

IND AS 24

J P Chawla & Co. LLP

Chartered Accountants

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The Ind AS are converged IFRS standards, which have been introduced to standardize the way Indian companies report their financial information to various stake holders.

Reliable, consistent and uniform financial reporting is important part of good corporate governance practices worldwide in order to enhance the credibility of the businesses in the eyes of investors to take informed investment decisions. In pursuance of G-20 commitment given by India, the process of convergence of Indian Accounting Standards with IFRS has been carried out in Ministry of Corporate Affairs through wide ranging consultative exercise with all the stakeholders. Thirty-nine Indian Accounting Standards converged with International Financial Reporting Standards are (henceforth called IND AS) are currently notified by the Ministry. These are: IND ASs 1, 2, 7, 8, 10, 12, 16, 19, 20, 21, 23, 24, 27, 28, 29, 32, 33, 34, 36, 37, 38, 40,41, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110,111,112,113,114,115, 116.

Companies follow Ind AS either Voluntarily or Mandatorily. Once a company follows Indian AS, either mandatorily or voluntarily, it cannot revert to old method of Accounting.The Mandatory Applicability from Accounting Period beginning on or after 1 April 2017 is for :

- Every Listed Company or company in process of being listed.
- Unlisted Companies with Net worth greater than or equal to Rs. 250 crore (2.5 billion)

The Ministry of Corporate Affairs has implemented the IFRS converged Indian Accounting Standards in a phased manner after various issues including tax related issues have been resolved with the concerned departments.

We have prepared a simple analysis for below mentioned Ind AS for your ready reference which can act as ready-reckoner for your day to day use.

Hope you enjoy reading our Analysis.

Happy reading!!

Team J P Chawla & Co. LLP

Rajat Chawla

He is a Fellow member of the Institute of Chartered Accountants of India. He is also a C.P.A; Certified Public Accountant from The American Institute of Certified Public Accountants, United States of America. He is also a commerce honours graduate from Delhi University, Delhi, India. He is also a Certified Information System Auditor (C.I.S.A) and a member of Information system Audit and Control Association, United States of America.

His area of expertise includes Audit and Assurance, International Taxation ,Transfer Pricing, International business advisory, Valuations, FEMA/ RBI advisory, Goods & Service tax (GST), Merger and Acquisitions, Management consultancy, Due Diligence, Information system audit and development, reporting under US GAAP and IFRS, Accounting process improvement, Business process outsourcing, Knowledge process outsourcing and Business process off shoring.

He has been a regular speaker at various forums on various topics related to Tax, finance and commerce. He has also contributed in various tax publications as author / co-author. He has also co-authored two books on transfer pricing, published by Lexis – Nexis and Taxmann respectively.

Mohit Dixit

He is a member of the Institute of Chartered Accountants of India and he is also a commerce honours graduate from Delhi University.

He is having 5 + years of experience in the area of statutory audits, internal audits, assurance & Transaction Advisory related engagements in industries such as manufacturing, retail, infrastructure, information technology, e-commerce, banking, telecommunication, health and aviation sectors.

His area of expertise includes Indian GAAP and IND AS Advisory, Management accounting, outsourcing, audit & assurance, financial reporting and valuation.

Ind AS-24 Related Party Disclosures

Why Ind AS 24?

This standard emphasis on disclosures which draw attention to the possibility that its financial position and profit or loss may have been affected due to related parties and by transactions and outstanding balances, including commitments, with such parties.

This Standard is applied for:

- Identifying related party relationships and transactions
- Identifying outstanding balances, including commitments, between an entity and its related parties
- Identifying the circumstances in which disclosure of the items in above is required and
- Determining the disclosures to be made about those items.

This Standard also applies to Consolidated Financial Statements or Separate Financial Statements.

Some Important Definitions

Related Party

A related party is a person or entity that is related to the entity:

(A) A person or a close member of that person's family is related, if he

- i. has control or joint control of the reporting entity
- ii. has significant influence over the reporting entity or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person

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 including:

- i. That person's children, spouse or domestic partner, brother, sister, father and mother

(B) An entity is related to a reporting entity if any of the following conditions fulfills

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).

- i. 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).
- ii. Both entities are joint ventures of the same third party.
- iii. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- iv. 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.
- v. The entity is controlled or jointly controlled by a person identified in (A).
- vi. 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).
- vii. 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.

Following are not related parties:

Two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.

- i. Two joint venturers simply because they share joint control of a joint venture.
- ii. Providers of finance,
- iii. Trade unions,
- iv. Public utilities, and
- v. Departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity.

Key Management Personnel

Key management personnel are 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.

Related party transaction

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Disclosures

Entity shall disclose:

1. Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them.
2. An entity shall disclose key management personnel compensation in total and for each of the category of such compensation. If an entity obtains key management personnel services from another entity then amounts incurred entity shall be disclosed.
3. If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information. At a minimum, disclosures shall include:
 - The amount of the transactions
 - The amount of outstanding balances, including commitments, their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and details of any guarantees given or received
 - Provisions for doubtful debts related to the amount of outstanding balances; and
 - The expense recognised during the period in respect of bad or doubtful debts due from related parties.

The above last mentioned disclosures in Sr. No. 3 are to be made separately for each of the following categories:

- the parent
- entities with joint control of, or significant influence over, the entity
- subsidiaries
- associates
- joint ventures in which the entity is a joint venturer
- key management personnel of the entity or its parent and
- Other related parties.

A government related entity is exempt from disclosure mentioned in Sr. No. 3 for transaction with Govt. However some information in sufficient detail is to be given to enable users of the entity's financial statements to understand the effect of related party transactions

Dear Valuable Client / Colleague,

In case you require any further detailed analysis on above mentioned content, please do get back to us and we shall be happy to provide you the same.

With Best Regards,

Team JPC

About JPC

JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

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