

PSAB

At a Glance

Section PS 2200 - Related Party
Disclosures

Section PS 2200 - *Related Party Disclosures*

Effective Date
Fiscal periods beginning on or after April 1, 2017¹

Scope	Related party	Related party transaction
<p>Does not apply to:</p> <ul style="list-style-type: none"> • Restructuring transactions; • For consolidated financial statements, transactions that are eliminated on consolidation and those with entities accounted for under the modified equity method; and • Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered. 	<ul style="list-style-type: none"> • Can be an entity or an individual. • A related party exists when one party has the ability to exercise control or shared control over the other. • Two or more parties are related when they are subject to common control or shared control. • Related parties also include key management personnel, including directors, and close family members of those individuals. • For examples of the most common related parties of a reporting entity refer to paragraph PS 2200.07. 	<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. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. • The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Disclosure

When to disclose

- Not all related party relationships or transactions occurring between related parties are required to be disclosed.
- Disclosure is generally required when:
 - A transaction occurs between related parties at a value different from that which would have been arrived at if the parties were unrelated; and
 - The transaction has or could have a material financial effect on the financial statements.



Factors to consider

- Factors to consider in determining whether information about transactions occurring between related parties would need to be disclosed in the financial statements include, but are not limited to:
 - Whether the transactions are undertaken on different terms and conditions that it is reasonable to expect would have been adopted if the parties were dealing at arm's length in the same circumstances;
 - The materiality of the effect the transactions, individually or taken as a whole, have or could have on the entity's financial position and changes in financial position reported in financial statements;
 - The relevance of the information to the decisions of users and their evaluation of the financial effect or potential financial effect of the transactions on the financial statements of the entity;
 - The contribution the information would have to users' understanding of the operating environment and the financial statements of the entity; and
 - The need for the information to enable users to compare the entity's financial position and changes in financial position reported in financial statements with that of other entities.

What to disclose

- When it is determined that information about related party transactions needs to be disclosed in the financial statements, the disclosure would include the following:
 - Adequate information about the nature of the relationship with related parties involved in related party transactions;
 - The types of related party transactions that have been recognized;
 - The amounts of the transactions recognized classified by financial statement category;
 - The basis of measurement used;
 - The amount of outstanding balances and the terms and conditions attached to them;
 - Contractual obligations with related parties, separate from other contractual obligations;
 - Contingent liabilities involving related parties, separate from other contingent liabilities; and
 - The types of related party transactions that have occurred for which no amount has been recognized.
 Items of a similar nature should be disclosed in aggregate.

¹ Earlier adoption of this Section is permitted. This Section would be applied prospectively.

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