



Australian Government

Australian Accounting  
Standards Board

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Exposure Draft: Related Party Disclosures (IAS 24)  
International Accounting Standards Board  
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**Proposed Amendments to IAS 24 *Related Party Disclosures***

The AASB welcomes the opportunity to comment on the Exposure Draft of Proposed Amendments to IAS 24 *Related Party Disclosures* – State-controlled Entities and the Definition of a Related Party.

The AASB offers its responses to the specific questions accompanying the Exposure Draft in the attachment to this letter.

If you have any queries regarding any matters in this submission, please contact Aletta Boshoff ([aboshoff@iasb.com.au](mailto:aboshoff@iasb.com.au)) or myself.

Yours sincerely

A handwritten signature in cursive script that reads 'David Boymal'.

David Boymal  
Chairman

**Exposure Draft of Proposed Amendments to  
IAS 24 *Related Party Disclosures* – State-controlled Entities and the Definition of a  
Related Party**

**Question 1(a) – State-controlled entities**

*Do you agree with the proposal to provide, in the circumstances described in this exposure draft, an exemption for entities controlled or significantly influenced by the state?*

*If not, why? What would you propose instead and why?*

Yes.

**Question 1(b) – State-controlled entities**

*Do you agree:*

- (i) that an indicator approach is an appropriate method for identifying when the exemption should be provided for entities controlled or significantly influenced by the state; and*
- (ii) that the proposed indicators are appropriate?*

*If not, why? What would you propose instead and why?*

Yes.

The AASB notes that it is not clear whether there is a difference between ‘regulation’ and ‘compulsion by state’ and, if so, what that difference is. Paragraph 17B exempts an entity if it transacts business at non-market rates that are subject to regulation. Paragraph 17C requires disclosure if a compulsion by a state exists.

The AASB also notes that the proposed indicators could be further refined to more clearly delineate the types of transactions that require disclosure (for example, does the description of economically significant transactions in paragraph 17B(c) refer to material transactions).

It is our understanding that if there have been any transactions whatsoever between state-controlled entities which trigger the indicators then all transactions between the state-controlled entities fall to be disclosed under paragraph 17, including those transactions which do not trigger the indicators. We question whether this is the intention of the IASB especially in light of BC12. Further, we are not convinced that parties would necessarily be considered to be influenced merely because they utilise shared resources.

**Question 2(a) – Definition of a related party**

*The definition of a related party in IAS 24 does not include, for a subsidiary's individual or separate financial statements, an associate of the subsidiary's controlling investor. The Board has decided that it should be included, and thus proposes to amend the definition of a related party. The Board similarly proposes that when the investor is a person, entities that are either significantly influenced or controlled by that person are to be treated as related to each other. Do you agree with this proposed amendment?*

*If not, why? What would you propose instead and why?*

Yes.

**Question 2(b) – Definition of a related party**

*IAS 24 does not define associates of an entity as related parties. However, when a person has significant influence over an entity and a close member of the family of that person has significant influence over another entity, IAS 24 defines those two entities as related parties. The Board proposes to align the definition for both types of ownership by excluding from the definition of a related party an entity that is significantly influenced by a person and an entity that is significantly influenced by a close member of the family of that person. Do you agree with the proposed amendment?*

*If not, why? What would you propose instead and why?*

Yes.

**Question 2(c) – Definition of a related party**

*IAS 24 defines any entity over which a member of the key management personnel of the reporting entity has control, joint control or significant influence, or in which the member holds significant voting power, as related to the reporting entity. However, the converse is not true. Thus, when the entity that a person controls, jointly controls or significantly influences, or in which the person has significant voting power, is the reporting entity and that person is a member of the key management personnel of another entity, that other entity is not defined as related to the reporting entity. The Board proposes to remove this inconsistency by expanding the definition to encompass both situations. Do you agree with the proposed amendment?*

*If not, why? What would you propose instead and why?*

No. The fact that a person who controls, jointly controls or significantly influences the reporting entity, or a person has significant voting power in the reporting entity and is also a member of the key management personnel of another entity does not necessarily mean that the person has influence over that entity. Accordingly, such an entity should not be defined to be a related party of the reporting entity.

We further request clarification on whether an entity can be a key management person as defined in IAS 24. If this is the case, we are of the view that the definition of a related party should make it clear that if a reporting entity is the key management person (KMP) of one of its associates (Associate A) and the reporting entity also has significant influence over another entity (Associate B), then Associate A and Associate B would be related parties, even though IAS 24 does not define associates of an entity as related parties. Associate A and Associate B are related parties due to the existence of the KMP relationship and the existence of significant influence.

**Question 2(d) – Definition of a *related party***

*Do you agree with the proposal to clarify the definition of a related party? Does the wording proposed capture the same set of related parties as IAS 24 at present (except for the amendments described in (a)–(c) above)? Do you agree that the proposed wording improves the definition of a related party?*

*If not, why? What would you propose instead and why?*

The AASB agrees with the proposal to clarify the definition of a related party.

In relation to the existing definition of a related party we understand that if a person has joint control over the ‘reporting entity’ [paragraph (a)(iii)] and that person or a close member of the family of that individual [paragraph (e)] controls, jointly controls or significantly influences, or has significant voting power in another entity then the other entity and the reporting entity [paragraph (f)] will be considered to be related parties. Based on our understanding of the revised definition of a related party we do not believe that this relationship would still be captured. While we do not object to the proposed change, we note that the revised definition does not capture the same parties as the existing IAS 24 definition and that this has not been identified as a change. We also note that the existing definition of related party specifically refers to direct and indirect relationships whereas the revised definition does not. For the avoidance of any doubt we suggest that the IASB clarify that these relationships are still captured by the revised definition.

**Question 3 – Definition of *related party transactions***

*Do you agree with the proposal to clarify the definition of a related party transaction?*

*If not, why? What changes would you propose and why?*

Yes.

**Question 4**

*Do you have any other comments on the proposals?*

**Post-employment Benefit Plan**

The existing and proposed revised definition of a related party specifically includes a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. In our view this definition should only refer to the post-employment benefit plan of the employing reporting entity or employing entity related to the reporting entity. In Australia, employees can choose to contribute to any post-employment benefit plan and need not contribute to the employer's post-employment benefit plan. The existing definition literally identifies as a related party of the reporting entity every public offer post-employment benefit plan in Australia that an employee of the reporting entity has chosen to use.

**Definition of close members of the family of a person**

We have a concern with the proposed amendment to the definition of close member of the family of a person. The existing definition is not exhaustive but provides examples of those parties who may be considered to be influenced by or who may influence the individual. If the IASB consider that it is now appropriate to provide an exhaustive list we have a concern with the term "children" in particular how one should interpret that term. Our concern with an exhaustive list is that the relationships listed would not always result in influence being exerted.