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International
Accounting Standards
Board

INFORMATION FOR OBSERVERS

Board Meeting:	**15 November 2007, London**
Project:	**Amendments to IAS 24 Related Party Disclosures**
Subject:	**Redeliberations: Definition of a related party transaction and Other issues (Agenda paper 5B)**

INTRODUCTION

1. This paper considers one main issue regarding Question 3 raised in the ED (Definition of a related party transaction) and other remaining issues.

2. That main issue regarding 'definition of a related party transaction' raised in the comment letters is about 'transactions or commitments to do something' in paragraph 20(j) of the ED'. Appendix A to this paper provides further detail.

3. On the other hand, other remaining issues raised in the comment letters include:

   (a) the term 'individual financial statements';
   (b) retention of paragraph 14 in IAS 24;
   (c) disclosure of key management personnel compensation;
   (d) change to categories for disclosure in paragraph 18 of IAS 24;
   (e) an associate's subsidiary and the associate's significant investor;
   (f) effective date;
   (g) transitional provision;

(h) consequential amendment to IFRS 8; and

(i) interaction with IFRS 3 – common control transaction.

4. This paper provides two appendices. One is Appendix A: extracts from comment letter summary in the September Board paper. The other is Appendix B: extracts from IFRS 8.

DETAILED DISCUSSION OF ISSUES

'Transactions or commitments to do something' in paragraph 20(j) of the ED

5. Paragraph 20 gives examples of a related party transaction that should be disclosed for the period. The ED proposed to add 'transactions or commitments to do something if a particular event occurs or does not occur in the future' to that list.

6. Many respondents expressed concerns about that new example in paragraph 20(j) of the ED (see paragraphs 56-57 in Appendix A) and they can be classified as follows:
   (a) It is not clear what it means or what it is intended to cover.
   (b) It would lead to many practical application difficulties.
   (c) It is inconsistent with all other examples in terms of the timing of transaction occurrence.
   (d) It is already captured by other standards or may not be required to disclose under amendments to IAS 37 in progress.

7. The staff observes that the current IAS 24 (revised 2003) contains the following amendments to the previous IAS 24 (reformatted 1994) in relation to examples of a related party transaction:

Comparison	IAS 24 (reformatted 1994)	IAS 24 (revised 2003)
Lead-in sentence	The following are examples of situations where related party transactions may lead to disclosures by a reporting enterprise in the period which they affect:	The following are examples of transactions that are disclosed if they are with a related party:
Examples listed in the paragraphs	• Purchases or sales of goods (finished or unfinished) • Purchases or sales of property and other assets • Rendering or receiving of services • Agency arrangements • Leasing arrangements • Transfer of research and development • License agreements • Finance (including loans and equity contributions in cash	• Purchases or sales of goods (finished or unfinished) • Purchases or sales of property and other assets • Rendering or receiving of services • ***Deleted*** • Leases • Transfers of research and development • Transfers under license agreements • Transfers under finance arrangements (including loans

Comparison	IAS 24 (reformatted 1994)	IAS 24 (revised 2003)
	and in kind) • Guarantees and collaterals • Management contracts • ***Newly added***	and equity contributions in cash and in kind) • Provision of guarantees and collateral • ***Deleted*** • Settlement of liabilities on behalf of the entity or by the entity on behalf of another entity

8. The ED defines a related party transaction as:

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

What is a 'transfer'?

9. The staff thinks that 'transfer' is a key word in the definition of a related party transaction and generally means 'actual movement from one party to the other party through past transactions or past events' – i.e. past transfer *not* future (potential) transfer. Therefore, the term 'transfer' may not include changes in the value of an asset or a present obligation which results from a commitment (for example, forward contract) between related parties, regardless of whether that asset or obligation is recognised in accounting.

What are 'transactions or commitments to do something if a particular event occurs or does not occur in the future' in paragraph 20(j) of the ED?

10. Some respondents stated that the new example 'transactions or commitments to do something if a particular event occurs or does not occur in the future' in paragraph 20(j) of the ED literally reads as 'all conditional future transactions or commitments'. However, the staff thinks that it would be logically more appropriate to view the new example as 'all obligations to do something in the future including those executory contracts when executory contracts give rise to an asset or a present obligation'.

What are ‘obligation’ and ‘executory contract’?

11. According to Framework.60, ‘obligation’ refers to a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner. On the other hand, according to IAS 37.3, ‘executory contracts’ are contracts under which neither party has performed any of its obligations, or both parties have partially performed their obligations to an equal extent. The staff also notes that one particular type of obligation is a stand ready obligation, as discussed by the Board in other projects.

The staff’s recommendations

12. The staff recommends that the Board should maintain the new example proposed in paragraph 20(j) of the ED because information about commitments between a reporting entity and a related party would be useful to users of financial statements. ***Does the Board agree with the staff’s recommendation?***

13. The staff thinks that the new example means ‘all obligations to do something if a particular event occurs or does not occur in the future, regardless of whether they are recognised in accounting’. However, respondents stated that it is not clear what it means and what is intended to capture, particularly whether it includes executory contracts. Therefore, the staff recommends that the Board should amend that example to clarify its meaning and scope, and proposes the following three alternatives for the amendment:
    (a) *Alternative A*: undertaking obligations to do something if a particular event occurs or does not occur in the future (including executory contracts which give rise to an asset or a present obligation, for example, an irrevocable forward contract to buy or sell a specific share);
    (b) *Alternative B*: undertaking obligations to do something if a particular event occurs or does not occur in the future (including all executory contracts); or

(c) *Alternative C*: undertaking obligations to do something if a particular event occurs or does not occur in the future (excluding all executory contracts).

14. Argumentations for each alternative proposed in paragraph 13 are as follows:

(a) For *Alternative A*, all executory contracts do not create obligations on day one. Only executory contracts that create an obligation on day one would be useful and could arguably meet the definition of a related party transaction, whether they are recognised or not.

(b) For *Alternative B*, although all executory contracts do not create obligations on day one, information about all executory contracts might be useful because they are a contractual agreement whether revocable or irrevocable.

(c) For *Alternative C*, cost / benefit consideration would justify exclusion of all executory contracts.

15. ***Does the Board agree with an amendment to paragraph 20(j) of the ED to clarify its meaning and scope? If yes, which of the alternatives proposed in paragraph 13 does the Board prefer? Or what else would the Board prefer?***

16. With regard to method to reflect the recommendations in paragraphs 12 and 13, the staff proposes that the Board should either:

(a) *Alternative A*: amend the definition of a related party transaction to include the proposed example; or

(b) *Alternative B*: keep the proposed example in the paragraph 20(j) with the wording amended.

17. The reasons for *Alternative A* proposed in paragraph 16 are as follows;

(a) The term 'transfer' generally means actual transfer *not* potential transfer. If 'transfer' is interpreted narrowly, it may not include changes in the value of the obligation after day one between parties as well as creation of an obligation on day one, in case of an obligation to do something in the future.

(b) Amendments to IAS 24 (reformatted 1994) that IAS 24 (revised 2003) contained in relation to examples of a related party transaction outlined in paragraph 7 seem to imply that a commitment does not of itself meet the definition of a related party transaction.

18. The reason for *Alternative B* proposed in paragraph 16 is that it would be appropriate to keep that new example in paragraph 20(j) if the term ‘transfer’ arguably includes changes in the value of the obligation after day one between parties as well as creation of an obligation on day one, in case of an obligation to do something in the future.

19. ***Which of the alternatives proposed in paragraph 16 does the Board prefer? Or what else would the Board prefer?***

The term ‘individual financial statements’

20. Several respondents pointed out that the term ‘individual financial statements’ is introduced to paragraph 3 and is also used in a few other standards (for example, paragraph 15 of IAS 40 and BC 11 of IFRS7) but this term is not defined anywhere in IFRS.

21. The staff thinks that in practice, individual financial statements are generally considered to be all financial statements other than ‘consolidated financial statements’ and ‘separate financial statements’.

22. The staff agrees that it would be helpful to clarify what that term means. However, it would be more appropriate to define this term in IAS 27 rather than IAS 24 so that it sits together with the definitions of consolidated and separate financial statements. In this connection, it could be an alternative to add the wording ‘those financial statements are often called individual financial statements’ to the end of paragraph 7 of IAS 27[1].

23. Therefore, the staff recommends that the Board should consider defining the term ‘individual financial statements’ in IAS 27 *not* IAS 24. ***Does the Board agree with the staff’s recommendation?***

[1] IAS 27.7 The financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity are not separate financial statements.

Retention of paragraph 14[2] in IAS 24

24. The ED proposed deleting paragraph 14 of IAS 24 because it refers to specific disclosure requirements that were previously in IAS 27 and IAS 28 but were deleted in the Improvements project in 2003.

25. Two respondents believe that an appropriate listing and description of significant investments in subsidiaries, associates and jointly controlled entities is important information for users. Therefore, these respondents suggest that instead of deleting paragraph 14 as proposed in the ED, it should be retained although the reference to IAS 27, 28 and 31 should be deleted, or be reworded to clarify what information is to be disclosed.

26. The staff recommends that the Board should retain paragraph 14 in IAS 24 by deleting references to specific disclosure requirements that no longer exist but retaining a generic reference to IAS 27, IAS 28 and IAS 31 for the following reasons:
    (a) It could provide additional and useful information to users that the current IAS 27 does not provide.
    (b) ED 9 Joint Arrangements, which was published in September 2007, proposes reinstating the disclosure requirements that were withdrawn in IAS 27 and IAS 28 during the Improvement project in 2003, through its consequential amendments.

27. An example of the wording for the recommendation would be as follows:

    14 The identification of related party relationships between parents and subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 and IAS 31.

28. ***Does the Board agree with the staff's recommendation in paragraph 26?***

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[2] IAS 24.14 The identification of related party relationships between parents and subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 and IAS 31, which require an appropriate listing and description of significant investments in subsidiaries, associates and jointly controlled entities.

Disclosure of key management personnel compensation

29. IAS 24 requires an entity to disclose key management personnel compensation in total and for each of the following categories:

(a) short-term employee benefits;

(b) post-employment benefits;

(c) other long-term benefits;

(d) termination benefits; and

(e) share-based payment.

30. IAS 24 defines key management personnel and compensation as follows respectively;

> *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.
>
> *Compensation* includes all employee benefits (as defined in IAS 19 *Employee Benefits*) including employee benefits to which IFRS 2 *Share-based Payment* applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes: the same items listed in paragraph 25 of this paper.

31. BC 7 of IAS 24 states that the Board noted that the definition of key management personnel and the guidance on compensation in IAS *Employee Benefits* are sufficient to enable entities to disclose the relevant information.

32. Some respondents questioned what to disclose regarding the following items (see Appendix A for other comments on this issue):

(a) Post-employment benefits, in particular, actuarial gains and losses, final salary schemes. For example, is this disclosure intended to refer only to current service cost and past service costs? Or does it include interest costs and a share of actuarial gains and losses?

(b) Corridors and past service costs.

(c) It is not clear whether key management personnel compensation that should be disclosed in accordance with paragraph 16 of IAS 24 is the amounts paid or payable during the period or the amounts recognised as an expense during the period.

(d) Share-based payment as defined in IFRS 2.

33. To summarise the comments in paragraph 32, they are broadly:

(a) whether key management personnel compensation that should be disclosed is the amounts paid or payable or the amounts recognised as an expense, during the period; and

(b) what should be disclosed for post-employment benefits or share-based payment?

34. The staff thinks that the two questions summarised in paragraph 33 are worth considering for the following reasons:

(a) Provisions concerning key management personnel compensation outlined in paragraphs 29-31 seem to be insufficient to answer those two questions.

(b) Under IAS 19, in all cases, the amounts paid or payable to key management personnel may be different from the amounts recognised as an expense for those people, particularly for post-employment benefits.

(c) The disclosure requirements for post-employment benefits comprise many components, which vary in nature.

35. However, the staff believes that this issue may need a reasonable time for further research and consultation with constituents to identify the most useful information. Therefore, the staff recommends that the Board should not deal with this issue in this amendments project. ***Does the Board agree with the staff's recommendation? If not, does the Board want the staff to research this issue further to clarify the disclosure requirements?***

Change to categories for disclosure in paragraph 18[3] of IAS 24

36. One respondent thinks that based on experience, the current categorisation for disclosures in paragraph 18 is not very useful to users of the financial statements and in particular, it seems that users do not understand why transactions with parties having control over the reporting entity should not be disclosed separately. Therefore, the respondent recommends that the categories be divided up in a more logical way to make them more beneficial to users of the financial statements. Furthermore, the respondent recommends that paragraph 18 should include some guidelines for cases where a related party is a member of more than one category.

37. The staff does not recommend that the Board should change categories for disclosure in paragraph 18 of IAS 24 for the following reasons:
(a) It is outside the scope of this project.
(b) To change categories for disclosure is not simply to clarify the intended meaning but to change the manner of disclosure.
(c) There may be various ways for categorisation (for example, by entity type, by purely level of influence regardless of entity or person) useful to users of financial statements. It may need further research and consultation with constituents to identify the most useful categorisation.

38. **Does the Board agree with the staff's recommendation in paragraph 37?**

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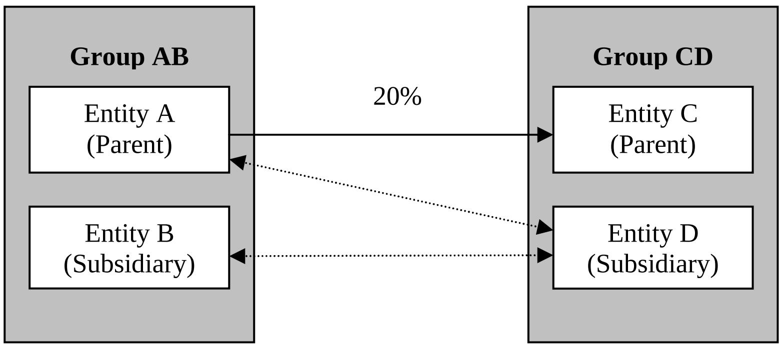
[3] IAS 24.18 The disclosure required by paragraph 17 shall be made separately for each of the following categories:
a. the parent;
b. entities with joint control or significant influence over the entity;
c. subsidiaries;
d. associates;
e. joint ventures in which the entity is a venturer;
f. key management personnel of the entity or its parent; and
g. other related parties.

An associate's subsidiary and the associate's significant investor

39. Two respondents indicated that it is not clear, in the definition of a related party, whether an associate and a joint venture include subsidiaries of the associate and the joint venture. They asked the Board to clarify this point.

40. For example, Entity A (parent) controls Entity B (subsidiary) - group AB. Entity C (parent) controls Entity D (subsidiary) - group CD. Entity A of group AB has significant influence or joint control over Entity C of group CD. This example is depicted in the diagram below. In this example, is Entity D related to Entity A or Entity B?



41. The staff agrees that it is not clear whether Entity D is related to Entity A or Entity B, based on both the current and proposed definitions of a related party. The staff believes that Entity D is related to Entity A and Entity B because where Entity C controls Entity D, Entity A could influence transactions between Entity D and Entities A or B through Entity A's significant influence or joint control over Entity C.

42. ***Does the Board agree with the staff's interpretation in paragraph 41? If yes, does the Board agree that the following wording should be added to clarify this relationship in IAS 24?***

10B In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the associate's significant investor are related to each other.

Effective date

43. The staff notes that the IASB has committed to having no new effective dates prior to January 2009 and constituents would need a reasonable time to set up these amendments in their countries. Therefore, considering that a final Standard would be issued in February or March 2008, the staff recommends an effective date for this proposed amendments of 1 January 2010 with early adoption permitted. ***Does the Board agree with the staff's recommendation?***

Transitional provision

44. One respondent notes that the ED is not clear on whether the proposed amendments, particularly the test on 'influence' indicators shall apply to all past transactions when an indicator is discovered, and it also has not provided guidance on whether a related party could avail itself to the exemption when the indicator ceased to exist.

45. The ED suggests that all proposed amendments to IAS 24 will apply retrospectively without exception. ***Does the Board agree with retrospective application of all amendments without exception?***

Consequential amendment to IFRS 8 (see Appendix B)

46. Several respondents observed that in paragraph BC58 of IFRS 8 *Operating Segments*, the Board indicated that its proposals to amend IAS 24 with regard to state-controlled entities might result in a consequential amendment to IFRS 8 but the ED proposed no such amendment.

47. Therefore, some respondents suggest that the board should clarify whether, where entities under common state control are exempt from the related party disclosures, those exempt entities should be regarded as a single customer by a supplier of services to those entities as required in paragraph 34 of IFRS 8.

48. Two suggest that the Board should make a consequential amendment to the disclosure requirement of IFRS 8.34 along with the amendment to IAS 24 and thus provide similar relief from disclosure requirement to state-controlled

entities because they might encounter the same difficulties in applying IFRS 8.34.

49. The staff recommends that the Board should make a consequential amendment to paragraph 34 of IFRS 8 so that a state and entities under the control of that state would not be viewed as a single customer for the following reasons:

(a) In applying paragraph 34 of IFRS 8, a state-controlled entity that is a reporting entity would encounter the same situations considered in the ED of proposed amendments to IAS 24 to provide the exemption for state-controlled entities.

(b) More than anything else, it would in effect be impossible to identify all entities under common control through a state in jurisdictions with a large number of state-controlled entities.

(c) Also, if transactions between state-controlled entities are conducted as if they are unrelated parties, the disclosure requirement in IFRS 8.34 would fail to achieve its purpose, which is to provide information about the extent of a reporting entity's reliance on its major customers.

50. On the other hand, the staff recommends that an entity should disclose information required in IFRS 8 when revenues from transactions with a single state-controlled entity amount to 10 per cent or more of the entity's revenues. The staff intends to consider further in drafting what is meant by a 'single state-controlled entity'.

51. ***Does the Board agree with the staff's recommendation in paragraphs 49-50?***

Interaction with IFRS 3 – common control transaction

52. One respondent recommends the Board to consider whether the principle in the ED should be used to establish whether transactions involving state-controlled entities should be treated as common control transactions which are exempt from the requirements in IFRS 3. For example, consider the situation where one state-controlled entity acquires another state-controlled entity in an arm's length transaction (i.e. there are no indicators of state influence in the relationship).

53. Noting that an agenda proposal on common control is now being prepared to raise with the Board, the staff recommends that the Board should deal with this issue in that project (if the Board adopts it) or in a separate project rather than as a consequential amendment to IFRS 3 in this project. ***Does the Board agree with the staff's recommendation?***

APPENDIX A: EXTRACTS FROM COMMENT LETTER SUMMARY IN THE SEPTEMBER BOARD PAPER

Question 3 – Definition of a related party transaction

54. The ED also proposes amending the definition of a related party transaction to clarify the intended meaning and adds the following example of a related party transaction: transactions or commitments to do something if a particular event occurs or does not occur in the future.

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?*

55. All the respondents to Q3 except for one agree with the proposal above. However, while agreeing with the proposal, many respondents comment on the new example in the ED and other aspects of the definition of a related party transaction.

'Transactions or commitments to do something' in the proposed paragraph 20(j)

56. Many respondents expressed concerns about paragraph 20(j) of the ED as follows:
    (a) it is difficult to understand the Board's intention to require the disclosure set out in paragraph 20(j) of the ED;
    (b) practical difficulties in complying with this requirement because many commitments of the type described in paragraph 20(j) may not be the subject of written contracts;
    (c) the wording of paragraph 20(j) is more akin to a contingency, not a commitment, and has the potential to scope in all executory contracts including normal routine transactions such as sales order placed at year end with future delivery dates;
    (d) all the other examples in paragraph 20 refer to what the entity has done in the past, whereas (j) is worded to include future transactions, which is inconsistent and not beneficial to users or investors;

(e) the addition of ‘future commitments’ to the list of transactions is problematic as they are not generally recognised in financial statements or disclosed in the notes;

(f) paragraph 20(j) would not encompass the same transactions as the description in paragraph BC23 of the Basis for Conclusions (“situations in which an entity entered into a contract to do something in the future, but there has not yet been a transfer of resources);

(g) the information as required in paragraph 20(j) is already captured by existing requirements, such as those in respect of post balance sheet events and narrative reporting;

(h) in the IAS 37 revision, the Board is in the course of eliminating the need to disclose information related to conditional rights and obligations. Stand ready obligations are to be captured as liabilities and those commitments would be part of the outstanding balances referred to in paragraph 17. All other forms of commitments are therefore conditional obligations;

(i) the burden of preparing related party disclosures is already quite heavy. Any additional request, especially for transactions which are not recognised in the financial statements, is particularly costly. The compliance cost far outweighs the benefit obtained from the disclosure; and

(j) it is not clear what it means or what it is meant to cover and no due process appears to have taken place for this and it goes beyond the stated objectives of the ED.

57. Respondents make the following suggestions:

(a) delete paragraph 20(j) proposed in the ED;

(b) explain the objective and scope of paragraph 20(j) in the Basis for Conclusions;

(c) give examples of the type of transactions that would be disclosed under 20(j);

(d) clarify that paragraph 20(j) refers to ‘commitments at non-market rates’ and ‘any future transactions that are not entered into in the ordinary course of business’, along with the focussing of the disclosure principle on transactions which have been influenced;

(e) limit paragraph 20(j) to ‘unrecognised contractual commitment’ as required in IAS 1;

(f) disclose such information as non-financial information;

(g) revise paragraph 20(j) to describe future transactions or commitments that are unconditional on the occurrence or non-occurrence of a future event; and

(h) amend the paragraph 20(j) to read simply “financial commitments to a related party”.

58. One respondent notes that the wording of paragraph 20(j) appears to be inaccurate and therefore not easy to translate and interpret in other languages. A transaction is a past event and as such may not refer to the future. The respondent understands that the Board implies that not only commitments to do something if a particular event occurs or does not occur in the future but also transactions resulted from them should be disclosed. Therefore, the respondent proposes to change the wording of paragraph 20(j) as follows:

(j) *~~transactions or~~ commitments to do something if a particular event occurs or does not occur in the future <u>or transactions resulted from such commitments.</u>*

Proposed definition of ‘related party transaction’

59. One respondent asserted that definition is prescriptive as it includes only a transfer of resources, services or obligations between related parties but does not include the potential future transfer of such items or the potential for third party involvement in a related party transaction. The respondent also notes that the definition does not deal with situations in which an entity does not transact with a related party but has been influenced by that party to act or not to act. The respondent suggests that the definition be amended to deal with these issues as follows:

A related party transaction <u>includes</u> ~~is~~ a transfer of resources, services or obligations <u>involving</u> ~~between~~ a reporting entity and a related party, regardless of whether a price is charged.

Question 4 – Others

Disclosure of key management personnel compensation

60. Some respondents questioned how to measure or what to disclose regarding the following items:

    (a) Post-employment benefits, in particular, actuarial gains and losses, final salary schemes. For example, is this disclosure intended to refer only to current service cost and past service costs? Or does it include interest costs and a share of actuarial gains and losses?

    (b) Corridors and past service costs, and values of share awards.

    (c) The disclosure requirements of key management personnel of the subsidiary's parent company where a subsidiary is a reporting entity.

    (d) Although IAS 24 assumes that 'key management personnel' are natural persons, in case a member of key management personnel is an entity (for example, investment fund).

    (e) Two respondents doubt whether the guidance on compensation in IAS 19 *Employee Benefits* is sufficient to enable entities to disclose the relevant information as described in paragraph BC7 of IAS 24. Furthermore, one of them indicates that no reference is made in IAS 24 to IFRS 2 *Share-based Payment* in this connection. Therefore, some respondents believe that it would be helpful to clarify the intended disclosures under this paragraph and to provide some guidelines on it.

    (f) Two respondents indicated that it is not clear whether key management personnel compensation that should be disclosed in accordance with paragraph 16 of IAS 24 is the amounts paid or payable during the period or the amounts recognised as an expense during the period.

APPENDIX B: EXTRACTS FROM IFRS 8

Information about major customers (IFRS 8.34)

61. An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For the purposes of this IFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government (national, state, provincial, territorial, local or foreign) and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

Information about major customers (IFRS 8.BC58)

62. ED 8 proposed that, in respect of the disclosures about major customers, a group of entities known to be under common control should be treated as a single customer. Some respondents noted that this could be difficult when entities are state-controlled. The Board noted that it was considering proposals to amend IAS 24 Related Party Disclosures with regard to state-controlled entities, and a consequential amendment to the IFRS on reporting segments might result from those proposals. In the meantime, the Board decided to require in the IFRS that a government (whether national, state, provincial, territorial, local or foreign) and entities known to the reporting entity to be controlled by that government should be treated as a single customer. This makes the requirements relating to government-controlled entities the same as those relating to privately controlled entities.