



# IAS 24 RELATED PARTY DISCLOSURES

## FACT SHEET

This fact sheet is based on existing requirements as at 31 December 2015 and it does not take into account recent standards and interpretations that have been issued but are not yet effective.

### IMPORTANT NOTE

**This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety, in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard unless otherwise stated.**

## IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IAS 24 was revised and reissued in November 2009 and is applicable for annual reporting periods commencing on or after 1 January 2011.

## OBJECTIVE

The objective of IAS 24 is to ensure that an entity's financial statements 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 and by transactions and outstanding balances, including commitments, with such parties.

## SCOPE

IAS 24 shall be applied in:

- a. identifying related party relationships and transactions;
- b. identifying outstanding balances, including commitments, between an entity and its related parties;
- c. identifying circumstances in which disclosure of the items in a and b above is required, and
- d. determining the disclosures to be made about those items.

Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements.

Since IAS 24 is purely a disclosure standard, there are no recognition or measurement criteria.

## DISCLOSURES

Refer to Appendix 1 for a checklist to assist with IAS 24 disclosure requirements to assist in the objective of the standard.

## DEFINITIONS

<b>Close members of the family of an individual</b>	<p>Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:</p> <ul style="list-style-type: none"> <li>a. that person's children and spouse or domestic partner;</li> <li>b. children of that person's spouse or domestic partner; and</li> <li>c. dependants of that person or that person's spouse or domestic partner.</li> </ul>
<b>Compensation</b>	<p>All employee benefits (as defined in IAS 19 <i>Employee Benefits</i>) including employee benefits to which IFRS 2 <i>Share-based Payments</i> applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:</p> <ul style="list-style-type: none"> <li>a. short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;</li> <li>b. post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</li> <li>c. other long-term employee benefits, including long service leave or sabbatical leave, jubilee or other long service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;</li> <li>d. termination benefits; and</li> <li>e. share-based payment.</li> </ul>
<b>Government</b>	<p>Government, government agencies and similar bodies whether local, national or international.</p>
<b>Government-related entity</b>	<p>An entity that is controlled, jointly controlled or significantly influenced by a government.</p>
<b>Key management personnel</b>	<p>Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.</p>

<b>Related Party</b>	<p>A person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').</p> <ol style="list-style-type: none"> <li>a. A person or a close member of that person's family is related to a reporting entity if that person:             <ol style="list-style-type: none"> <li>i. has control or joint control over the reporting entity;</li> <li>ii. has significant influence over the reporting entity; or</li> <li>iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</li> </ol> </li> <li>b. An entity is related to a reporting entity if any of the following conditions applies:             <ol style="list-style-type: none"> <li>i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).</li> <li>ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).</li> <li>iii. Both entities are joint ventures of the same third party.</li> <li>iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.</li> <li>v. 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.</li> <li>vi. The entity is controlled or jointly controlled by a person identified in (a).</li> <li>vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).</li> <li>viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.</li> </ol> </li> </ol>
<b>Related party transaction</b>	<p>A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.</p>

## AUSTRALIAN SPECIFIC REQUIREMENTS

The Australian equivalent standard is AASB 124 *Related Party Disclosures* and is applicable for annual reporting periods commencing on or after 1 January 2005. AASB 124 does not apply to general purpose financial statements of not-for-profit public sector entities.

### AUSTRALIAN DEFINITIONS

<b>Director</b>	<ul style="list-style-type: none"> <li>a. a person who is director under Corporations Act 2001; and</li> <li>b. in the case of entities governed by bodies not called a board of directors, a person who, regardless of the name that is given to the position, is appointed to the position of member of the governing body, council, commission or authority.</li> </ul>
<b>Disclosing entity</b>	As defined in the Corporations Act.
<b>Remuneration</b>	Compensation as defined in AASB 124.

### REDUCED DISCLOSURE REQUIREMENTS (RDR)

On 30 June 2010, the Australian Accounting Standards Board published AASB 1053 *Application of Tiers of Australian Accounting Standards* (and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*) which established a differential reporting framework, consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

- a. Tier 1: Australian Accounting Standards; and
- b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

RDR is applicable to annual periods beginning on or after 1 July 2013.

When developing AASB 1053, the AASB concluded that the Australian Government and state, territory and local governments should be subject to Tier 1 requirements. The AASB also decided that General Government Sectors of the Australian Government and state and territory governments should continue to apply AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, without the reduction in disclosures provided by Tier 2. Other public sector entities are able to apply Tier 2 reporting requirements. These decisions are not relevant to not-for-profit public sector entities regarding AASB 124 as the AASB determined that AASB 124 does not apply to general purpose financial statements of not-for-profit public sector entities.

The requirements that do not apply to RDR entities are identified in Appendix 1 by shading of the relevant text.

## APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the “Yes / No / N/A” column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for “No” answers.

CODE		YES / NO / N/A	EXPLANATION (If required)
IAS 24.13	Has the entity disclosed all relationships between parents and subsidiaries irrespective of whether there have been transactions between them?		
IAS 24.13	Has the entity disclosed the name of the parent and, if different, the ultimate controlling party. In the case where neither the parent nor ultimate controlling party produce financial statements available for public use, has the entity disclosed the name of the next most senior parent that does so?		
IAS 24.17	Has the entity disclosed key management personnel compensation in total and for each of the following categories: a. short-term employee benefits; b. post-employment benefits; c. other long-term benefits; d. termination benefits; and e. share-based payment?		
IAS 24.18	If there have been transactions between related parties, has the entity disclosed the nature of the related party relationship and sufficient information about the transactions and outstanding balances, including commitments, to ensure an understanding of the potential effect of the relationship on the financial statements?  Has the entity disclosed at a minimum: a. the amount of the transactions; b. the amount of outstanding balances, including commitments, and terms and conditions (i.e. secured or unsecured and the nature of consideration to be provided in settlement) and details of guarantees given or received; c. provisions for doubtful debts related to the amount of outstanding balances; and d. the expense recognised during the period relating to bad or doubtful debts due from related parties?		
IAS 24.19	Has the entity separately disclosed all the information required by paragraph 18 at the following levels: a. the parent; b. entities with joint control or significant influence over the entity; c. subsidiaries; d. associates; e. joint ventures in which the entity is a venturer; f. key management personnel of the entity or its parent; and g. other related parties?		

CODE		YES / NO / N/A	EXPLANATION (If required)
IAS 24.24	Has the entity disclosed items of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity?		
IAS 24.25	<p>A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:</p> <ul style="list-style-type: none"> <li>a. a government that has control, joint control or significant influence over the reporting entity; and</li> <li>b. another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.</li> </ul>		
IAS 24.26	<p>If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:</p> <ul style="list-style-type: none"> <li>a. the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);</li> <li>b. the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements: <ul style="list-style-type: none"> <li>i. the nature and amount of each individually significant transaction; and</li> <li>ii. other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent?</li> </ul> </li> </ul>		



## AUSTRALIAN DISCLOSURE REQUIREMENTS

---

When any of the parent entities and/or ultimate controlling parties named in accordance with paragraph 13 is incorporated or otherwise constituted outside Australia, an entity shall:

- a. identify which of those entities is incorporated overseas and where; and
- b. disclose the name of the ultimate controlling entity incorporated within Australia.

## OTHER MATTERS

### LEGAL NOTICE

© CPA Australia Ltd (ABN 64 008 392 452), 2011. All rights reserved. Save and except for direct quotes from the Australian Accounting Standards Board (AASB) and accompanying documents issued by the Australian Accounting Standards Board (AASB) ("AASB Copyright"), all content in these materials is owned by or licensed to CPA Australia. The use of AASB Copyright in these materials is in accordance with the AASB's Terms and Conditions. All trademarks and trade names are proprietary to CPA Australia and must not be downloaded, reproduced or otherwise used without the express consent of CPA Australia. You may access and display these pages on your computer, monitor or other video display device and make one printed copy of any whole page or pages for personal and professional non-commercial purposes only. You must not: (i) reproduce the whole or part of these materials to provide to anyone else; or (ii) use these materials to create a commercial product or to distribute them for commercial gain.

AASB Standards may contain IFRS Foundation copyright material ("IFRS Copyright"). Enquiries concerning reproduction of IFRS Copyright material within Australia should be addressed to The Director of Finance and Administration, AASB, PO Box 204, Collins Street West, Victoria 8007. All existing rights in this material are reserved outside Australia. Requests to reproduce IFRS Copyright outside Australia should be addressed to the IFRS Foundation at [www.ifrs.org](http://www.ifrs.org).

© CPA Australia Ltd (ABN 64 008 392 452), 2010. All rights reserved. Save and except for direct quotes from the International Financial Reporting Standards (IFRS) and accompanying documents issued by the International Accounting Standards Board (IASB) ("IFRS Copyright"), all content in these materials is owned by or licensed to CPA Australia. The use of IFRS Copyright in these materials is in accordance with the IASB's Terms and Conditions. All trademarks and trade names are proprietary to CPA Australia and must not be downloaded, reproduced or otherwise used without the express consent of CPA Australia. You may access and display these pages on your computer, monitor or other video display device and make one printed copy of any whole page or pages for personal and professional non-commercial purposes only. You must not: (i) reproduce the whole or part of these materials to provide to anyone else; or (ii) use these materials to create a commercial product or to distribute them for commercial gain. Requests to reproduce IFRS Copyright should be addressed to the IFRS Foundation at [www.ifrs.org](http://www.ifrs.org).

### DISCLAIMER

CPA Australia Ltd has used reasonable care and skill in compiling the content of these materials. However, CPA Australia Ltd makes no warranty that the materials are complete, accurate and up to date. These materials do not constitute the provision of professional advice whether legal or otherwise. Users should seek their own independent advice prior to relying on or entering into any commitment based on the materials. The materials are purely published for reference purposes alone and individuals should read the latest and complete standards.

### LIMITATION OF LIABILITY

CPA Australia, its employees, agents and consultants exclude completely all liability to any person for loss or damage of any kind including but not limited to legal costs, indirect, special or consequential loss or damage (however caused, including by negligence) arising from or relating in any way to the materials and/or any use of the materials. Where any law prohibits the exclusion of such liability, then to the maximum extent permitted by law, CPA Australia's liability for breach of the warranty will, at CPA Australia's option, be limited to the supply of the materials again, or the payment of the cost of having them supplied again.