



Project	Related Party Disclosures
Topic	Comment Letter Analysis: Next Steps

Purpose of this paper:

1. This paper:
 - (a) provides a proposed timeline for publication of the amendments to IAS 24 *Related Party Disclosures*.
 - (b) addresses the proposed effective date and transition requirements for amendments to the standard.
 - (c) discusses whether re-exposure is required.
2. Appendix A reviews whether this project has complied with due process steps as required in the *IASB Due Process Handbook* based on the steps listed in paragraphs 110-111 ('Comply or explain' approach) of that Handbook.

Proposed timeline

3. The table below sets out the project milestones up to publication, assuming that there is no need to re-expose the amendments to IAS 24. The first column assumes one pre-ballot, the second column two pre-ballots with an additional Board session in September to discuss any sweep issues.

Project Milestone	Date	Date
Deliberation second ED	July Board Week 2009	July Board Week 2009
Submission of pre-ballot draft	Mid August	Mid August

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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Deadline for Board comments (and fatal flaw review)	2 nd Sept	2 nd Sept
Discussion Sweep issues (if any)	N/A	Sept Board Week
Submission of 2 nd pre-ballot draft	N/A	Begin Oct
Deadline for Board comments	N/A	Mid Oct
Ballot draft	Begin Oct	Mid Oct
Deadline for ballots	Mid Oct	End Oct
Finalisation of standard and text to printers	End Oct	Mid Nov
Publication of final standard.	Mid Nov 2009	End Nov 2009

4. We believe it is important to publish the amendments to the standard in time for entities to use the exemption for calendar year 2009.

Question 1

Does the Board agree that the staff should proceed to drafting the amendments to the final standard and if so does it agree with the proposed timeline above?

Transitional issues

5. The main changes proposed in the two EDs *State-controlled Entities and the Definition of a Related Party* (ED 2007) and *Relationships with the State* (ED 2008) are:
- (a) partial exemption from the disclosure requirements when a reporting entity has a relationship with:
 - (i) the State itself and
 - (ii) other state-controlled entities
 - (b) amendments to the definition of a related party to provide clarity and eliminate inconsistencies.

Exemption proposal and disclosure requirements in 17B

Staff analysis and recommendations

6. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* describes retrospective application as applying a new accounting policy to transactions, other events and conditions as if that policy had always applied.
7. Staff note that retrospective application:
 - (a) provides comparability for users
 - (b) enables entities to apply the exemption proposal from the transition date (for both current and prior periods).
8. Staff also conclude that it would be beneficial for preparers to be able to apply the exemption proposal immediately.

Question 2

For the reasons summarized in paragraphs 6 - 8, staff recommend retrospective application for the exemption proposal (and related disclosures in 17B) with immediate effect.

Does the Board agree?

Amendments to the definition of a related party

Staff analysis and recommendations

9. It is usual for IFRSs to have an effective date of 12-18 months after publication. Assuming that the standard is finalised by Q4 2009, the staff recommend an effective date of 1st January 2011.
10. Staff propose retrospective application because of the limited nature of the amendments to the definition of a related party and the need for comparability.
11. The effective date proposed of 1st January 2011 will allow preparers adequate time to adjust to the new requirements, including the need to gather information for comparatives. The staff believe preparers should be encouraged to adopt the revisions early.

Question 3

For the reasons summarized in paragraphs 9 - 11, staff recommend retrospective application for amendments to the definition of a related party with an effective date of 1st January 2011, with encouragement to adopt them early.

Does the Board agree?

Re-exposure

12. Paragraph 47 of the *IASB Due Process Handbook* includes the following guidance on determining whether re-exposure is warranted:

In considering the need for re-exposure, the IASB

- identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered
- assesses the evidence that it has considered
- evaluates whether it has sufficiently understood the issues and actively sought the views of constituents
- considers whether the various viewpoints were aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions on the exposure draft.

13. The Board is required to decide on whether to publish its revised proposals for another round of comment in a public meeting.
14. If the Board adopts the recommendations made by the staff at this meeting, the final revisions to the standard will differ from the exposure drafts in the following respects:
- (a) Decisions at this meeting, resulting in changes since ED 2008:
- (i) Separate disclosure (where the exemption applies) of the nature and extent of **individually** significant transactions.
 - (ii) Removal of the term ‘significant voting power’ from the definition of a related party.

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- (iii) Replacement of definition of 'state' with definition of 'government' in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.
 - (iv) Other minor amendments.
- (b) Decisions made in 2007 and 2008, resulting in changes since ED 2007, other than changes exposed in ED 2008:
- (i) Amendments to the definition of a related party including instances of joint control and where a sponsoring employer is a related party of a post-employment benefit plans.
 - (ii) Amendment to the definition of a related party transaction and
 - (iii) Other minor amendments.

More information is provided on tentative Board decisions on completion of ED 2007 deliberations in Agenda Paper 2G.

Question 4

In the staff's view, the changes recommended by the staff at this meeting do not warrant re-exposure. Does the Board agree?

Appendix A: General Review of Compliance with Due Process

A1. This appendix reviews whether this project has complied with due process steps as required in *IASB Due Process Handbook*.

‘Comply or explain’ approach

A2. Paragraphs 110-112 of *IASB Due Process Handbook* includes guidance on a ‘Comply or explain’ approach.

‘Comply or explain’ approach

110 The following due process steps are mandatory:

- developing and pursuing the IASB’s technical agenda
- preparing and issuing standards and exposure drafts, each of which is to include any dissenting opinions
- establishing procedures for reviewing comments made within a reasonable period on documents published for comment
- consulting the SAC on major projects, agenda decisions and work priorities
- publishing bases for conclusions with standards and exposure drafts.

111 Other steps specified in the Constitution are not mandatory. They include:

- publishing a discussion document (eg a discussion paper)
- establishing working groups or other types of specialist advisory groups
- holding public hearings
- undertaking field tests (both in developed countries and in emerging markets).

112 If the IASB decides not to undertake those non-mandatory steps defined by the Constitution, it will, as required by the Constitution, state its reasons. Explanations are normally made at IASB meetings, and are published in the decision summaries and in the basis for conclusions with the exposure draft or standard in question.

General review of compliance with due process

- A3. This project has complied with all mandatory steps as listed in paragraph 110 of the Handbook subject to completion of a final Standard. Because of the limited scope of this project, the Board has not considered it necessary to undertake any non-mandatory steps defined in paragraph 111 of the Handbook. The Basis for Conclusions will note this.