
PROPOSED STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 4

EXPOSURE DRAFT

Related Party Disclosures under SB-FRS 24

Comments to be received by 25 March 2011

This exposure draft guidance note *Related Party Disclosures under SB-FRS 24* is issued by the Accountant-General's Department Financial Reporting Branch for comment only and does not necessarily represent the views of Accountant-General's Department Financial Reporting Branch. The proposals may be modified in the light of the comments received before being issued as a Statutory Board Financial Reporting Standard (SB-FRS).

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explain the problem and provide a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **25 March 2011** preferably by email to [AGD ASSB Feedback@agd.gov.sg](mailto:AGD_ASSB_Feedback@agd.gov.sg) or addressed to:

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Proposed Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 4

Related Party Disclosures under SB-FRS 24

Objective

1. The objective of this Guidance Note is to provide additional illustrative examples on related party disclosures under the revised SB-FRS 24

Additional Illustrative Examples

2. The Illustrative Examples section of SB-FRS 24 provides examples of the application of the various concepts within the standard. Statutory Boards should refer to them for a better understanding of the requirements of the standard. 3 additional examples on assessing the significance of the size of related party transactions are provided in the following paragraphs.

Individually Significant by Size

Scenario

3. Statutory Board A provides Service X to Ministry B and other organisations not related to it. All services are conducted at normal market rates. During the FY, 55% of the sales of Service X by Statutory Board A was to Ministry B.

Assessment

4. The sales of Service X to Ministry B should be considered as individually significant since it constitutes 55% of the total sales. Statutory Board A should disclose the sale of Service X to Ministry B in accordance with the requirements of paragraph 26(a) and 26(b)(i).

Individually Insignificant but Collectively Significant Transactions

Scenario

5. Statutory Board C sells Product Y to all entities in Singapore, whether they are related parties or not. Sales of Product Y to related parties are within the normal operations of Statutory Board C and are conducted at the normal market rates.

Assessment

6. Assuming that Statutory Board C assesses that sales of Product Y to related parties are not individually significant, Statutory Board C would therefore not be required to make the disclosures required by paragraph 26(b)(i) of SB-FRS 24 [i.e. disclosure of individually significant related party transactions].
7. If Statutory Board C assesses that collectively, the sales of Product Y to related parties is significant, it will need to provide either a qualitative or quantitative indication of the extent of the collectively significant transactions. An example of the disclosure to comply with paragraph 26 (b) (ii) for collectively significant transactions could be:

Statutory Board C sells Product Y to all entities in Singapore which also includes Ministries, Organs of State and other Statutory Boards. These transactions are conducted in the ordinary course of business at market terms.

Relativity in Assessing Significance of Size

Scenario

8. During the FY, Statutory Board D sold \$1m of Product Z to Ministry F. Statutory Board E sold \$0.5m of Product Z to Ministry F. Statutory Board D's total sales came up to \$100m. Statutory Board E's total sales came up to \$2.5m.

Assessment

9. Statutory Board D's sales of Product Z to Ministry F came up to 1% of its total sales. Statutory Board E's sales of Product Z to Ministry F came up to 20% of its total sales. Even though Statutory Board D sold more of Product Z to Ministry F, its related party sale to Ministry F is less likely to be considered individually significant, as compared to Statutory Board E's sale to Ministry F. This is because with its lower total sales, Statutory Board E's sales to Ministry F came up to a higher percentage of its total sales.

Effective Date

10. This Guidance Note is operative for financial statements covering periods beginning on or after 1 January 2011.