

Accounting Standards for Local Bodies (ASLB) 20

Related Party Disclosures

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Accounting Standard for Local Bodies (ASLB) 20 Related Party Disclosures

*(This Accounting Standard includes paragraphs set in **bold italic** type and plain type, which have equal authority. Paragraphs in bold italic type indicate the main principles. This Accounting Standard should be read in the context of its objective and the Preface to Accounting Standards for Local Bodies¹.)*

The Accounting Standards for Local Bodies (ASLB) 20, 'Related Party Disclosures', issued by the Council of the Institute of the Chartered Accountants of India, will be recommendatory in nature in the initial years for use by the Local Bodies. This Standard will be mandatory for Local Bodies in a State from the date specified in this regard by the State Government concerned².

The following is the text of the Accounting Standards for Local Bodies.

Objective

The objective of this Standard is to require the disclosure of the existence of related party relationships where control exists and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are identifying which parties control or significantly influence the reporting entity and determining what information should be disclosed about transactions with those parties.

Scope

1. ***An entity which prepares and presents financial statements under the accrual basis of accounting should apply this Standard in disclosing information about related party relationships and certain transactions with related parties.***

¹Attention is specifically drawn to paragraph 4.2 of the 'Preface to Accounting Standards for Local Bodies', according to which Accounting Standards are intended to apply only to items which are material.

² In respect of compliance with the Accounting Standards for Local Bodies, reference may be made to the paragraph 7.1 of the 'Preface to the Accounting Standards for Local Bodies'.

2. ***This Standard applies to all entities that are described as the Local Bodies in the Preface to Accounting Standards for Local Bodies³.***
3. [Refer to Appendix 1]

Definitions

4. ***The following terms are used in this Standard with the meanings specified:***

Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the entity.

Key management personnel are:

- (a) ***All directors or members of the governing body of the entity; and***
- (b) ***Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Where they meet this requirement, key management personnel include:***
 - (i) ***Where there is a member of the governing body of Central/State Government who has the authority and responsibility for planning, directing and controlling the activities of the reporting entity, that member;***
 - (ii) ***Any key advisors of that member; and***
 - (iii) ***Unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the reporting entity.***

Oversight means the supervision of the activities of an entity, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the entity.

³ Refer paragraph 1.3 of the 'Preface to the Accounting Standards for Local Bodies'.

Related party means parties are considered to be related if one party has the ability (a) to control the other party, or (b) exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- (a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- (b) Associates (see ASLB 36, 'Investments in Associates and Joint Ventures');
- (c) Individuals having, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- (d) Key management personnel, and close members of the family of key management personnel; and
- (e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the Government of which it forms part.

Remuneration of key management personnel is any consideration or benefit derived directly or indirectly by key management personnel from the reporting entity for services provided in their capacity as members of the governing body or otherwise as employees of the reporting entity.

Significant influence (for the purpose of this Standard) is the power to participate in the financial and operating policy decisions of an entity, but not control those policies. Significant influence may be exercised in several ways, usually by

representation on the governing body or any of its Committees but also by, for example, participation in the policy making process, material transactions between entities within an economic entity, interchange of managerial personnel or dependence on technical information. Significant influence may be gained by an ownership interest, statute or agreement. With regard to an ownership interest, significant influence is presumed in accordance with the definition contained in ASLB 36.

Terms defined in other ASLBs are used in this Standard with the same meaning as in those other Standards.

Close Member of the Family of an Individual

5. Judgment will be necessary in determining whether an individual should be identified as a close member of the family of an individual for purposes of application of this Standard. In the absence of information to the contrary, such as that a spouse or other relative is estranged from the individual, the following immediate family members and close relatives are presumed to have, or be subject to, such influence as to satisfy the definition of close members of the family of an individual:
 - (a) A spouse, domestic partner, dependent child or relative living in a common household;
 - (b) A grandparent, parent, nondependent child, grandchild, brother or sister; and
 - (c) The spouse or domestic partner of a child, a parent-in-law, a brother-in-law or a sister-in-law.

Key Management Personnel

6. Key management personnel include all directors or elected or appointed members of the governing body of the reporting entity where that body has the authority and responsibility for planning, directing and controlling the activities of the entity.
7. Where an entity is subject to the oversight of an elected or appointed representative of the governing body of the Central/ State Government, that person is included in key management personnel if the oversight function includes the authority and

responsibility for planning, directing and controlling the activities of the entity. In many cases, key advisors of that person may not possess sufficient authority, legal or otherwise, to satisfy the definition of key management personnel. In other cases, key advisors of that person may be deemed to be key management personnel because they have a special working relationship with an individual who has control over an entity. They therefore have access to privileged information and may also be able to exercise control or significant influence over an entity. Judgment is required in assessing whether an individual is a key advisor and whether that advisor satisfies the definition of key management personnel, or is a related party.

8. The governing body and its Committees, together with the chief executive and senior management group has the authority and responsibility to plan and control the activities of the entity, to manage the resources of the entity and for the overall achievement of entity objectives. Therefore, key management personnel will include the chief executive and senior management group of the reporting entity.
9. The senior management group of an economic entity may comprise individuals from both the controlling entity and other entities that collectively make up the economic entity.

Related Parties

10. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.
11. Where two entities have a member of key management personnel in common, it is necessary to consider the possibility, and to assess the likelihood, that this person would be able to affect the policies of both entities in their mutual dealings. However, the mere fact that there is a member of key management personnel in common does not necessarily create a related party relationship.
12. In the context of this Standard, the following are deemed not to be related parties:
 - (a) (i) Providers of finance in the course of their business in that regard; and
 - (ii) Trade unions;

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in the course of their normal dealings with an entity by virtue only of those dealings (although they may circumscribe the freedom of action of an entity or participate in its decision-making process); and

(b) An entity with which the relationship is solely that of an agency.

13. Related party relationships may arise when an individual is either a member of the governing body or is involved in the financial and operating decisions of the reporting entity. Related party relationships may also arise through external operating relationships between the reporting entity and the related party. Such relationships will often involve a degree of economic dependency.
14. Economic dependency, where one entity is dependent on another in that it relies on the latter for a significant volume of its funding or sale of its goods and services, would on its own be unlikely to lead to control or significant influence and is therefore unlikely to give rise to a related party relationship. As such, a single customer, supplier, franchisor, distributor, or general agent with whom an entity transacts a significant volume of operation will not be a related party merely by virtue of the resulting economic dependency. However, economic dependency, together with other factors, may give rise to significant influence and therefore a related party relationship. Judgment is required in assessing the impact of economic dependence on a relationship. Where the reporting entity is economically dependent on another entity, the reporting entity is encouraged to disclose the existence of that dependency.
15. The definition of related party includes entities owned by key management personnel, close family members of such individuals or major shareholders (or equivalent where the entity does not have a formal equity structure) of the reporting entity. The definition of related party also includes circumstances in which one party has the ability to exercise significant influence over the other party. In Local Bodies, an individual or entity may be given oversight responsibility for a reporting entity, which gives them significant influence, but not control, over the financial and operating decisions of the reporting entity. For the purposes of this Standard, significant influence is defined to encompass joint ventures.

- 15A. *Related party disclosure requirements as laid down in this Standard do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.*

Remuneration of Key Management Personnel

16. Remuneration of key management personnel includes remuneration derived by individuals from the reporting entity for services provided to the reporting entity in their capacity as members of the governing body or employees. Benefits derived directly or indirectly from the entity for services in any capacity other than as an employee or a member of the governing body do not satisfy the definition of remuneration of key management personnel in this Standard. However, paragraph 34 requires disclosures to be made about certain of these other benefits. Remuneration of key management personnel excludes any consideration provided solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity, such as the reimbursement of accommodation costs associated with work-related travel.
17. [Refer to Appendix 1]

The Related Party Issue

18. Related party relationships exist throughout the Local-self Government, because:
- (a) Administrative units are subject to the overall direction of the Local Body and, ultimately, the Council or similar body of elected or appointed officials, and operate together to achieve the policies of the Local Body;
 - (b) Local Bodies frequently conduct activities necessary for the achievement of different components of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence; and
 - (c) Ministers of the government or elected or appointed members of the governing body of Local Body and senior management

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group can exert significant influence over the operations of a Local Body.

19. Disclosure of certain related party relationships and related party transactions and the relationship underlying those transactions is necessary for accountability purposes and enables users to better understand the financial statements of the reporting entity because:
 - (a) Related party relationships can influence the way in which an entity operates with other entities in achieving its individual objectives, and the way in which it co-operates with other entities in achieving common or collective objectives;
 - (b) Related party relationships might expose an entity to risks or provide opportunities that would not have existed in the absence of the relationship; and
 - (c) Related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on different terms and conditions than those that would normally be available to unrelated parties. This may occur in Local Bodies where goods and services are transferred between one Local Body to another Local Body at less than full cost recovery as a part of normal operating procedures consistent with the achievement of the objectives of the reporting entity. The entities are expected to use resources efficiently, effectively and in the manner intended, and to deal with public monies with the highest levels of integrity. The existence of related party relationships means that one party can control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may advantage one party inappropriately at the expense of another.
20. Disclosure of certain types of related party transactions that occur and the terms and conditions on which they were conducted allows users to assess the impact of those transactions on the financial position and performance of an entity and its ability to deliver agreed services. This disclosure also ensures that the entity is transparent about its dealings with related parties.

- 20A. Because there is an inherent difficulty for management to determine the effect of influences which do not lead to transactions, disclosures of such effects is not required by the Standard.

Remuneration of Key Management Personnel

21. Key management personnel hold positions of responsibility within an entity. They are responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. Their salaries are often established by statute or Government Order or Governing Body of the entity. However, their responsibilities may enable them to influence the benefits of office that flow to them or their related parties. This Standard requires certain disclosures to be made about the remuneration of key management personnel and close members of the family of key management personnel during the reporting period, loans or advances made to them and the consideration provided to them for services they provide to the entity other than as a member of the governing body or an employee. The disclosures required by this Standard will ensure that appropriate minimum levels of transparency are applied to the remuneration of key management personnel and close members of the family of key management personnel.

Materiality

22. ASLB 1, '*Presentation of Financial Statements*' requires the separate disclosure of material items. The materiality of an item is determined with reference to the nature or size of that item. When assessing the materiality of related party transactions, the nature of the relationship between the reporting entity and the related party and the nature of the transaction may mean that a transaction is material regardless of its size.

Disclosure

23. [Refer to Appendix 1]
24. Some ASLBs also require disclosure of transactions with related parties. For example, ASLB 1 requires disclosure of amounts payable to and receivable from controlling entities, fellow controlled entities, associates and other related parties. ASLB 38, '*Disclosure of Interests*

*in Other Entities*⁴ requires an entity to disclose information that enables users of its consolidated financial statements to understand the composition of the economic entity and information about each joint arrangement and associate that is material to the reporting entity.

Disclosure of Control

25. ***Related party relationships where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties.***
26. In order for a reader of financial statements to form a view about the effects of related party relationships on a reporting entity, it is appropriate to disclose related party relationships where control exists, irrespective of whether or not there have been transactions between the related parties. This would involve the disclosure of the names of any controlled entities, the name of the immediate controlling entity and the name of the ultimate controlling entity, if any.

Disclosure of Related Party Transactions

27. ***If there have been transactions between related parties, during the existence of related party relationship, the reporting entity should disclose the following:***
 - (a) ***The name of the transacting related party;***
 - (b) ***A description of the nature of the relationship with related parties involved in the transactions. For example, whether the relationship was one of a controlling entity, a controlled entity, an entity under common control, or key management personnel;***
 - (c) ***A description of the related party transactions within each broad class of transaction and an indication of the volume of the classes, either as a specific monetary amount or as a proportion of that class of transactions and/or balances;***
 - (d) ***Any other elements of the related party transactions***

⁴ ASLB 38 is yet to be formulated/ issued. The Guidance in regard to this subject may be obtained from other corresponding pronouncements as per the hierarchy prescribed in paragraph 15 of the ASLB 3, 'Accounting Policies, Changes in Accounting Estimates, and Errors'.

necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes; and

- (e) ***Amounts or appropriate proportions of outstanding items.***
28. The following are examples of the related party transactions in respect of which disclosures may be made by a reporting entity:
- (a) Rendering or receiving of services;
 - (b) Purchases or transfers/sales of goods (finished or unfinished);
 - (c) Purchases or transfers/sales of property and other assets;
 - (d) Agency arrangements;
 - (e) Leasing arrangements;
 - (f) Transfer of research and development;
 - (g) License agreements;
 - (h) Finance (including loans, capital contributions, grants whether in cash or in kind and other financial support including cost sharing arrangements);
 - (i) Guarantees and collaterals; and
 - (j) Management contracts including deputation of employees.
- 28A. Paragraph 27 (d) requires disclosure of “any other elements of the related party transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes”. An example of such a disclosure would be an indication that the transfer of a major asset had taken place at an amount materially different from that obtainable on normal operating terms.
29. [Refer to Appendix 1]
30. [Refer to Appendix 1]
31. Paragraph 34 of this Standard requires additional disclosures to be made about certain transactions between an entity and key management personnel and/or the close members of the family of key management personnel.

32. ***Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary to provide relevant and reliable information for decision making and accountability purposes.***
33. Disclosure of related party transactions between members of an economic entity is unnecessary in consolidated financial statements because consolidated financial statements present information about the controlling entity and controlled entities as a single reporting entity. Related party transactions that occur between entities within an economic entity are eliminated on consolidation in accordance with ASLB 35, 'Consolidated Financial Statements'⁵.

Disclosure — Key Management Personnel

34. ***An entity should disclose:***
 - (a) ***The aggregate remuneration of key management personnel and the number of individuals, determined on a full time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;***
 - (b) ***The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the reporting entity during the reporting period showing separately the aggregate amounts provided to:***
 - (i) ***Key management personnel; and***
 - (ii) ***Close members of the family of key management personnel; and***
 - (c) ***In respect of loans or advances which are not widely available to persons who are not key management personnel and loans or advances whose availability is not***

⁵ ASLB 35 is yet to be formulated/ issued. The Guidance with regard to this subject may be obtained from other corresponding pronouncements as per the hierarchy prescribed in paragraph 15 of the ASLB 3, 'Accounting Policies, Changes in Accounting Estimates, and Errors'.

widely known by members of the public, for each individual member of key management personnel and each close member of the family of key management personnel:

- (i) The amount of loans or advances given during the period and terms and conditions thereof;**
- (ii) The amount of loans or advances repaid during the period;**
- (iii) The amount of the closing balance of all loans, advances and receivables; and**
- (iv) Where the individual is not a member of the governing body or senior management group of the entity, the relationship of the individual to such body or group.**

- 35. [Refer to Appendix 1]
- 36. Persons who are key management personnel may be employed on a full or part time basis. The number of individuals disclosed as receiving remuneration in accordance with paragraph 34(a) needs to be estimated on a full time equivalent basis. Entities will make separate disclosures about the major classes of key management personnel that they have. For example, where an entity has a governing body that is separate from its senior management group, disclosures about remuneration of the two groups will be made separately. Where an individual is a member of both the governing body and the senior management group, that individual will be included in only one of those groups for the purposes of this Standard. The categories of key management personnel identified in the definition of key management personnel provide a guide to identifying classes of key management personnel.
- 37. Remuneration of key management personnel can include a variety of direct and indirect benefits. Where the cost of these benefits is determinable, that cost will be included in the aggregate remuneration disclosed. Where the cost of these benefits is not determinable, a best estimate of the cost to the reporting entity or entities will be made and included in the aggregate remuneration disclosed.
- 38. Requirements on the measurement of employee benefits are found in ASLB 39, 'Employee Benefits'. When non-monetary remuneration that

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is able to be reliably measured has been included in the aggregate amount of remuneration of key management personnel disclosed for the period, disclosure would also be made in the notes to the financial statements of the basis of measurement of the non-monetary remuneration.

39. This Standard requires the disclosure of certain information about the terms and conditions of loans or advances made to key management personnel and close members of the family of key management personnel, where these loans or advances:
- (a) Are not widely available to persons outside the key management group; and
 - (b) May be widely available outside the key management group but whose availability is not widely known to members of the public.

The disclosure of this information is required for accountability purposes. The exercise of judgment may be necessary in determining which loans or advances should be disclosed to satisfy the requirements of this Standard. That judgment should be exercised after consideration of the relevant facts and in a manner consistent with the achievement of the objectives of financial reporting.

40. Paragraph 34(a) of this Standard requires disclosure of the aggregate remuneration of key management personnel. Key management personnel include directors or members of the governing body and members of the senior management group of the entity. Directors or members of the governing body of the entity may also receive remuneration or compensation from the entity for services provided in a capacity other than as director or member of the governing body of the entity or as an employee of the entity. Paragraph 34(b)(i) of this Standard requires the disclosure of the total amount of this other remuneration or compensation.
41. Close members of the family of key management personnel may influence, or be influenced by, key management personnel in their transactions with the reporting entity. Paragraph 34(b)(ii) of this Standard requires the disclosure of the total remuneration and compensation provided during the period to close members of the family of key management personnel.

42-43. [Refer to Appendix 1]

Illustrative Examples

The appendix is illustrative only and does not form part of the Standard. The purpose of the appendix is to illustrate the application of the Standard to assist in clarifying their meaning.

Disclosures — Local Body X

The following disclosures are made in the financial statements of Local Body X.

Controlled Entities (Paragraph 25)

The Local Body controls the following reporting entities: Power distribution entity, water supply entity and transport entity. Joint Ventures for Solid Waste Management or other specific projects on PPP mode, entities for power generation, water supply, transportation, etc.

(Note: ASLB 35 requires that certain disclosures be made about significant controlled entities.)

Related Party Transactions (Paragraph 27)

A Councilor was provided with a motor vehicle, rent free. The provision of vehicle is not part of the facilities to Councilor. However, in this case it was necessary to provide a vehicle for the Councilor.

The business partner of a Councilor as an Advisor to the Local Body was provided with a motor vehicle, rent free. Cars similar to that provided normally rent for INR K per annum.

Key Management Personnel (Paragraph 34)

Remuneration (Paragraph 34(a))

The key management personnel (as defined by ASLB 20, 'Related Party Disclosures') are the members of Council, who together constitute the governing body of Local Body X. The aggregate remuneration of members of the Council and the number of individuals determined on a full-time equivalent basis receiving remuneration from Local Body X are:

Aggregate remuneration ` X crores.

Number of persons Y persons.

Related Party Disclosures

Loans or advances that are not widely available (and/or widely known) to persons outside the Key Management Group (Paragraph 34(c))

Amounts of such loans advanced and repaid during the period, and the balances outstanding at the end of the period are outlined below:

<u>Individual</u>	<u>Advanced</u>	<u>Repaid</u>	<u>Balance</u>
The Honorable ABC	J	K	L
Ms. VSL	M	N	P
D, the Commissioner	Q	R	Z

Terms and Conditions

The Honorable ABC, Chairman of Taxation Committee, received a loan at X% per annum, which is Y% below the market rate. The term of the loan is for Z years.

Ms. VSL, Technical Advisor to Mayor, received a loan from Local Body. The loan is for N years at X% per annum, the current Government borrowing rate.

The salary package of D, the Commissioner allow him to take out a Government loan for up to A years at Y% per annum to purchase a car.

Other remuneration and compensation provided to key management personnel and their close family members (Paragraph 34(b))

During the reporting period, total compensation of INR X amount was provided to members of the Council for consulting services provided to particular departments of the Local Body.

During the reporting period, the Local Body provided total remuneration and compensation of INR Y amount to close family members of key management personnel. This amount consists of the remuneration of Local Body employees who are close members of the family of members of the Council.

Disclosure—Government Agency XYZ

These disclosures are made in the financial statements of Government Agency XYZ, which is a separate reporting entity.

Controlled Entities (Paragraph 25)

The Agency is controlled by Local Body X.

The Agency controls the e-procurement services.

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(Note: ASLB 35 requires that certain disclosures be made about significant controlled entities.)

Related Party Transactions (Paragraph 27)

The Agency provided a house, rent free, to the Councilor. Houses similar to that provided to the Councilor rent for approximately INR Z per annum. The house is not part of the remuneration package of the Councilor and, as a matter of operating procedure, Local Bodies do not provide residential accommodation to Councilors. However, Local Body X advised that the house should be provided on this occasion.

Key Management Personnel (Paragraph 34)

Remuneration (Paragraph 34(a))

The key management personnel (as defined by ASLB 20) of Agency XYZ are: the Minister, the members of the governing body and the Members of the senior management group. The governing body consists of members appointed by Local Body X; the chief executive officer and the chief financial officer attend meetings of the governing body but are not members of the governing body. The Minister is not remunerated by Agency XYZ. The aggregate remuneration of members of the governing body and the number of members determined on a full time equivalent basis receiving remuneration within this category, are:

Aggregate remuneration AX crores.

Number of persons AY persons.

The senior management group consists of the Agency's chief executive officer, the chief financial officer, and the AZ heads of division. The aggregate remuneration of members of the senior management group and the number of managers determined on a full-time equivalent basis receiving remuneration within this category are:

Aggregate remuneration AP crores.

Number of persons AQ persons.

Two division heads are on secondment from Local Body X and are remunerated by Local Body X.

Loans or advances that are not widely available (and/or widely known) to persons outside the key management group (Paragraph 34(c))

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Amounts advanced and repaid during the period and balance outstanding at the end of the period:

<u>Individual</u>	<u>Advanced</u>	<u>Repaid</u>	<u>Balance</u>
The Mayor	J	K	L
Mr. G	M	N	P
Ms. H	Q	R	Z

Terms and Conditions

The Mayor received a loan of INR J at X% per annum, which is Y% below the market rate. The term of the loan is for Z years.

The salary package of senior staff members Mr. G and Ms. H allows them to take out a Government loan for up to N years at Y% per annum to purchase a car.

Remuneration and compensation provided to close family members of key management personnel (Paragraph 34(b))

During the reporting period, total remuneration and compensation of F amount was provided by the Agency to employees who are close family members of key management personnel.

Appendix 1

Note: This Appendix is not a part of the Accounting Standard for Local Bodies. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard for Local Bodies (ASLB) 20, 'Related Party Disclosures' and the corresponding International Public Sector Accounting Standard (IPSAS) 20, 'Related Party Disclosures'.

Comparison with IPSAS 20, 'Related Party Disclosures'

1. The following paragraphs of IPSAS 20 have been deleted. In order to maintain consistency with the corresponding IPSAS 20, the paragraph numbers have been retained.
 - (a) Paragraph 3 provides that Government Business Enterprises (GBEs) should use IFRSs, has been deleted, as it is not relevant for Local Bodies in India;
 - (b) Paragraph 17 relating to voting power has been deleted as the Local Bodies may not have a corporate type structure;
 - (c) Paragraph 23 pertaining to disclosure for GBEs in some countries, has been deleted as may not be relevant for Local Bodies in India;
 - (d) Paragraphs 29 and 35 pertaining to disclosure of the information about transactions between related parties that occur other than on normal terms and conditions, have been deleted as disclosure of all related party transactions has been made mandatory in the ASLB 20;
 - (e) Disclosures of related party transactions prescribed under paragraph 30 in IPSAS 20 have been merged with the paragraph 27 in ASLB 20; and
 - (f) Paragraphs 42 - 43 pertaining to effective date have been deleted as the ASLB 20 would become mandatory for Local Bodies in a State from the date specified in this regard by the State Government concerned.
2. The following paragraphs of IPSAS 20 have been amended and some new paragraphs have been incorporated in ASLB 20 to make the Standard more relevant in the context of Local Bodies in India:

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- (i) To clarify that this ASLB applies to Local Bodies (refer paragraph 2);
 - (ii) Explanation with regard to civil servants not qualifying as KMPs in some jurisdictions has been deleted;
 - (iii) Disclosures that conflict with the confidentiality requirements of a statute/regulations are not required to be made (insertion of a new paragraph 15A);
 - (iv) Where there is an inherent difficulty for management to determine the effect of influences that do not lead to the transactions, disclosures of such effects are not required (insertion of a new paragraph 20A); and
 - (v) Disclosure of all related party transactions have been made mandatory (paragraphs 27, 28 modified and insertion of a new paragraph 28A).
3. Some examples of IPSAS 20 have been deleted/ included in the ASLB 20, and some examples have been modified in the light of Indian conditions.
- (a) Management contracts including for deputation or employees' has been added in the example of transactions that are disclosed if they are with related party. (refer paragraph 28 (j)).
 - (b) Example in paragraph 29 has been modified in context of Local Bodies in India.
 - (c) Illustrative Examples given in Appendix have been modified suitably.
4. Different terminology as relevant for Local Bodies in Indian Context such as 'Governing Body' in place of 'Board of Directors', 'Local Body/Entity' in place of 'Public Sector Entity', etc., has been used in ASLB 20.

Appendix 2

Note: This Appendix is not a part of the Accounting Standard for Local Bodies. The purpose of this Appendix is only to bring out the major differences, if any, between Accounting Standard for Local Bodies (ASLB) 20, 'Related Party Disclosures' and the corresponding existing Accounting Standard (AS) 18, 'Related Party Disclosures'.

Major differences between the ASLB 20, 'Related Party Disclosures' and existing AS 18, 'Related Party Disclosures'

1. Existing AS 18 uses the term 'relatives of an individual', whereas the ASLB 20 uses the term 'a close member of the family of an individual'. The definition of 'close member of the family of an individual' given in ASLB 20 is wider than that is contained in existing AS 18, as according to definition in ASLB 20 domestic partner, relative living in a common household, grand-parent, grand-children, spouse or domestic partner of child, parent-in-law, brother-in-law or sister-in-law are also covered under 'close members of a family of an Individual'.
2. Existing AS 18 covers 'Key Management Personnel (KMP)' of the entity only, whereas in addition the ASLB 20 covers the member of governing body of Central/ State Government and any key advisors of that member.
3. ASLB 20 includes a definition of 'remuneration of key management personnel'. Existing AS does not include this definition.
4. Paragraph 36 of ASLB 20 requires extended disclosures for compensation of KMP under different categories, whereas the existing AS 18 does not specifically require.