

# LKAS 24 : Related Party Disclosures

## Chartered Accountancy Corporate Level Financial Reporting and Governance (FRG)

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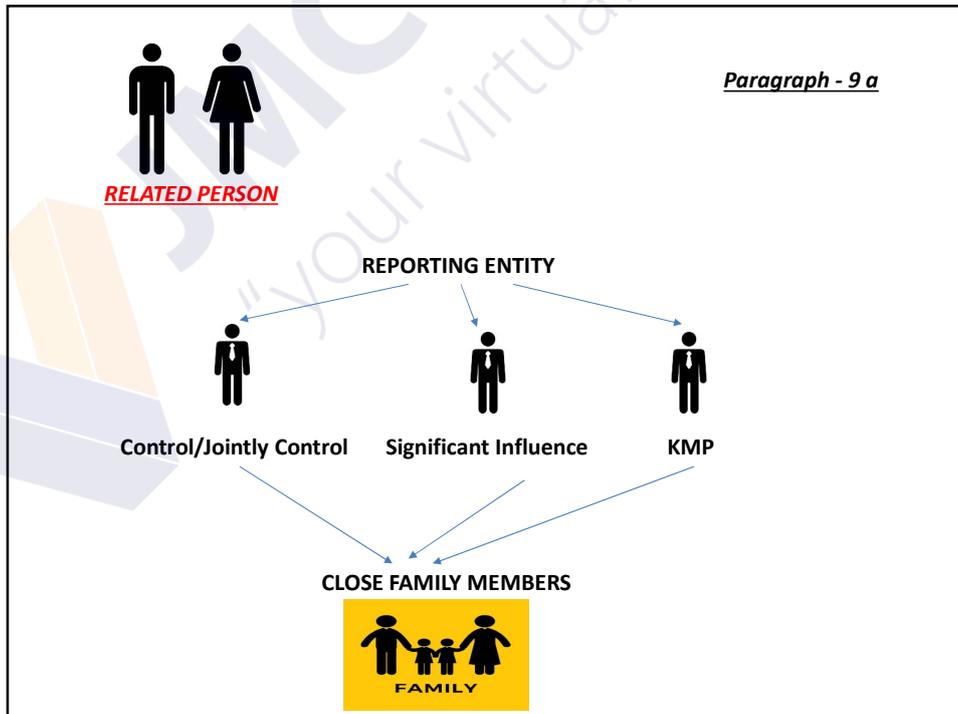
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# RELATED PARTY LKAS 24



**Paragraph - 9 b****RELATED ENTITIES****QUESTION****Identification of related parties**

Capital Contracts (Pvt) Ltd is a building contractor based in Colombo. Its directors are Fathima Perera, Kasun Dias and Udari Da Silva. Udari is married to Chamath, the Procurement Manager at SLF Supermarkets PLC. Kasun's brother Gayan owns 55% of the shares in Asia Bathrooms (Pvt) Ltd.

Capital Contracts has the following shareholdings:

- 10% of the shares in a supplier, Pacific Pipes (Pvt) Ltd
- 35% of the shares in Basin Builders (Pvt) Ltd

A further 35% of the shares in Basin Builders (Pvt) Ltd are owned by Rathnayake Construction (Pvt) Ltd.

**Required**

Which of the above are related parties to Capital Contracts (Pvt) Ltd?

**ANSWER**

- Fathima Perera, Kasun Dias and Udari Da Silva are all directors of Capital Contracts (Pvt) Ltd and so are related by virtue of being key management personnel.
- Chamath Da Silva is related by virtue of being a close family member of Udari Da Silva.
- SLF Supermarkets PLC is not related to Capital Contracts (Pvt) Ltd. The two companies would only be related if Chamath Da Silva controlled or jointly controlled SLF Supermarkets PLC [(b)(vi) of the definition of a related party] or if Udari Da Silva controlled or jointly controlled Capital Contracts (Pvt) Ltd [(b)(vii) of the definition of a related party].
- Gayan Dias is related to Capital Contracts (Pvt) Ltd only if he is classified as a close family member of Kasun. Application of the definition of a close family member requires judgement and therefore without further information this is unclear.
- If Gayan Dias is deemed to be a related party of Capital Contracts (Pvt) Ltd, then Asia Bathrooms (Pvt) Ltd is also a related party of Capital Contracts (Pvt) Ltd.

- Capital Contracts (Pvt) Ltd is not related to Pacific Pipes (Pvt) Ltd as Pacific Pipes (Pvt) Ltd is (based on a 10% shareholding) not a subsidiary, joint venture or associate of Capital Contracts (Pvt) Ltd. This status is not changed by the fact that Pacific Pipes (Pvt) Ltd is a supplier of Capital Contracts (Pvt) Ltd.
- Based on the information provided, Basin Builders (Pvt) Ltd is a joint venture of Capital Contracts (Pvt) Ltd. The two companies are therefore related.
- Rathnayake Construction (Pvt) Ltd and Capital Contracts (Pvt) Ltd are not related simply by virtue of the fact that both are joint venturers in Basin Builders (Pvt) Ltd. Therefore unless any other relationship exists, they are not related.

**QUESTION****Related party disclosure**

The following information relates to the Columbo Group companies and transactions with other parties:

- Mrs C, a director of Kandy, a 90% subsidiary of Columbo has borrowed RS1,000,000 from Columbo
- Mrs B, one of the directors of Columbo is paid by Moratuwa, a 75% subsidiary Kandy to act as an independent consultant. She is paid an annual sum of RS400,000
- Galle, a company controlled by the brother of a director of Columbo is a customer of Kandy. During the year ended 31 December 20X4, Galle purchased RS100,000 goods from Kandy; at the year end, RS60,000 is outstanding. RS10,000 of this amount is 6 months overdue and the directors of Kandy have decided to provide for this amount in full.
- Kandy has provided a bank guarantee to its main customer in order to ensure continuing trading.

Directors of group companies are remunerated as follows:

<b>Columbo</b>	<b>Salary RS</b>	<b>Bonus RS</b>	<b>Pension RS</b>
Mr A	1,200,000	300,000	500,000
Mrs B	780,000	260,000	500,000
<b>Kandy</b>			
Mrs C	890,000	400,000	440,000
Mrs D	880,000	380,000	530,000
<b>Moratuwa</b>			
Mr E	820,000	370,000	420,000
Mr F	790,000	370,000	420,000

**Required**

Prepare the related party disclosure note for the Columbo Group financial statements for the year ended 31 December 20X4.