

Related Party Disclosures (FRED 25)

The ASB would welcome comments in particular on the following:

- ASB (i) Do you agree with the proposal to issue a new standard in the UK on related party disclosures, once the new IAS 24 is approved by the IASB?
Yes, we welcome this move towards harmonisation
- ASB (ii) Do you believe that the ASB should consider any transitional arrangements?
No - the requirements do not fundamentally differ from those of FRS 8 therefore we do not see any need for transitional arrangements.
- ASB (iii) Do you believe that an accounting standard should require disclosure of the name of a controlling party and, if different, that of the ultimate controlling party? If the new IAS 24 does not require disclosure, do you believe that a new UK standard should require this disclosure as set out in paragraphs 13A and 13H of the [draft] FRS?
We believe the name of the controlling and ultimate controlling party should be disclosed our reasoning behind this is to allow greater transparency for users when reading financial statements.
- However, if the new IAS does not require disclosure, then we do not believe that the new UK standard should require disclosure. We believe harmonization is essential to this process.*
- ASB (iv) Do you believe that an accounting standard should require disclosure of the names of transacting related parties?
Yes, but only if these requirements are included in the new IAS for the reasons mentioned in (iii) above.
- ASB (v) Should the definition of related parties specifically refer to shadow directors? Should it also refer to persons acting in concert?
Yes to both of the above as to include them in the definition removes any potential for ambiguous interpretation.
- ASB (vi) Do you believe that an accounting standard should specify that disclosure is required of material related party transactions and give more guidance on materiality in the context of such transactions?
Yes to both the material aspect and the guidance — it makes the standard more definitive and hence less open to misinterpretation. Also there seems little benefit in companies reporting transactions that are not significant both in terms of insight gained by users of accounts and excessive disclosure for preparers.
- ASB (vii) Are there any other aspects of the draft standard that the ASB should request the IASB to review when finalising the revised IAS 24?
If standards are to be truly international then surely we should be trying to persuade the IASB to include the items we want to insert into the UK version of IAS 24. We should, therefore, ask them to review the disclosure of names and materiality definition included above.

The IASB has asked commentators to respond to the following questions on the proposed changes to IAS 24:

- IASB (i) Do you agree that the Standard should not require disclosure of management compensation, expense allowances and similar items paid in the ordinary course of an entity's operations (see paragraph 2)?

Yes. These are not items we are looking to capture in preparing this standard

'Management' and 'compensation' would need to be defined, and measurement requirements for management compensation would need to be developed, if disclosure of these items were to be required. If commentators disagree with the Board's proposal, the Board would welcome suggestions on how to define 'management' and 'compensation'.

- IASB (ii) Do you agree that the Standard should not require disclosure of related party transactions and outstanding balances in the separate financial statements of a parent or a wholly-owned subsidiary that are made available or published with consolidated financial statements for the group to which that entity belongs (see paragraph 3)?

Yes - if the disclosure can be found in published consolidated financial statements then we see no need to disclose them in the individual financial statements.