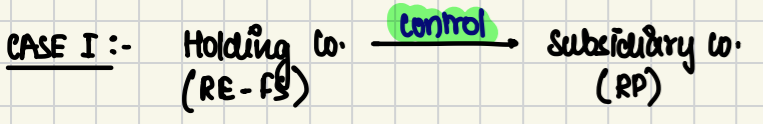
1. How to establish control?

- 1. > 50% VP.
- 2. Control of composition of BOD.
- 3. > 20% VP (substantial interest)

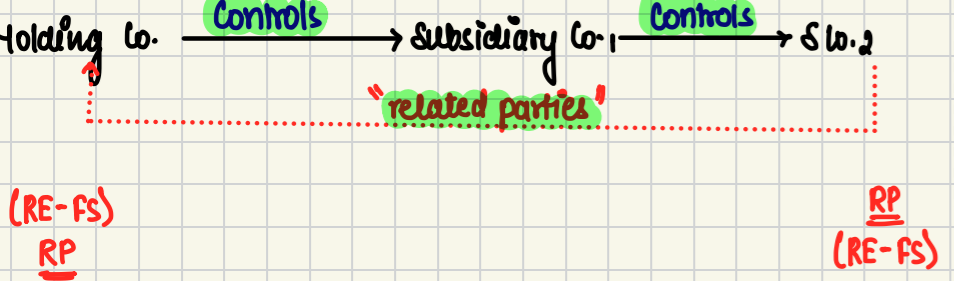
Power to Direct Operating OR financial Decisions

Related Parties in case of control

Direct Control



Indirect Control



Subsidiary of a subsidiary is a subsidiary of the holding co.

DISCLOSURES

Relationship is in the nature of :-

CONTROL	ANY OTHER TYPE
<p><u>NO TRANSACTION</u></p> <p>→ Disclose :</p> <p>1. Name of RP</p> <p>2. Nature of Relation</p>	<p><u>NO TRANS</u></p> <p>No disclosure.</p>
<p><u>TRANSACTION</u></p> <p>1. Name</p> <p>2. Nature of relation</p> <p>3. Nature of Trans.</p> <p>4. Volume</p> <p>5. O/S amt</p> <p>6. P.D.D.</p> <p>7. Bad debts w/off</p>	

SIGNIFICANT INFLUENCE

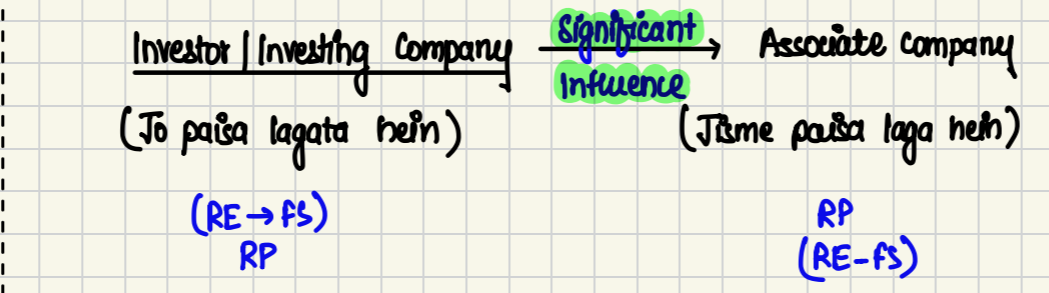
How does significant influence arise?

- > 20% VP
- Agreement
- Statute

* IF despite having > 20% there is no significant influence, the Reporting Entity will have to prove the same.

* IF despite not having > 20% VP there is significant influence, the Reporting Entity will have to prove the same.

Related Parties in case of significant influence



* If Holding company control a subsidiary company, an investor/investing company can still exercise significant influence over the subsidiary company.

* Associate of an Associate Co. is not an associate of the Investor/Investing Company.

* Associate of a Subsidiary Co. is not an associate of the Holding Co.

JOINT VENTURE

In the books of Coventurers, the Joint Venture is a related party.

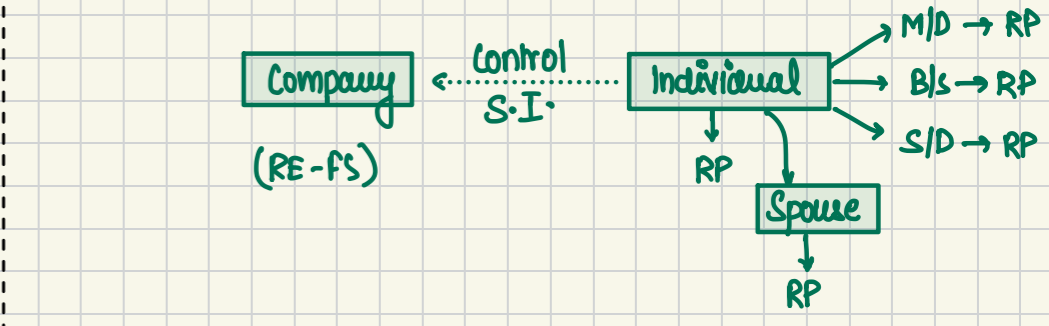
In the books of Joint Venture, the Coventurers are related party.

In the books of any coventurer, the other coventurer is not a related party.

INDIVIDUAL

→ If an individual controls or exercises significant influence on the company, such individual is a related party.

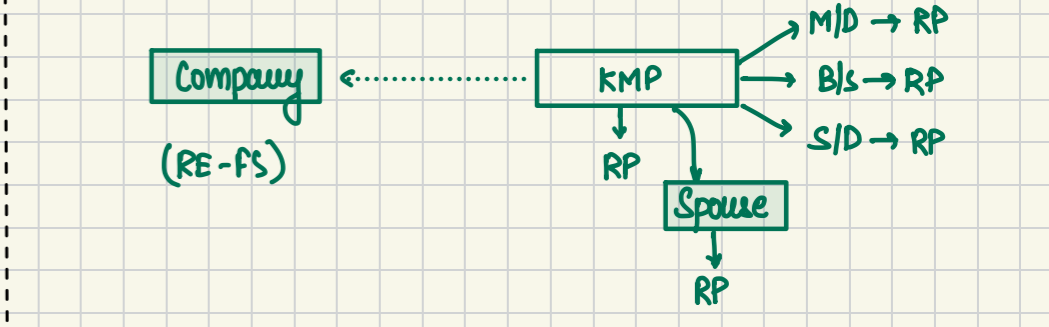
→ The spouse of such individual, mom, dad, brother, sister, son, daughter are all related parties of the company.



KEY MANAGERIAL PERSON

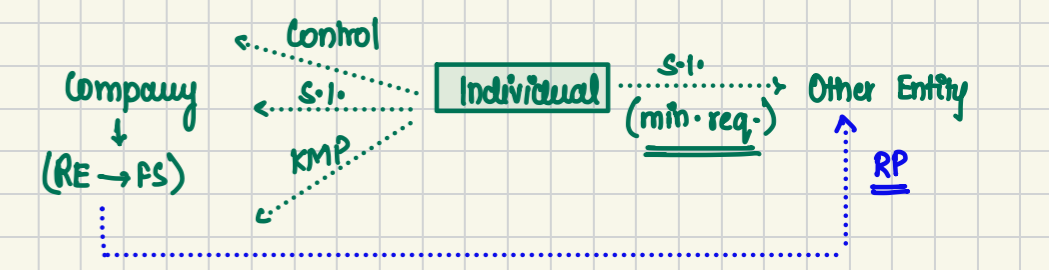
→ A KMP of the company is considered a related party of the company.

→ Spouse of KMP, mother, father, brother, sister, son, daughter all will be considered related parties.



RELATED ENTITY

→ If a person exercises control or significant influence over the reporting entity or is a KMP of the reporting entity and such person also exercises significant influence over some other entity, such other entity will be considered a related party to the reporting entity.



Related Party :- If at anytime during the FY one person has the ability to control or exercise significant influence over the other.

→ Transactions that take place only when the related party relationship exists need to be disclosed.

Who are not considered to be Related Parties

1. Common Director :-

If two entities have a common director, they are not considered related parties just because they have a common director.

Unless such common director is able to influence the mutual dealings between such entities.

2. Economic Dependence :-

If one entity conducts significant amount of trade with another entity such that there is economic dependence of one over the other, this does not make them related parties.

3. Normal Dealings :-

- Providers of finance
- Trade unions
- Public utilities
- Government departments

even though they may curb my freedom of actions and get involved in decision making process.

Exemption from Disclosure Requirements under AS-18

1. Confidentiality Requirements :-

- Statute
- Regulator
- Similar competing authority

* Confidentiality Agreement between two parties does not trigger this exemption.

2. Consolidated Financial Statements :-

Intra group transaction and relationships need not be separately disclosed.

3. State Controlled Enterprises :-

Transactions of one SCE with the other need not be disclosed neither the relationship between the two.