



IAS 24

RELATED PARTY DISCLOSURES

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OVERVIEW

- ❑ IAS 24 *Related Party Disclosures* requires disclosures about transactions and debt balances with an entity's related parties.
- ❑ IAS 24 was first issued in July 1984 by the International Accounting Standards Board.
- ❑ In April 2001, IAS 24 was adopted by the International Accounting Standards Board.
- ❑ December 2003 revised IAS 24.
- ❑ IAS 24 was reissued in November 2009 and applies to annual periods beginning on or after 1 January 2011.

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SCOPE

☐ IAS 24 applied to:

- ✓ Identifying related party relationships and transactions; (1)
- ✓ Identifying outstanding balances between an entity and its related parties; (2)
- ✓ Identifying the circumstances in which disclosure of the items in (a) and (b) is required;
- ✓ Determining the disclosures to be made about those items.

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DEFINITIONS

□ Definition of related parties

- A Related party is an individual or entity related to the entity that is preparing the financial statements (referred to in this Standard as the "reporting entity").
- A person or a family member of that person associated with a reporting entity if that person:
 - Have control rights or share control rights with the reporting unit;
 - (i) Has a significant impact on the reporting unit;
 - (ii) Key member of Board of Management or the parent company of the reporting entity

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DEFINITIONS (cont.)

❑ Definition of related parties

- (b) An entity is a related party with a reporting entity if any of the following conditions apply:
- (i) The company and the reporting entity are members of the same group (It means that each parent company, subsidiary is related to the others).
 - (ii) An entity is an associate or joint venture of another entity (or an associate or joint venture of an entity that is a member of a group).
 - (iii) Both entities are joint ventures of the same third party.

3 DEFINITIONS (cont.)

☐ Definition of related parties

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of a third entity.
- (v) An entity is a welfare fund after leaving work for the benefit of employees of the reporting entity or the entity related to the reporting entity. If the reporting entity itself is such a fund, then sponsoring employers are also involved in the reporting unit.
- (vi) The unit is controlled or co-controlled by a person identified in (a).

3 DEFINITIONS (cont.)

☐ Definition of related parties

- (vii) A person identified in (a)(i) who has a significant influence on the entity or is key member of Board of Management (or parent company of the entity)
- (viii) The entity, or any member of the group of which it is a member who provides key management personnel services to the reporting entity or to the reporting entity's parent company.

3 DEFINITIONS (cont.)

- ❑ **Non-related parties under IAS 24 :**
 - (a) The two entities share the same Director or main manager normally.
 - (b) The two joint venture parties share the right to co-control a joint venture normally.
 - (c) (i) providers of finance;
(ii) trade unions;
(iii) public utilities.

3 DEFINITIONS (cont.)

❑ **Non-related parties under IAS 24 :**

- (iv) Government departments and agencies - simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
- d) A customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

3 DEFINITIONS (cont.)

- ❑ **Related party transaction**
- ✓ A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4 DISCLOSURE

☐ Relationships between parents and subsidiaries:

- ✓ Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

4 DISCLOSURE (cont.)

☐ Key member of Board of Management compensation:

- ✓ An entity shall disclose key member of Board of Management compensation in total and for each of the following categories:
 - short-term employee benefits;
 - post-employment benefits;
 - other long-term benefits;
 - termination benefits; and
 - Payment based on shares.

4 DISCLOSURE (cont.)

❑ Key member of Board of Management compensation:

- ✓ If an entity obtains key managerial personnel services from another unit (management unit), it is not required to apply the requirements in paragraph 17 regarding employee benefits that the management unit has paid or must pay to the director or management staff of the management unit.

4 DISCLOSURE (cont.)

☐ Transactions with related parties:

- ✓ If there have been transactions between related parties, an entity shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.
- ✓ These disclosures will be made separately for each type of affiliate and include:

4 DISCLOSURE (cont.)

☐ Transactions with related parties:

- the number of the transactions;
- The ending balance of debts, include commitments;
 - i. It terms and conditions, including whether the debt is secured or not, and its nature will be considered in payment;
 - ii. Details of any guarantees given or received;
- provisions for doubtful debts related to the balance of Debt.
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

4 DISCLOSURE (cont.)

☐ Transactions with related parties:

- ✓ The amount incurred by the entity to be provided with key management personnel services by a separate management unit must be presented for each of the following categories:
 - Parent company;
 - Entities with share control or significant influence over the entity;
 - Subsidiaries;
 - Associates;
 - Joint ventures in which the entity is a venturer;
 - Key management personnel of the entity or its parent;
 - Other related parties..

4 DISCLOSURE (cont.)

❑ The following are examples of transactions that are disclosed if they are with a related party:

- purchases or sales of goods (finished or unfinished);
- purchases or sales of property and other assets;
- rendering or receiving of services;
- leases;
- transfers of research and development;
- transfers under licence agreements;
- transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- provision of guarantees or collateral; and
- settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

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COMPARE IAS 24 AND VAS 26**❑ Similarities:**

- ❖ Both apply to relationships and related party transactions disclosed in the financial statements about those relationships.
- ❖ The definition of related party depends on the nature of the relationship, not just the legal form.
- ❖ Related parties transaction: A transfer of resources or obligations between related parties, regardless of whether or not a price is charged.
- ❖ Related party relationships over which controls exist must be disclosed in the financial statements, regardless of whether there are transactions between related parties.
- ❖ In the case of transactions between related parties, enterprises need to present the nature of the relationships of the related parties as well as the types of transactions and elements of those transactions.

5 COMPARE IAS 24 AND VAS 26 (cont)

□ Differences

Content	IAS 24	VAS 26
Purpose	<ul style="list-style-type: none"> - Ensure that the entity's financial statements present the necessary information of related parties to emphasize the possibility that the financial condition or results of business may be affected by the condition, related party relationships or transactions and balances owed, including related party commitments. 	<ul style="list-style-type: none"> - Regulation and guide the principles and methods of presenting information on financial statements about related parties and transactions with related parties.
Scope	<ul style="list-style-type: none"> - Applies to related party relationships, transactions and debt balances, including commitments. 	<ul style="list-style-type: none"> - Apply in relationships with related parties and transactions between reporting enterprises and related parties.

5 COMPARE IAS 24 AND VAS 26 (cont)

□ Differences

Content	IAS 24	VAS 26
Difinition	<ul style="list-style-type: none"> - Difinition includes: <ul style="list-style-type: none"> ➤ The parties are co-controllers of a business; ➤ Joint venture parties in which the enterprise is a business establishment; ➤ Post-leave benefit programs for the benefit of employees of a business, or of any business that is a related party of that business. 	<ul style="list-style-type: none"> - Not mention.
Related party relationships	<ul style="list-style-type: none"> - Present the detail of each type of income from key member of Board of Management. 	<ul style="list-style-type: none"> - Do not present the detail of each type of income from key member of Board of Management.

5 COMPARE IAS 24 AND VAS 26 (cont)

❑ Differences


Content	IAS 24	VAS 26
Related parties transaction	<ul style="list-style-type: none"> - Present the informations: <ul style="list-style-type: none"> ➤ Balance of debt, which contains terms and conditions and warranty provisions; ➤ Provision for bad debts related to balance of debts. ➤ Expenses recognized during the period for bad debts of related parties; ➤ Commitments with related parties. 	<ul style="list-style-type: none"> - Not mention.

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 reanda-icla.com

 028 224 587 87

 info@reanda-icla.com

 No. 06 - 07 Phan Ton street, Da Kao Ward, District 1, HCM City