



## IAS 24 — Related Party Disclosures



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### Overview

IAS 24 *Related Party Disclosures* requires disclosures about transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties, including the compensation of key management personnel.

IAS 24 was reissued in November 2009 and applies to annual periods beginning on or after 1 January 2011.

### History of IAS 24

Date	Development	Comments
March 1983	Exposure Draft E25 <i>Disclosure of Related Party Transactions</i>	
July 1984	IAS 24 <i>Related Party Disclosures</i> issued	Effective 1 January 1986
1994	IAS 24 was reformatted	
<a href="#">18 December 2003</a>	IAS 24 <i>Related Party Disclosures</i>	Effective for annual periods beginning on or after 1 January 2005
<a href="#">22 February 2007</a>	Exposure Draft <i>State-controlled Entities and the Definition of a Related Party</i> published	Comment deadline 25 May 2007

11 December 2008	Exposure Draft <i>Relationships with the State (Proposed amendments to IAS 24)</i> published	Comment deadline 13 March 2009
4 November 2009	IAS 24 <i>Related Party Disclosures</i> issued	Effective for annual periods beginning on or after 1 January 2011
12 December 2013	Amended by <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (entities providing key management personnel services)	Effective for annual periods beginning on or after 1 July 2014

## Related Interpretations

- None

## Amendments under consideration by the IASB

- None

## Summary of IAS 24

### Objective of IAS 24

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 with such parties.

### Who are related parties?

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') [IAS 24.9].

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over 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.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (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).
  - (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).
  - (iii) Both entities are joint ventures of the same third party.

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined 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.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (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).
- (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\*.

\* Requirement added by *Annual Improvements to IFRSs 2010–2012 Cycle*, effective for annual periods beginning on or after 1 July 2014.

The following are deemed not to be related: [IAS 24.11]

- two entities simply because they have a director or key manager in common
- two venturers who share joint control over a joint venture
- providers of finance, trade unions, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, 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)
- a single customer, supplier, franchiser, distributor, or general agent with whom an entity transacts a significant volume of business merely by virtue of the resulting economic dependence

### What are related party transactions?

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. [IAS 24.9]

### Disclosure

**Relationships between parents and subsidiaries.** Regardless of whether there have been transactions between a parent and a subsidiary, an entity must disclose the name of its 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 must also be disclosed. [IAS 24.16]

**Management compensation.** Disclose key management personnel compensation in total and for each of the following categories: [IAS 24.17]

- short-term employee benefits
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- post-employment benefits
- other long-term benefits
- termination benefits
- share-based payment benefits

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 directors (whether executive or otherwise) of the entity. [IAS 24.9]

If an entity obtains key management personnel services from a management entity, the entity is not required to disclose the compensation paid or payable by the management entity to the management entity's employees or directors. Instead the entity discloses the amounts incurred by the entity for the provision of key management personnel services that are provided by the separate management entity\*. [IAS 24.17A, 18A]

\* These requirements were introduced by *Annual Improvements to IFRSs 2010–2012 Cycle*, effective for annual periods beginning on or after 1 July 2014.

**Related party transactions.** If there have been transactions between related parties, 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 disclosure would be made separately for each category of related parties and would include: [IAS 24.18-19]

- the amount of the transactions
- the amount of outstanding balances, including terms and conditions and guarantees
- provisions for doubtful debts related to the amount of outstanding balances
- expense recognised during the period in respect of bad or doubtful debts due from related parties

### Examples of the kinds of transactions that are disclosed if they are with a related party

- purchases or sales of goods
- 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
- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- settlement of liabilities on behalf of the entity or by the entity on behalf of another party

A statement that related party transactions were made on terms equivalent to those that prevail in arm's length transactions should be made only if such terms can be substantiated. [IAS 24.21]



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