

## **ACCOUNTING STANDARD 18**

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### **RELATED PARTY DISCLOSURES**



1

## **MAIN OBJECTIVES OF AS18**

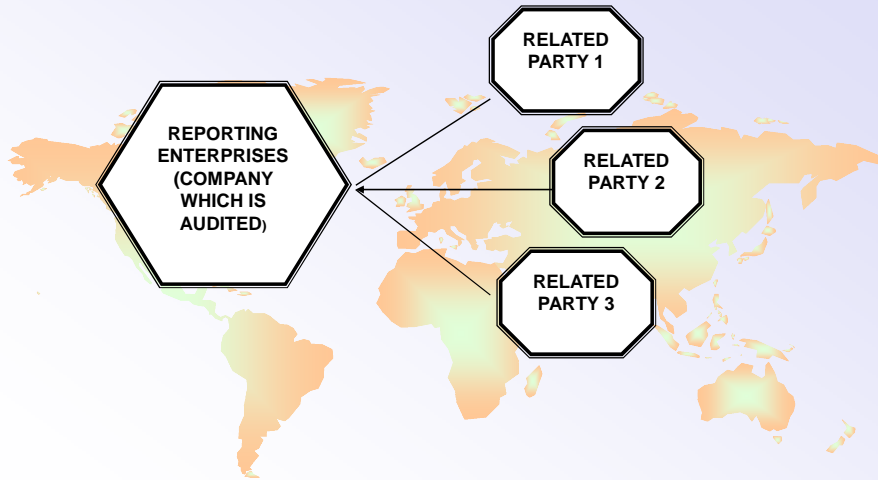
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- A world map with a warm, orange-to-yellow color gradient, identical to the one on slide 1. Overlaid on the map is a bulleted list of two main objectives.
- **TO DISCLOSE RELATIONSHIPS AND**
  - **TO DISCLOSE THE TRANSACTIONS WITH RELATED PARTIES**

2

## DRAMATIC PERSONAE:

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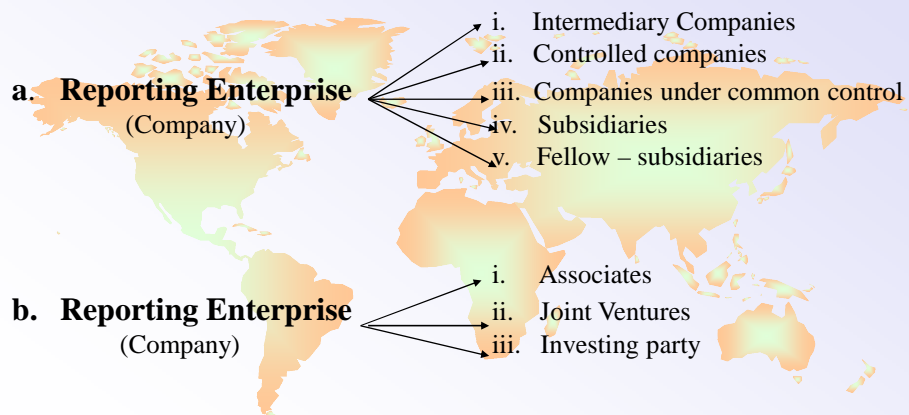


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## WHO ARE RELATIVES ?

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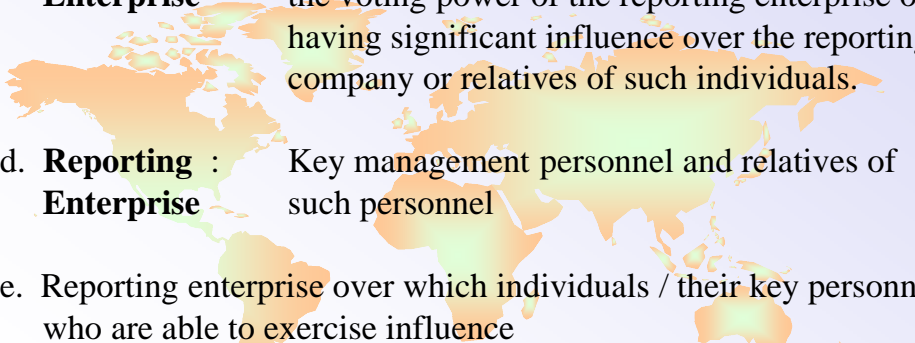
### Related Parties



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## WHO ARE RELATIVES ....? (contd)

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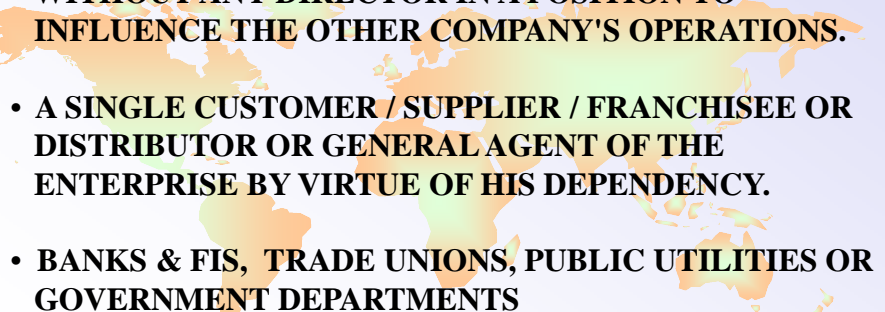
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- c. **Reporting Enterprise** : Individuals owning direct or indirect interest in the voting power of the reporting enterprise or having significant influence over the reporting company or relatives of such individuals.
- d. **Reporting Enterprise** : Key management personnel and relatives of such personnel
- e. Reporting enterprise over which individuals / their key personnel who are able to exercise influence

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## WHO ARE RELATIVES ....? (contd)

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### FOLLOWING ARE NOT RELATIVES / RELATED

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- **MERE COMMON DIRECTORSHIP IN TWO COMPANIES WITHOUT ANY DIRECTOR IN A POSITION TO INFLUENCE THE OTHER COMPANY'S OPERATIONS.**
  - **A SINGLE CUSTOMER / SUPPLIER / FRANCHISEE OR DISTRIBUTOR OR GENERAL AGENT OF THE ENTERPRISE BY VIRTUE OF HIS DEPENDENCY.**
  - **BANKS & FIS, TRADE UNIONS, PUBLIC UTILITIES OR GOVERNMENT DEPARTMENTS**

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## **RELATED PARTY DISCLOSURE NOT APPLICABLE**

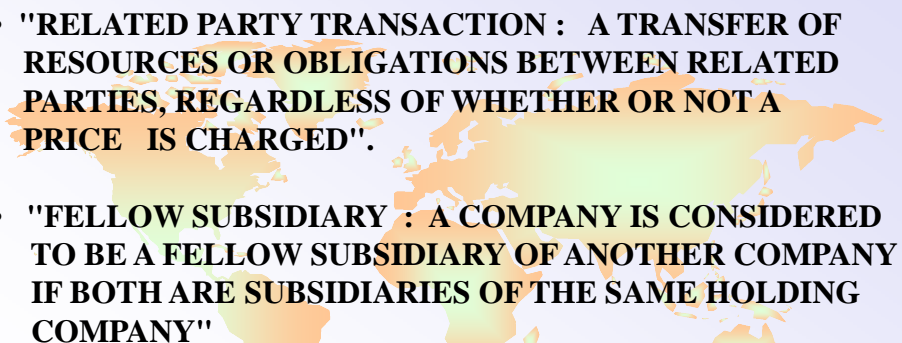
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- **IN CASE ANY OTHER LAW PROHIBITS SUCH DISCLOSURE (LIKE SECRECY LAW OF BANKING)**
  - **INTRA-GROUP TRANSACTIONS ALREADY REFLECTED IN HOLDING COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS.**
- 
- A faint world map is visible in the background of the slide, showing the continents in a light orange and yellow color.

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## **IMPORTANT DEFINITIONS (NEW TERMS)**

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- **"RELATED PARTY TRANSACTION : A TRANSFER OF RESOURCES OR OBLIGATIONS BETWEEN RELATED PARTIES, REGARDLESS OF WHETHER OR NOT A PRICE IS CHARGED".**
  - **"FELLOW SUBSIDIARY : A COMPANY IS CONSIDERED TO BE A FELLOW SUBSIDIARY OF ANOTHER COMPANY IF BOTH ARE SUBSIDIARIES OF THE SAME HOLDING COMPANY"**
- 
- A faint world map is visible in the background of the slide, showing the continents in a light orange and yellow color.

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**REQUIREMENT OF AS 18 - BOTH (A) + (B) TO BE EXPLAINED**

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**A. TO DISCLOSE (IRRESPECTIVE OF WHETHER THERE IS ANY RELATED OPERATING TRANSACTION).**



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**B. DISCLOSURE REGARDING TRANSACTIONS WITH THE RELATED PARTIES:**

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THE DETAILS AS MENTIONED IN THE CHART SHOULD BE GIVEN:

**RELATED PARTIES (RP) TRANSACTIONS - DISCLOSURES**

RELATED PARTY	RELATIONSHIP	DESCRIPTION OF THE TRANSACTION	AMOUNT OR VOLUME	BALANCE AS AT 31.3.2002 FROM	PROVISION FOR DOUBTFUL DEBTS DUE	AMOUNT WRITTEN OFF / BACK OF DEBTS RP
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FROM RP	DUE					
-	.....	.....	.....	.....	.....	.....

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## **EXAMPLES OF RELATED PARTY TRANSACTIONS :**

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- PURCHASE OR SALES OF GOODS (FINISHED OR UNFINISHED)
- PURCHASES OR SALE OF FIXED ASSETS
- RENDERING OR RECEIVING OF SERVICES
- AGENCY ARRANGEMENT
- LEASING OR HIRE PURCHASE ARRANGEMENTS
- TRANSFER OF RESEARCH AND DEVELOPMENT
- LICENCE AGREEMENTS
- FINANCE (INCLUDING LOANS AND EQUITY CONTRIBUTIONS IN CASH OR IN KIND)
- GUARANTEES AND COLLATERALS; AND
- MANAGEMENT CONTRACTS INCLUDING FOR DEPUTATION OF EMPLOYEES

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## **PROBLEM AREAS**

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ALTHOUGH NORMALLY TRANSACTIONS ENTERED BETWEEN PARTIES ARE ON ARMS LENGTH BASIS, IN MOST CASES OF RELATED PARTY TRANSACTIONS IT IS CLEAR THAT TRANSACTIONS HAVE OCCURRED ONLY :

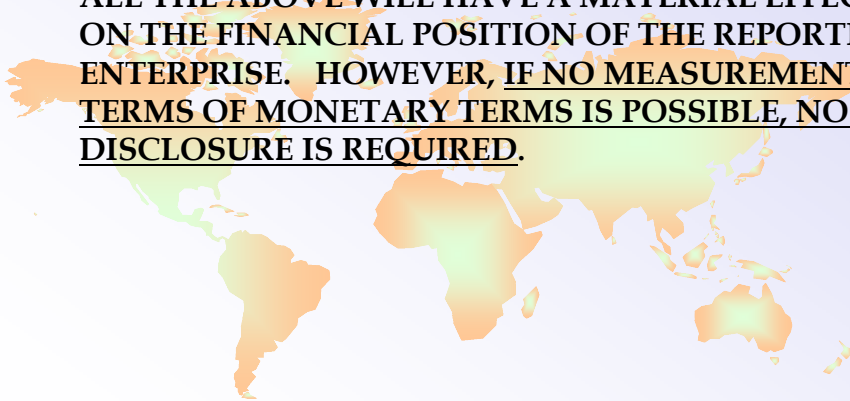
- BECAUSE UNRELATED PARTIES WOULD NOT HAVE EVINCED INTEREST IN THESE TRANSACTIONS
- BECAUSE TRANSACTIONS ARE DONE ON DIFFERENT TERMS AND CONDITIONS;
- BECAUSE NO PRICE IS CHARGED IN RELATED PARTY TRANSACTIONS

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## **PROBLEM AREAS - contd ...**

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**ALL THE ABOVE WILL HAVE A MATERIAL EFFECT ON THE FINANCIAL POSITION OF THE REPORTING ENTERPRISE. HOWEVER, IF NO MEASUREMENT IN TERMS OF MONETARY TERMS IS POSSIBLE, NO DISCLOSURE IS REQUIRED.**

A world map with a color gradient from orange to green, centered on the slide.

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## **THE (LAST) WORD OF CAUTION :**

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***"SPEAK OUT ABOUT YOUR RELATIONSHIP ... ..  
IF YOU CAN STAND THE STORM".***

A world map with a color gradient from orange to green, centered on the slide.

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**Thank You for your time and attention**

