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- ❖ **Objective of the standard:** (Para 1) :Ensure that an entity's FS contain the **disclosures** necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties.
 - **In Simple Terms:** Users of FS should be aware by reading the disclosures with regard to the related Party transactions that the company is dealing in.

- ❖ **Scope of the Standard:**
 - Application of Standard in:**
 - 1) Identifying Related Party Relationships and transactions
 - 2) Identifying o/s balances, commitments, between an entity and its related parties.
 - 3) Circumstances in which disclosure of the items in (1) and (2) is required.
 - 4) Determining the disclosures to be made about those items, if any.

- ❖ **Where are the disclosures required?**

Disclosures required in Both Standalone FS and Consolidated FS as per Ind AS 110 and Ind AS 27.

- ❖ **When are Disclosures not required?**

Disclosures would conflict with the reporting entity's duties of confidentiality required in terms of a **statute** or by **any regulator** or similar competent authority.

 - In case if a contract as to confidentiality binds both the entities, still disclosure seems to be required as Para 4A of Ind AS restricts disclosure if required by statute, regulator.

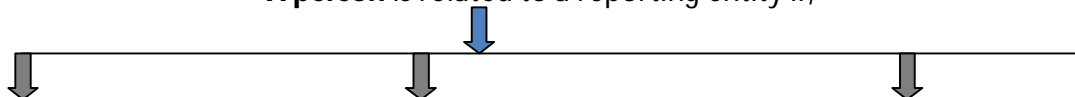
Who are Related Parties?

Ind AS 24 bifurcates Related Parties in two categories:

- 1) A person
 - 2) Close Member of Person's family.
 - 3) An Entity
- Related to the reporting Entity.

Going further to explain three categories, Para 9 states that:

❖ **A person** is related to a reporting entity if,



Has **control** or joint control of the reporting entity.

Has **significant influence** over the reporting entity/

Member of **KMP** of reporting entity or of parent of reporting entity.

Control: Power over the Investee, has rights to variable returns and has ability to affect those returns.

Joint Control: Contractually agreed sharing of control of an arrangement.

Significant Influence: Power to participate in the financial and operating Policy decisions of investee.

❖ **Close members** of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

- 1) Person's children, spouse or domestic partner, brother, sister, father and mother.
- 2) Children of that person's spouse or domestic partner.
- 3) Dependants of that person or that person's spouse or Domestic Partner.

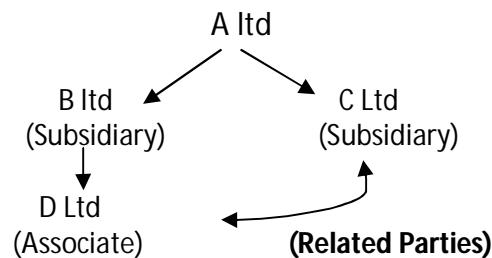
❖ **An entity** is related to a reporting entity if,



There are 8 Scenarios which is stated in Para 9 b of IND AS 24. Let us look at it with examples.:

- 1) The entity and the reporting entity are **members** of the **same group**.
Example: Wipro LLC and Wipro Japan KK are subsidiaries of Wipro Limited.
So, Wipro LLC, Japan KK and Wipro limited are related to each other.

- 2) One Entity = Associate/JV of other entity.
Example: C limited and D Limited are related parties



Associate: Entity over which the investor has significant influence

- 3) Both Entities are joint Ventures of same third party.
Example:

Joint Venture No 1: A ltd+ B ltd= AB Ltd

Joint venture No.2: A Ltd+ C Ltd= AC Ltd

AB and AC are Related Parties.

Joint Venture: The parties that have joint control of the arrangement have rights to the net assets of the arrangement.

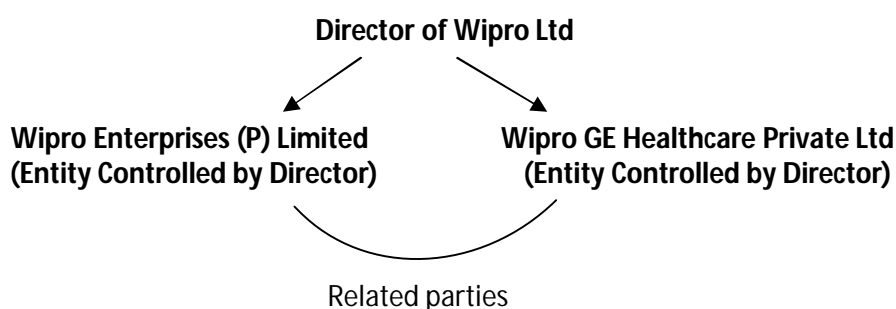
- 4) One Entity= JV of third Entity and other Entity= Associate of Third Entity

Example: AB Ltd JV of A Ltd, D Ltd Associate of A Ltd

AB Ltd and D Ltd are Related parties.

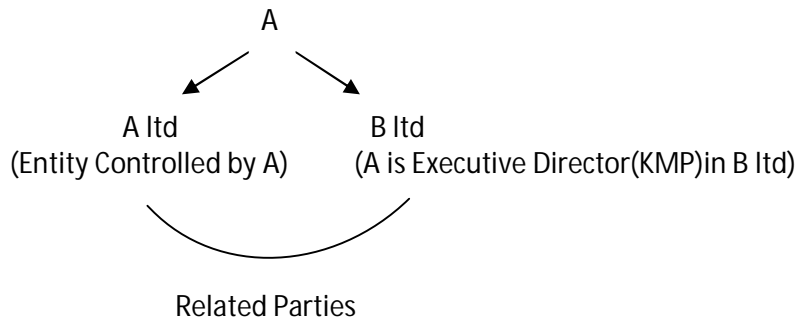
- 5) Entity is controlled or Joint Controlled by a person.

Example:

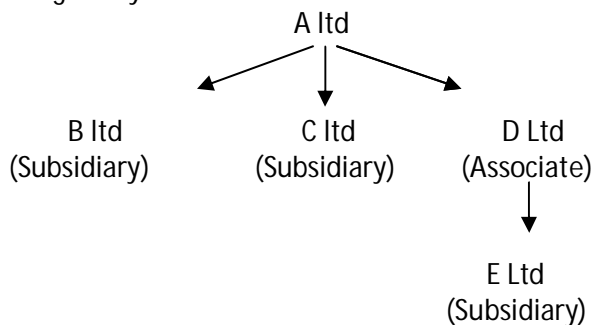


- 6) A person has significant influence over the entity or is a member of the key management personnel of the entity.

Example:



- 7) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity.



E Ltd provides key management personnel services to A Ltd.
E Ltd and A Ltd are **Related Parties**.

- 8) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.



Who are not related Person?

- 1) Two entities simply because they have a **director** or other **KMP in common** or because a member of KMP of one entity has significant influence over the other entity.
Example: A is a director in B and C Ltd. B and C are not related parties.
- 2) Two joint venturers simply because they share joint control of a joint venture
Example: JV Ltd= J Ltd+ V Ltd. J and V are not related parties.
- 3) Providers of finance. Example: Banks
- 4) Trade unions.
- 5) Public utilities that does not control, jointly control or significantly influence the reporting entity.
- 6) A customer, Supplier, Franchisor, Distributor, general agent with whom company transacts a significant volume.

❖ Disclosures mandated by Ind AS 24.

Two Categories of Disclosures mandated

Disclosures even when No transactions between parties

Only when transactions occur between parties

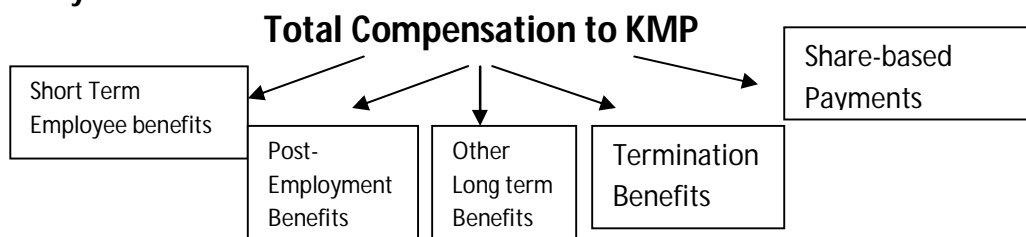
- **Disclosures even when No transactions between parties:**

1. Disclosure of Name of Parent/ultimate Controlling party.

Requirement to disclose the above information is in addition to info to be disclosed as per Ind AS 110 and Ind AS 28.

- **Disclosures only when transactions occur between related Parties:**

- 1.



Relationships between a parent and its subsidiaries shall be disclosed **irrespective** of whether there have been transactions between them.

2. Amount of Transactions between RP.
3. Amount of o/s balances : whether Secured loans/guarantees if any.
4. Provision of doubtful debts.
5. Expense recognised due to provision of doubtful debts.

Glossary:

RP= Related Parties

FS= Financial Statements

JV= Joint Ventures

KMP= Key Managerial Person

References: Bare Ind AS 24 on mca.gov.in
ICAI Reference for Ind AS 24

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