

A photograph of two women sitting at a table in a meeting room. The woman on the left has long red hair and is looking at a laptop. The woman on the right has dark curly hair and is looking at the laptop. There are white chairs, a glass of water, and a pen on the table. A red vertical bar is on the left side of the image.

ASPE AT A GLANCE

Section 3840 - Related Party Transactions

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Effective Date
Fiscal years beginning on or after January 1, 2011¹

SCOPE		RELATED PARTIES	RELATED PARTY TRANSACTION (RPT)
<p>Applies to:</p> <ul style="list-style-type: none"> Measurement and recognition of non-financial items in a related party transaction (RPT) and disclosure of all RPTs in the financial statements of profit-oriented enterprises. 	<p>Does not apply to:</p> <ul style="list-style-type: none"> Management compensation arrangements, including employee future benefits accounted for in accordance with Section 3462, <i>Employee Future Benefits</i>, expense allowances and other similar payments, including loans and receivables, to individuals, in the normal course of business. Transactions between an enterprise preparing non-consolidated financial statements and subsidiaries: <ul style="list-style-type: none"> That are only controlled through means other than voting interests, potential voting interests, or a combination thereof, and For which control is the only basis for the related party relationship. Transactions with such enterprises are governed by other Sections, such as Section 3280, <i>Contractual Obligations</i>. The measurement, recognition or derecognition of a financial asset originated, or a financial liability issued or assumed in a related party transaction (see Section 3856, <i>Financial Instruments</i>). 	<ul style="list-style-type: none"> Exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over another. Two or more parties that are subject to common control, joint control or common significant influence are related. Includes management and immediate family members. For examples of the most common related parties of a reporting enterprise, refer to paragraph 3840.04. 	<ul style="list-style-type: none"> A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. Parties to the transaction are related prior to the transaction. A relationship that arises as a result of the transaction is not a transaction between related parties.

MEASUREMENT
<ul style="list-style-type: none"> An enterprise applies the guidance set out in paragraphs 3840.08 -.45 to determine whether non-financial items transferred in a related party transaction are measured at the carrying amount or the exchange amount. <ul style="list-style-type: none"> The term “related party transaction” (RPT) and references to items transferred must be read in Section 3840 and in this publication to refer to non-financial items transferred in a RPT. Financial instruments transferred in a related party transaction must be measured in accordance with Section 3856, <i>Financial Instruments</i>. Carrying Amount is the amount of an item transferred, or cost of services provided, as recorded in the accounts of the transferor, after adjustment, if any, for amortization or impairment in value. <ul style="list-style-type: none"> When a RPT is measured at the carrying amount, any difference between the carrying amounts of items exchanged is included as a charge to equity, except when the RPT includes a financial instrument. In that situation, any difference between the amounts recognized for the items exchanged must be accounted for in accordance with Section 3856. Exchange Amount is the amount of consideration paid or received as established and agreed to by related parties. <ul style="list-style-type: none"> When a RPT is measured at the exchange amount, the gain or loss is recognized in income for the period, unless another Section requires alternative treatment.

TRANSACTIONS <u>IN</u> THE NORMAL COURSE OF BUSINESS
<ul style="list-style-type: none"> A monetary or non-monetary RPT that has commercial substance is measured at the exchange amount. Unless, it is a non-monetary RPT that is an exchange of a product / property held for sale in the normal course of operations for a product / property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange. This type of RPT is measured at the carrying amount of the asset given up adjusted by the fair value of any monetary consideration given or received.

TRANSACTIONS <u>NOT IN</u> THE NORMAL COURSE OF BUSINESS
<ul style="list-style-type: none"> A monetary or non-monetary RPT that has commercial substance, but is not in the normal course of operations is measured at the exchange amount when: <ul style="list-style-type: none"> The change in the ownership interests in the item transferred or the benefit of a service provided is substantive; and The exchange amount is supported by independent evidence. Otherwise, it is measured at the carrying amount.

¹ Except as specified in paragraph 3840.61.



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