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# STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 4

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## Related Party Disclosures

SB-FRS Guidance Note 4 *Related Party Disclosures* applies to Statutory Boards from annual periods beginning on or after 1 January 2011.

### **Comments to be received by 28 June 2019**

This exposure draft on SB-FRS Guidance Note 4 *Related Party Disclosures* is issued by the Accountant-General's Department Technical Directorate for comments only and does not necessarily represent the views of the Directorate. 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 explaining the problem and providing a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **28 June 2019** preferably by email to [AGD\\_ASSB\\_Feedback@agd.gov.sg](mailto:AGD_ASSB_Feedback@agd.gov.sg) or addressed to:

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*paragraphs*

## **Statutory Board Financial Reporting Standard Guidance Note 4 Related Party Disclosures**

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

## Related Party Disclosures

### Objective

1. The objective of this Guidance Note is to provide additional illustrative examples on related party disclosures under the revised SB-FRS 24. This Guidance Note also includes a flowchart to explain the disclosure requirements of transactions with government-related entities 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.

SB-FRS 24 Disclosure Requirements for Government-related Entities

