

Explanatory Statement

Accounting Standard AASB 124 ***Related Party Disclosures***

December 2009



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 124

The International Accounting Standards Board (IASB) has reissued IAS 24 *Related Party Disclosures* which supersedes IAS 24 *Related Party Disclosures* (December 2003) for annual reporting periods beginning on or after 1 January 2011. AASB 124 *Related Party Disclosures*, which incorporates IAS 24, was made by the AASB in December 2005. The AASB needs to issue the revised AASB 124 *Related Party Disclosures* to enable Australian reporting entities to continue to be compliant with International Financial Reporting Standards in relation to related party disclosures.

Main Features of AASB 124

The Standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

- (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
- (b) entities significantly influenced by one person and entities significantly influenced by a close member of that person's family are no longer related parties of each other; and
- (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures. The impact in Australia will be that for-profit public sector entities will gain some relief from disclosures with other entities controlled by their government.

Application Date

The revised AASB 124 is applicable to annual reporting periods beginning on or after 1 January 2011 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 170 *Relationships with the State* in December 2008. ED 170 reproduced the proposals included in the IASB's Exposure Draft *Relationships with the State* (December 2008) without amendment.

The AASB received four submissions from Australian constituents on ED 170. Submissions received were generally supportive.

A Regulation Impact Statement has not been prepared in connection with the issuance of AASB 124 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.