

**Accounting Standards Interpretation (ASI) 19<sup>1</sup>**

**Interpretation of the term ‘intermediaries’**

**Accounting Standard (AS) 18, Related Party  
Disclosures**

*[Pursuant to the issuance of this Accounting Standards Interpretation, General Clarification (GC) – 9/2002, issued in October 2002, stands withdrawn.]*

**ISSUE**

1. The issue is how the term ‘intermediaries’ should be interpreted for the purposes of paragraphs 3 and 13 of AS 18.

**CONSENSUS**

2. For the purposes of paragraphs 3 and 13 of AS 18, the term ‘intermediaries’ should be confined to mean enterprises which are ‘subsidiaries’ as defined in AS 21, Consolidated Financial Statements.

**BASIS FOR CONCLUSIONS**

3. Paragraphs 3 and 13 of AS 18 state as under:

“3. This Statement deals only with related party relationships described in (a) to (e) below:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

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<sup>1</sup> Published in ‘The Chartered Accountant’, March 2004, pp. 962-963. The authority of this ASI is the same as that of the Accounting Standard to which it relates. The contents of this ASI are intended for the limited purpose of the Accounting Standard to which it relates. ASI is intended to apply only to material items.

“13. Significant influence may be exercised in several ways, for example, by representation on the board of directors, participation in the policy making process, material inter-company transactions, interchange of managerial personnel, or dependence on technical information. Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investing party holds, directly or indirectly through intermediaries, 20 per cent or more of the voting power of the enterprise, it is presumed that the investing party does have significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investing party holds, directly or indirectly through intermediaries, less than 20 per cent of the voting power of the enterprise, it is presumed that the investing party does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investing party does not necessarily preclude an investing party from having significant influence.”

4. In the context of ‘control’ and exercise of ‘significant influence’, the meaning of the term ‘intermediaries’ should be confined to mean only enterprises which are ‘subsidiaries’ within the meaning of AS 21, and extending it to cover ‘associate’ etc. would not be practicable.