

Technical Accounting Alert

Revised IAS 24 Related Party Disclosures

Introduction

The purpose of this alert is to provide information about the revised IAS 24 / AASB 124 Related Party Disclosures standard which has been recently issued by the IASB / AASB.

Overview

On 4 November 2009, the IASB published a revised version of IAS 24 *Related Party Disclosures* (this is expected to be issued in Australia as an amendment to AASB 124 *Related Party Disclosures*). The main change from the previous version is the introduction of an exemption from IAS 24's disclosures for transactions with:

- a. a government that has control, joint control or significant influence over the reporting entity and
- b. 'government-related entities' (entities controlled, jointly controlled or significantly influenced by that same government).

The IASB has also amended the definition of a related party to clarify the intended meaning and remove some inconsistencies.

Background

Under the previous version of IAS 24, government-controlled entities that transact with other government-controlled entities were required to disclose the same level of information about those transactions, balances and relationships as for other related party transactions.

In countries in which government-controlled entities are a major segment of the economy, such as the People's Republic of China, the amount of disclosure needed to comply with this requirement was regarded as excessive.

The revised standard

The 'government-related entities' exemption

Under the revised version of IAS 24, a reporting entity is exempted from providing IAS 24's normal disclosures for transactions with:

- a government that has control, joint control or significant influence over the entity; and
- other entities controlled, jointly controlled or significantly influenced by the same government.

If a reporting entity applies this exemption, it is required to disclose the name of the government in concern and the nature of its relationship with the reporting entity. It is also required to disclose information on the nature and amount of each individually significant transaction with the government or government-related entity. For other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent is required to be disclosed.

Other changes

In addition to the introduction of the 'government-related entities' exemption, the IASB has also amended the definition of a related party to clarify the intended meaning and remove some inconsistencies. For example, the revised Standard makes it explicitly clear that in the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Effective date and transition

The revised Standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. Earlier application, of either the whole Standard or of the partial exemption for government-related entities, is permitted.

Further information

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at NAS@grantthornton.com.au