IAS - 24

Information Related Party Disclosures

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International Accounting Standard No. 24 (IAS 24)

Information Related Party Disclosures

Objective

1. The objective of this Standard is to ensure that the financial statements of an entity containing the information necessary to demonstrate the possibility that both the financial position as the result of the exercise may have been affected by the existence of related parties and on outstanding balances and transactions conducted with them.

Scope

2. **This Standard applies to:**

   (a) identification of relationships and transactions between related parties;

   (b) identifying outstanding balances between an entity and its related parties;

   (c) identification of circumstances that requires disclosure about (a) and (b) above, and

   (d) the determination to disclose information on these headings.

3. **This Standard requires disclosure about related party transactions and outstanding balances with them in the separate financial statements of a dominant participant in a joint venture or an investor, prepared in accordance with IAS 27 Consolidated and Separate Financial Statements.**

4. Transactions and outstanding balances with other group entities are related parties are disclosed in the financial statements of the entity. Intra-group transactions between related parties, as well as outstanding balances with them, will be eliminated in the process of preparing the consolidated financial statements of the group.

Purpose of information disclosure on related parties

5. The relationships between related parties are a normal feature of commerce and business. For example, many organizations carry out part of its business through subsidiaries, joint ventures and associated companies. In such circumstances, the entity's ability to influence the financial and operating policies of the investee entity is achieved through the control, joint control or significant influence, respectively.

6. The relationship between related parties may have an effect on the financial position and results of an entity. Related party transactions that may be elsewhere, no relation, not undertaken. For example, an entity that sells goods to its dominant at cost could not do it at this price if it were a different customer. In addition, transactions between related parties may not be by the same overall amounts that no link whatsoever between the parties.

7. The results and financial position of an entity may be affected by the existence of related parties, even if no transactions have taken place with them, mere existence of the relationship may be sufficient to influence the institution's transactions with other unrelated parties. For example, a dependent may suspend its operations with another entity outside the group, which is united by ties of trade, if the parent becomes

dependent on another who is engaged to the same type of trade that the third person to the group. Alternatively, one of the related parties may refrain from certain actions by the influence exerted by the other party. For example, a dependent can receive instructions from the parent for not doing research and development activities.

8. For these reasons, knowledge of related party transactions, outstanding balances and relationships between them, could affect the evaluation of the operations of an entity by the users of financial statements, including risk assessment and opportunities faced by the entity.

Definitions

9. The following terms are used in this Standard with the meanings specified below:

Related party: A party is bound to the entity if such party:

(a) directly or indirectly through one or more intermediaries:

(i) controls, is controlled by or is under common control with, the entity (including dominant, dependent and other dependents of the same dominant);

(ii) holds a stake in the entity that gives it significant influence over it, or

(iii) has joint control over the entity;

(b) is an associate (as defined in IAS 28 Investments in associates) of the entity;

(c) is a joint venture, where the entity is one of the participants (see IAS 31 Interests in Joint Ventures);

(d) Key management personnel of the entity or its dominant;

(e) is a close relative of a person in the cases (a) or (d);

(f) is an entity over which a person who is in the cases (d) or (e) exercises control, joint control or significant influence, or has, directly or indirectly, with a significant voting power; or

(g) is a plan for post-employment benefits for workers, whether the entity itself or some other part that is linked to it.

Transaction between related parties is any transfer of resources, services or obligations between related parties, regardless of whether it is loaded or not a price.

Close relatives of a person are those family members who could influence or be influenced by, that person in their dealings with the entity. These may include:

(a) the spouse or person with similar respect and affection of children;

(b) the children of the spouse or person with similar relation of affectivity and

(c) the persons in charge or by the spouse or person with similar relation of affectivity.

Salaries are the salaries of all employees (as defined in IAS 19 Employee Benefits) including salaries of employees within the scope of IFRS 2 based Payment Share.

Remuneration to employees include all types of compensation paid, payable or provided by the entity or on behalf of, in exchange for services rendered to the entity. They also include those fees paid on behalf of the dominant entity in respect of services described.

Remuneration includes:

(a) the short term for active employees, such as salaries, wages and social security contributions, paid sick leave or other reasons, participation in profits and incentives (if paid within twelve months following the end of the year), and non-monetary rewards (such as health care, enjoyment of houses, cars and the provision of goods and services subsidized or free);

(b) Post employment benefits such as pensions, other retirement benefits, life insurance and post-employment medical care;

(c) other long term employee, including paid leave after long service (sabbatical leave), the special after a long period of employment, disability benefits and, if payable within a period of twelve months or more after the end of the year, participation in profits, incentives and other compensation deferred salary;

(d) termination of contract and

(e) share-based payment.

Control is the power to direct the financial and operating policies of an entity, in order to obtain benefits from its activities

Joint control is the contractual agreement to share control over an economic activity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any member (or non-executive) of the board or governing body equivalent the entity.

Significant influence is the power to intervene in policy decisions and financial exploitation of the institution, but not to have control of them. It can be obtained through participation in the property, by law or statute or by agreement.

10. In considering each possible related party relationship, attention should be paid to the substance of the relationship, and not merely their legal form.

11. In the context of this Standard, the following cases are not necessarily related parties:

(a) Two entities have in common a board member or another key person in the right direction, just because of them, except the cases specified in paragraphs (d) and (f) of the definition of "party linked.

(b) Two partners in a joint venture, by virtue of sharing control over the joint venture.

(c) (i) providers of finance;

(ii) trade unions;

(iii) institutions of public services and

(iv) institutions, bodies and agencies,
simply by virtue of their normal dealings with the entity (though they may condition the freedom of action of the entity or participate in the decision making process).

(d) any customer, supplier, franchisor, distributor or sole agent with which the entity operates a significant volume of transactions, simply by virtue of economic dependence resulting there from.

Information Disclosure

12. The relations between dominant and dependent will be revealed, regardless of whether transactions have occurred between the parties involved. An entity shall disclose the name of their immediate dominant, and if different, the dominant of the main group. If neither the parent of the parent entity or principal financial statements available to produce public use, will reveal the name of the next intermediate dominant closer within the group to do so.

13. To enable users of financial statements to form an opinion of the effects that the existence of related parties has on the body, it is appropriate to disclose the relationship between related parties where control exists, irrespective of whether or not there have been transactions between related parties such.

14. The identification of links between the parent and its subsidiaries is in addition to the information requirements contained in IAS 27, IAS 28 and IAS 31, which requires both a list and describe the significant investments in subsidiaries, associates and entities joint control.

15. Where the parent or immediate authority, or the dominant group's main produce financial statements available for public use, the entity shall disclose the name of the nearest intermediate dominant within the group to do so. The next one will be dominant over the intermediate position in the first group, above the parent immediately to prepare consolidated financial statements available for public use.

16. An entity shall disclose details of remuneration received by key management personnel in total and for each of the following categories:

(a) short-term employee benefits;

(b) post-employment benefits;

(c) other long-term;

(d) termination of contract and

(e) share-based payment.

17. where there have been transactions between related parties, the entity shall disclose the nature of the relationship with each party involved, as well as information on transactions and balances outstanding, for understanding the potential effects that the relationship is in the financial statements. These reporting requirements are in addition to those contained in paragraph 16, relating to disclosure of remuneration to key management. At a minimum, such information should include:

(a) the amount of transactions;

(b) the amount of outstanding balances and:

(i) their terms and conditions, including whether they are secured, and the nature of the consideration set for settlement, and

(ii) details of any guarantee given or received;

(c) valuation adjustments for doubtful debts relating to amounts included in the outstanding balances, and

(d) the costs recognized during the year relating to bad debts or doubtful debts from related parties.

18. to disclose information required by paragraph 17 shall be provided, separately for each of the following categories:

(a) the parent;

(b) entities with joint control or significant influence over the entity;

(c) subsidiaries;

(d) partners;

(e) joint ventures in which the entity is one of the participants;

(f) key management personnel of the entity or its dominant, and

(g) other related parties.

19. The classification of accounts payable and receivable from related parties, according to various categories required in paragraph 18, is an extension of the information disclosure requirements in IAS 1 Presentation of Financial Statements for the information presented in the state financial situation or in the notes. The categories have been expanded in order to provide a more complete analysis of the balances relating to related parties, and apply to transactions with them.

20. The following are examples of transactions that have to report if they had been produced with a related party:

    (a) purchases or sales of goods (finished or not);

    (b) purchases or sales of real estate and other assets;

    (c) providing or receiving services;

    (d) leases;

    (e) transfers of research and development;

    (f) transfers on the basis of licensing agreements;

    (g) transfers made according to funding arrangements (including loans and equity contributions, either in cash or in kind);

    (h) granting of guarantees and collateral, and

    (i) cancellation of liabilities on behalf of the entity or the entity on behalf of other parties connected.

    The involvement of a dominant or a dependent in a defined benefit plan where the risk is shared between group entities is a transaction between related parties (see paragraph 34B of IAS 19).

21. An entity shall disclose the terms of transactions with affiliated parties are equivalent to those in transactions at arm's length between the parties, only if these conditions can be justified or verified.

22. The items of similar nature may occur aggregate unless its unbundling is necessary to understand the effects of related party transactions in the financial statements of the entity.

Effective Date

23. An entity shall apply this Standard in the years beginning on or after January 1, 2005. It is advisable to apply early. If an entity applies this Standard for a financial year beginning before January 1, 2005, disclose that fact.

23A. An entity shall apply the modifications to paragraph 20 in the years beginning on or after January 1, 2006. If an entity applies the amendments to IAS 19 Employee Benefits: Actuarial Gains and Losses, plans multi disclosure and in a

previous year, these amendments shall be applied for that earlier period.

Repeal of IAS 24 (reformatted 1994)

24. This Standard supersedes IAS 24 Information Related Party Disclosures (reformatted in 1994).