

IAS24 – Related Party Disclosures

In Class Question – Solution

I.

A and B are members of the same group of companies. Thus they are related parties and the sale of goods is a related party transaction. Need to determine if the transactions are material to the companies. If so, the following disclosure is required under IAS24

Disclosure in the financial statements of A & B Ltd:

- Nature of relationship.
- The amount of transactions during 2021
- Amounts outstanding between parties at year end
- The fact that A Group Ltd is the parent company

Disclosure in the consolidated financial statements of A Group:

- The inter-group sales and the inter-group outstanding balances will be cancelled as part of the consolidation process. Therefore no disclosure is required in the consolidated group accounts.

II. 2 entities are not related parties just because they have a director or key manager in common. C and D Ltd are NOT related party. IAS24 disclosures not required.

Paul Finch is a related party of C and D Ltd.

III. Not related parties. Two parties are not related simply because they transact a significant volume with the company.