



30 Cannon Street, London EC4M 6XH, United Kingdom
Phone: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: <http://www.iasb.org>

**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 20 September 2006, London

Project: Amendments to IAS 24 *Related Party Disclosures*

Subject: Definition of Related Party Transactions – Clarification of Wording (Agenda Paper 14B)

INTRODUCTION

1. In July, a Board member indicated that the current definition of a 'related party transaction' can create confusion in some jurisdictions when translated into different languages. The Board is already amending IAS 24 *Related Party Disclosures* therefore the staff thinks that this provides an appropriate opportunity to review, and amend or clarify, the definition of a related party transaction.

DISCUSSION

2. IAS 24 paragraph 9 states:

‘A related party transaction is a transfer of resources, services or obligations *between related parties*, regardless of whether a price has been charged.’

Further, paragraph 17 of IAS 24 states:

‘If there have been transactions *between related parties*, an entity shall disclose...’

3. A Board member has indicated that the term 'between related parties' could be interpreted to require the disclosure of transactions between *two of an* entities related parties. For example if an entity has an investment in an associate and an investment in a joint venture, any transactions between the associate and the joint venture are related party transactions that must be disclosed.
4. The staff does not think the Board intended the definition to be interpreted in this way. The staff thinks that the definition was intended to be interpreted to mean between entities that meet the definition of related parties, ie only transactions between the reporting entity and *its* related parties as defined in IAS 24 paragraph 9.
5. The staff concludes that the current wording in IAS 24 has caused problems in some jurisdictions on translation to a different language. Therefore, the staff suggests an amendment to the definition of related party transactions to clarify exactly what the Board was meaning when it wrote the standard.

AMENDMENTS

6. The staff note that there are a number of possible changes that could be made to the definition of a related party transaction, namely:
 - (a) ~~A related party transaction is a~~ are transfers of resources, services or obligations between related parties an entity and its related parties, regardless of whether a price has been charged.

IAS 24 only refers to related party transactions in the plural sense, except for in the definition in paragraph 9. Therefore, one recommendation would be to change the definition to plural as noted above.
 - (b) A related party transaction is a transfer of resources, services or obligations between ~~related parties~~ an entity and a related party, regardless of whether a price has been charged.
 - (c) A related party transaction is a transfer of resources, services or obligations between ~~related parties~~ an entity and a related party of it, regardless of whether a price has been charged.
 - (d) A related party transaction is a transfer of resources, services or obligations between ~~related parties~~ an entity and a related party of that entity, regardless of whether a price has been charged.

STAFF RECOMMENDATION

7. The staff recommend that the definition of related party transactions be amended to the following:

‘~~A~~Related party transactions ~~is a~~ are transfers of resources, services or obligations between ~~related parties~~ an entity and its related parties, regardless of whether a price has been charged.’

The staff also recommend the following amendment to paragraph 17:

‘If there have been transactions between ~~related parties~~ an entity and its related parties, ~~the~~ an entity shall disclose...’

8. **Firstly, does the Board agree with the staff that the definition of a related party transaction is only transactions between the reporting entity and its related parties? If yes, does the Board agree with the suggested wording?**