IAS 24

Related Party Disclosures

Identifying Related Parties and Disclosing Relationships, Transactions and Balances — Updated for IFRS 18

A Digital CFO Solutions Signature Presentation

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ROADMAP

What This Presentation Covers

Five building blocks — from the related party definition through to the interim-reporting consequences of IFRS 18.

1. Foundations

Objective, scope, and the two gateways into the related party definition.

2. Identifying Related Parties

Control, joint control and significant influence, KMP, and common misconceptions.

3. Disclosure Requirements

Relationships, transactions and balances, and KMP compensation categories.

4. Government Entities & Amendments

The government-related entity exemption, and the IFRS 18 consequential change.

5. Practical Application

Common pitfalls, judgement, and a readiness checklist.

Key Takeaways

A one-page summary to anchor everything covered.

SECTION 1 / 5

PART ONE

Foundations of Related Party Disclosure

Objective, scope, and the two gateways into the related party definition.

OBJECTIVE & PURPOSE

Drawing Attention to a Possibility, Not Proving an Effect

IAS 24 ensures financial statements contain the disclosures necessary to draw attention to the possibility that financial position and profit or loss may have been affected by related parties and transactions with them.

1. **The standard does not require proof that an effect occurred**
   Merely the existence of a related party relationship is disclosed — users are trusted to assess the significance themselves.

2. **Related party relationships are a normal feature of commerce and business**
   Disclosure is not a signal of wrongdoing — it exists because these relationships can affect an entity's ability to transact freely and at arm's length.

3. **Disclosure is required even without any transactions**
   The existence of a related party relationship between a parent and its subsidiaries is disclosed regardless of whether transactions took place between them.

SCOPE

Applies to Relationships, Transactions and Balances

IAS 24 is used in identifying related party relationships and transactions, outstanding balances (including commitments) with related parties, and the circumstances requiring disclosure.

Related party relationships

Identified regardless of whether there is a price charged between the parties.

Transactions and outstanding balances

Including commitments, in both the separate and consolidated financial statements of a parent, venturer or investor.

Consistent application group-wide

Applied in the individual financial statements of a parent, subsidiary, joint venturer, or investor presenting information in accordance with IFRS.

CORE DEFINITION

Two Gateways: A Person, or an Entity

IAS 24 defines a related party as a person or entity related to the reporting entity, through one of two distinct routes into the definition.

Gateway 1 — A Person

Has control, joint control, or significant influence over the reporting entity

Is a member of the key management personnel of the reporting entity or of its parent

A close member of that person's family is also brought into the definition through them

Gateway 2 — An Entity

Is a member of the same group — parent, subsidiary, or fellow subsidiary

Is an associate or joint venture of the entity, or of another group member

Is controlled, jointly controlled, or significantly influenced by a person identified through Gateway 1

SECTION 2 / 5

PART TWO

Identifying Related Parties

Control, joint control and significant influence, key management personnel, and common misconceptions.

THE THREE RELATIONSHIP TESTS

Control, Joint Control, and Significant Influence

These three concepts — defined in IFRS 10, IFRS 11, and IAS 28 respectively — do the heavy lifting in identifying related entities.

Relationship	Governing Standard	Typical Related Party Outcome
Control	IFRS 10 Consolidated Financial Statements	Parent and subsidiary are related parties of each other
Joint control	IFRS 11 Joint Arrangements	The joint venture and each venturer are related parties
Significant influence	IAS 28 Investments in Associates and Joint Ventures	The investor and its associate are related parties

Two entities are not related parties simply because they share a director or other key management person — unless that person's involvement itself creates one of the qualifying relationships.

THE HUMAN ELEMENT

Key Management Personnel and Close Family Members

IAS 24 extends the related party net to the people with real authority over the entity, and to those closest to them.

Key Management Personnel (KMP)

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. This is a substance-based test, not a title-based one.

Close Members of the Family

Family members who may be expected to influence, or be influenced by, that person in dealings with the entity — IAS 24 gives examples including the person's children and domestic partner, children of the domestic partner, and dependants of the person or domestic partner. The list is illustrative, not exhaustive; the test is expected influence, not a fixed relationship category.

COMMON MISCONCEPTIONS

Relationships That Look Related, But Are Not

IAS 24 specifically clarifies several relationships that do not, on their own, create a related party.

Two co-venturers in a joint venture

Are not related parties simply because they share control of the joint venture together.

Providers of finance, trade unions, utilities and government departments

Are not related parties merely through the normal dealings entities have with them, even if they influence the entity's freedom of action.

A single customer, supplier, franchisor or distributor

Is not a related party simply because of economic dependence arising from the volume of business transacted.

A DELIBERATE OMISSION

IAS 24 Does Not Assume Arm's-Length Pricing

Unlike some national standards, IAS 24 does not require disclosure that related party transactions were made on terms equivalent to those in an arm's-length transaction, unless such terms can be substantiated.

1. **The standard focuses on disclosure, not on pricing rules**
   IAS 24 does not prescribe how related party transactions should be priced — that is a matter for other standards, tax law, and governance policy.

2. **“Substantiated” is a high bar**
   An entity cannot simply assert arm's-length terms; it must be able to demonstrate the terms are equivalent to those that would apply between unrelated, willing parties.

3. **Absence of a price does not remove the disclosure obligation**
   Transactions at nil or nominal consideration — for example, a free management service between group companies — must still be disclosed.

NUMERICAL ILLUSTRATION 1

Mapping a Group Structure to Identify Related Parties

Parent P owns 100% of Subsidiary S and 30% of Associate A. Director D of P is also the sole shareholder of Company X. D's spouse owns Company Y outright.

Party	Relationship to P	Related Party of P?
Subsidiary S	Controlled subsidiary (100%)	Yes — Gateway 2, control
Associate A	Significant influence (30% holding)	Yes — Gateway 2, significant influence
Director D	Key management personnel of P	Yes — Gateway 1, KMP
Company X	Wholly owned by Director D (KMP)	Yes — Gateway 2, controlled by a Gateway 1 person
Company Y	Wholly owned by D's spouse (close family member)	Yes — Gateway 2, controlled by a close family member of a Gateway 1 person

Every party in this structure is related to P — the chain through Director D and his spouse illustrates how far the definition can reach.

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PART THREE

Disclosure Requirements

Relationships, transactions and balances, and key management personnel compensation.

THE CORE PRINCIPLE

Disclose Regardless of Whether a Price Was Charged

The existence of related party relationships and material transactions must be disclosed, whether or not any price was charged — this is one of IAS 24's most distinctive requirements.

Disclosures Are by Category, Not Individually Named

Items of a similar nature may be disclosed in aggregate, except where separate disclosure is necessary for an understanding of the effects of related party transactions on the entity's financial statements.

Materiality Still Governs

Not every related party fact requires separate line-item disclosure — the objective is to give users a clear picture of relationships and their potential effect, applying ordinary materiality judgement to the level of detail and aggregation used.

The Parent-Subsidiary Relationship Is Always Disclosed

Certain relationship disclosures are required even in the absence of any transactions.

1. **The relationship between parents and subsidiaries must be disclosed**
   Irrespective of whether there have been transactions between them.

2. **The name of the entity's parent, and the ultimate controlling party, is disclosed**
   If different from the immediate parent — disclosed even if that ultimate party does not produce financial statements available for public use.

3. **If neither the parent nor the ultimate controlling party produces publicly available financial statements**
   The name of the next most senior parent that does produce such statements is also disclosed.

What Must Be Disclosed When a Transaction Has Occurred

If there have been transactions between related parties, an entity discloses the nature of the relationship as well as information about the transactions and outstanding balances.

Amount of the transactions

The value of transactions during the period, by category of related party.

Amount of outstanding balances and their terms

Including whether secured, the nature of consideration to be provided in settlement, and details of any guarantees given or received.

Provisions for doubtful debts related to outstanding balances

The related expense for the period, recognised on amounts due from related parties.

The expense recognised for bad or doubtful debts

Related to amounts owed by related parties, disclosed separately from general provisioning disclosures.

A DISTINCT REQUIREMENT

Key Management Personnel Compensation — In Total and by Category

KMP compensation is disclosed in total and for each of five categories, drawing on the classifications defined in IAS 19 and IFRS 2.

Category	What It Covers
Short-term employee benefits	Salaries, bonuses, and other benefits expected to be settled within twelve months
Post-employment benefits	Pensions and other retirement benefits
Other long-term benefits	Long-service leave and similar benefits not settled within twelve months
Termination benefits	Payments arising from the termination of employment
Share-based payment	Equity-settled and cash-settled share-based payment arrangements, per IFRS 2

NUMERICAL ILLUSTRATION 2

A Key Management Personnel Compensation Note

An illustrative KMP compensation disclosure for a group with eight key management personnel, including executive directors.

Category ($'000)	Current Year	Prior Year
Short-term employee benefits	8,450	7,920
Post-employment benefits	1,120	1,040
Other long-term benefits	310	285
Termination benefits	—	1,650
Share-based payment	2,640	2,180
Total KMP compensation	12,520	13,075

The prior year's termination benefits reflect a departing executive; there is no requirement to explain period-on-period movements, but many entities do so voluntarily for clarity.

SECTION 4 / 5

PART FOUR

Government-Related Entities & Recent Amendments

The partial exemption for government-related entities, and the IFRS 18 consequential change.

A TARGETED RELIEF

The Government-Related Entity Exemption

A 2009 revision to IAS 24 relieved government-related entities from the full detailed transaction disclosures that would otherwise apply, in recognition of the impracticality of tracking every state-linked counterparty.

Who Qualifies

An entity that is controlled, jointly controlled, or significantly influenced by a government is exempt from the detailed disclosure requirements for transactions and outstanding balances with that government and other entities also related to the same government.

Why the Exemption Exists

Without it, a state-owned enterprise could face an impractical burden identifying and disclosing transactions with every other entity the same government controls or influences — potentially thousands of counterparties with no genuine commercial connection to each other.

THE EXEMPTION IS PARTIAL

What Government-Related Entities Must Still Disclose

The exemption reduces, but does not eliminate, related party disclosure for these entities.

1. **The name of the government and the nature of its relationship**
   Whether control, joint control, or significant influence, must still be disclosed.

2. **The nature and amount of individually significant transactions**
   Even without a detailed line-by-line breakdown, individually significant transactions still require disclosure of their nature and amount.

3. **A qualitative or quantitative indication for collectively significant transactions**
   Where transactions are not individually significant but are collectively significant, an indication of their extent must still be given.

THE NEW REQUIREMENT

A Minor Cross-Reference Update, Effective 2027

IFRS 18 Presentation and Disclosure in Financial Statements, issued April 2024 and effective for annual periods beginning on or after 1 January 2027, makes a minor consequential amendment to IAS 24.

What Changes

References within IAS 24 that previously pointed to IAS 1 for statement of profit or loss presentation are updated to point to IFRS 18, keeping the standard consistent with the restructured income statement categories — the substance of IAS 24's disclosure requirements is unchanged.

Practical Effect for Preparers

Related party transactions that are income or expense items — for example, management fees charged between group entities — should be classified within the correct IFRS 18 category (operating, investing or financing) when presented in the primary statements, consistent with how equivalent third-party transactions are classified.

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PART FIVE

Practical Application

Common pitfalls, judgement in practice, and a readiness checklist.

APPLICATION CHALLENGES

Where Related Party Disclosures Commonly Go Wrong

Most IAS 24 errors trace back to an incomplete map of who counts as a related party, or to treating disclosure as optional when no price was charged.

Missing indirect relationships

Overlooking related parties that arise through a KMP's close family member controlling a separate entity.

Skipping nil-consideration transactions

Assuming a transaction at no charge — such as free use of premises — falls outside the disclosure requirement.

Over- or under-applying the government exemption

Either failing to disclose individually significant transactions, or continuing full disclosure when the exemption legitimately applies.

Omitting a KMP compensation category

Disclosing only cash compensation and overlooking share-based payment or other long-term benefits.

Assuming co-venturers are related

Treating two entities that jointly control a venture as related parties of each other, when they are not, absent another qualifying relationship.

Silent on the ultimate controlling party

Disclosing only the immediate parent and omitting the ultimate controlling party where they differ.

Materiality Governs the Level of Detail, Not Whether to Disclose

IAS 24's disclosure obligation is broad, but the format and granularity of disclosure still calls for judgement.

- The existence of a relationship or a material transaction is disclosed; how much detail is given about individually immaterial transactions within a category is a matter of judgement and aggregation.
- Entities should periodically refresh their related party register — relationships change as directors join or leave, as family circumstances change, and as group structures evolve.
- Related party disclosures are frequently an area of regulatory and audit focus precisely because identification depends on information the preparer must actively seek out, rather than data that flows automatically from the general ledger.

READINESS CHECKLIST

Keeping Related Party Disclosures Current

A practical sequence for finance teams maintaining or reviewing their IAS 24 disclosures.

1. **Maintain a current related party register**
   Covering group entities, KMP, their close family members, and entities those family members control or significantly influence.

2. **Confirm nil-consideration transactions are captured**
   Ensure processes flag transactions with related parties regardless of whether a price was charged.

3. **Reconfirm the ultimate controlling party each period**
   Ownership and control structures change — do not carry forward the prior year's disclosure without revalidation.

4. **Classify related party income and expense under IFRS 18**
   Ahead of the 1 January 2027 effective date, confirm related party P&L items sit in the correct operating, investing or financing category.

BRINGING IT TOGETHER

Key Takeaways

The essentials to carry forward from this session.

Two Gateways, One Definition

A related party is identified through a qualifying person or a qualifying entity relationship — both routes matter equally.

Disclose Regardless of Price

Nil-consideration and non-priced transactions still trigger the disclosure requirement.

The Government Exemption Is Partial

It reduces the detail required, but individually and collectively significant transactions must still be disclosed.

IFRS 18 Brings a Cross-Reference Update

Classify related party income and expense in the correct IFRS 18 category from 2027.

ABOUT THE AUTHOR

A Career Built on Making IFRS Understandable

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B D Chatterjee is a Chartered Accountant and financial thought leader with over 35 years of global experience spanning corporate finance, accounting standards, financial reporting, business valuation and financial due diligence. As a seasoned CFO, he has led finance functions across major corporations and now heads Digital CFO Solutions, a platform delivering institutional-grade IFRS, US GAAP and valuation workbooks alongside fractional CFO services.

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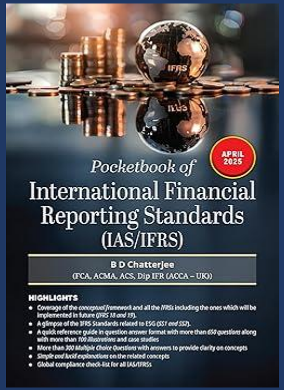

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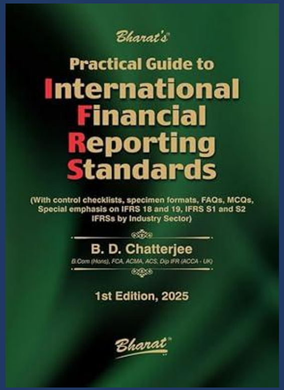

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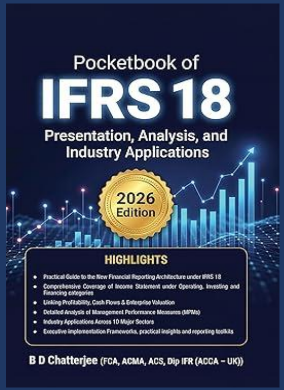

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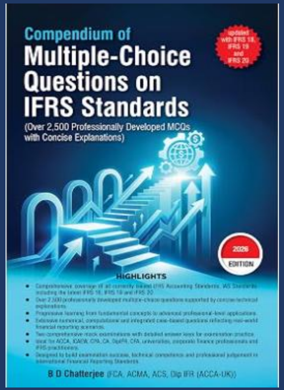

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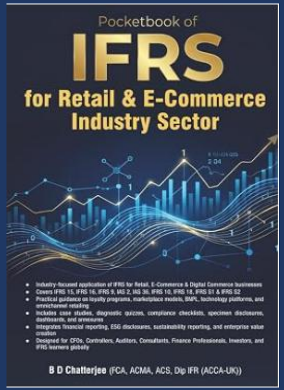

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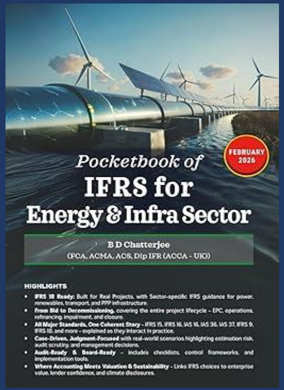

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