



COUNCIL ON CORPORATE
DISCLOSURE & GOVERNANCE

25 June 2007

IAS 24 Amendments
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: CommentLetters@iasb.org)

Dear Sir/Madam,

**RESPONSE TO EXPOSURE DRAFT OF PROPOSED AMENDMENTS TO IAS 24
RELATED PARTY DISCLOSURES - STATE-CONTROLLED ENTITIES AND THE
DEFINITION OF A RELATED PARTY**

1. The Council on Corporate Disclosure and Governance (CCDG) appreciates the opportunity to comment on the Exposure Draft of Proposed Amendments to *IAS 24 Related Party Disclosures - State-Controlled Entities and the Definition of a Related Party* in February 2007.

We are generally supportive of the IASB's project to modify IAS 24.

2. Our specific comments to the questions are as follows:

Question 1

(a) Do you agree with the proposal to provide, in the circumstances described in this exposure draft, an exemption for entities controlled or significantly influenced by the state?

If not, why? What would you propose instead and why?

We agree with the proposal.

(b) Do you agree:

- (i) that an indicator approach is appropriate method for identifying when the exemption should be provided for entities controlled or significantly influenced by the state; and
- (ii) that the proposed indicators are appropriate?

If not, why? What would you propose instead and why?

We agree that the indicator approach is an appropriate method for identifying when the exemption should be provided for entities controlled or significantly influenced by the state. We also agree the proposed indicators are appropriate.

Question 2

- (a) The definition of a related party in FRS 24 does not include, for a subsidiary's individual or separate financial statements, an associate of the subsidiary's controlling investor. It has been decided that it should be included, and thus proposes to amend the definition of a related party. It is similarly proposed that when the investor is a person, entities that are either significantly influenced or controlled by that person are to be treated as related to each other. Do you agree with this proposed amendment?

If not, why? What would you propose instead and why?

We agree with the proposed amendment.

- (b) FRS 24 does not define associates of an *entity* as related parties. However, when a *person* has significant influence over an entity and a close member of the family of that *person* has significant influence over another entity, FRS 24 defines those two entities as related parties. The definition for both types of ownership is proposed to be aligned by excluding from the definition of a related party an entity that is significantly influenced by a person and an entity that is significantly influenced by a close member of the family of that person. Do you agree with the proposed amendment?

If not, why? What would you propose instead and why?

We disagree with the proposal to exclude from the definition of a “related party” an entity that is significantly influenced by a person and an entity that is significantly influenced by a close member of the family of that person. In view of the close relationship between the two persons, there may be instances where they act in

concert with each other that will significantly affect the financial positions or profit or loss of the entities that they have influence over. Any transaction between the two entities should be disclosed in their financial statements.

- (c) FRS 24 defines any entity over which a member of the key management personnel of the reporting entity has control, joint control or significant influence, or in which the member holds significant voting power, as related to the reporting entity. However, the converse is not true. Thus, when the entity that a person controls, jointly controls or significantly influences, or in which the person has significant voting power, is the reporting entity and that person is a member of the key management personnel of another entity, that other entity is not defined as related to the reporting entity. It is proposed to remove this inconsistency by expanding the definition to encompass both situations. Do you agree with the proposed amendment?

If not, why? What would you propose instead and why?

We agree with the proposed amendment.

- (d) Do you agree with the proposal to clarify the definition of a related party? Does the wording proposed capture the same set of related parties as FRS 24 at present (except for the amendments described in (a)–(c) above)? Do you agree that the proposed wording improves the definition of a related party?

If not, why? What would you propose instead and why?

We agree that the proposed wording improves the definition of a related party.

Question 3

Do you agree with the proposal to clarify the definition of a related party transaction?

If not, why? What changes would you propose and why?

We agree with the proposal.

Question 4

Do you have any other comments on the proposals?

None.



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3. Should you require any further clarification, please contact Mr Ramchand Jagtiani, Deputy Director, at the Institute of Certified Public Accountants of Singapore via email at jagtiani@icpas.org.sg. Thank you.

Yours sincerely,

Shirlynn Loo
Secretary, CCDG