AS 18 : Related Party Disclosures

Related Party

One party has ability to control or exercise significant influence over other party at any time during period

Control

- Voting Power > 50%
- Power to compose BOD
- Power to Direct + Substantial Interest (VP ≥ 20%)

Significant Influence

Power to participate in financial &/or operating policy decisions

- Statute/Law
- Agreement
- VP ≥ 20% unless otherwise assumed

Related Party Relationship

3(a): Enterprises directly or indirectly through subsidiary, control or are controlled by or are under common control with entity.

3(b): Associates & Joint venture of Reporting Entity and Investing party or venturer for which Reporting Entity is Associate / J.V.

3(c): Individuals who have control or significant Influence and their relatives*.

3(d): Key Management Personnel (KMP) & their relatives*.

3(e): Entities where individuals in Para 3(c)/3(d) have significant Influence.

* Relative:
Spouse, Children, Parents, Siblings.

No Related Parties:

1) Two companies simply because of common director
2) Single customer, supplier, Franchiser, Distributor, etc.
3) Providers of Finance, Trade unions, Govt. Depts & agencies, etc.

Examples:

Para 3(a)

1) X Ltd. $\xrightarrow{\text{control}}$ Y Ltd. — X Ltd. & Y Ltd. are RP.

70%, Power to compose BOD, Power to Direct + 20% share

2) A Ltd. $\xrightarrow{70\%}$ X Ltd.; A Ltd. $\xrightarrow{70\%}$ Y Ltd.

For A Ltd : X Ltd. & Y Ltd. are RP

X Ltd. & Y Ltd. are also RP (Common control)

3) X Ltd. $\xrightarrow{70\%}$ Y Ltd. $\xrightarrow{60\%}$ Z Ltd.

For X Ltd : Both Y Ltd. & Z Ltd. are RP (Subsidiaries)

4) X Ltd. $\xrightarrow{70\%}$ Y Ltd. $\xrightarrow[\text{Power to Direct}]{25\% +}$ Z Ltd.

For X Ltd: Y Ltd is RP (Subsidiary)

Z Ltd. is RP (Indirectly through Subsidiary)

Para 3(b)

1) X Ltd. $\rightarrow$ Y Ltd. (Associate); X Ltd. $\rightarrow$ Z Ltd. (Joint venture)

X Ltd. & Y Ltd. are RP (Associate)

X Ltd. & Z Ltd. are RP (Joint venture)

2) $X\ Ltd. \xrightarrow{20\%} Y\ Ltd. \xrightarrow{20\%} Z\ Ltd.$ X Ltd. & Z Ltd. are not RP

3) $X\ Ltd. \xrightarrow{70\%} Y\ Ltd. \xrightarrow{20\%} Z\ Ltd.$ X Ltd. & Z Ltd. are RP (Indirectly through subsidiary)

4) $X\ Ltd. \xrightarrow{20\%} Y\ Ltd.$; $X\ Ltd. \xrightarrow{30\%} Z\ Ltd.$ Y Ltd. & Z Ltd. are not RP
(Common | Fellow Associates/J.V. not RP)

Para 3(c)

1) $Mr.X \xrightarrow[\text{significant Influence}]{\text{Control or}} A\ Ltd.$ X & A Ltd. are RP

2) $Mr.X \xrightarrow{70\%} A\ Ltd. \xrightarrow{20\%} B\ Ltd.$ X & B Ltd. are RP (Indirectly through subsidiary)

Para 3(d)

1) $Mr.X \xrightarrow{KMP} A\ Ltd.$ X & A Ltd. are RP

$\boxed{\text{Para 3(e)}}$

1) Mohan $\xrightarrow{30\%}$ X Ltd.

Mohan $\xrightarrow{25\%}$ Y Ltd.

Mohan & X Ltd : RP : 3(c)

Mohan & Y Ltd : RP : 3(c)

X Ltd. & Y Ltd : RP : 3(e)

2) Mohan $\xrightarrow{KMP}$ X Ltd.

Mohan $\updownarrow$ Brother Sohan

Sohan $\xrightarrow{20\%}$ Y Ltd.

X Ltd : Mohan / Sohan : RP : 3(a)

Y Ltd : Sohan / Mohan : RP : 3(c)

X Ltd. & Y Ltd : RP : 3(e)

Disclosure

Whether Related at any time during period

Yes

Any Transaction took place i.e. transfer of resources or obligation

Yes

Disclose

a) Name of Related Party
b) Nature of Relationship
c) Nature of Transaction
d) Amount of Transaction
e) Other Elements
f) O/S Balance
g) Amount written off / written back

NO

Does control exist?

Yes

Disclose

a) Name of Related Party
b) Nature of Relationship

NO → No Disclosure Required

No

Exceptions of Disclosure Requirements

(1) Transactions during period when no relationship
(2) Disclosures which are against ethics of business ✱
(3) Intragroup transactions in Consolidated financial statements
(4) For Government / State controlled entity
(Transactions of one Govt. entity with other Govt. entity)

✱ Confidentiality as required in terms of statute or regulator or similar competent authority