

**Statement of
Financial Accounting Standards
No. 6**

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Translated by

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Financial Accounting Standards Committee

Statement of Financial Accounting Standards No.6

Related Party Disclosures

I Introduction

- (1) This Statement establishes the disclosure standards for an enterprise's financial statements concerning related party transactions.

II Explanation

- (2) If one party, including an organization or individual, can exercise control or significant influence over the operations or financing policies of the other party, then these two parties are considered related parties. Entities under common ownership or control of the same organization or individual are also deemed related parties.

An entity that satisfies any of the following conditions, is referred to as a related party of an enterprise (except where it is proved that there is no control or significant influence):

- (a) an investee accounted for by the equity method;
- (b) an investor who uses the equity method to account for the investment in the enterprise;
- (c) a company of which the chairman of the board of directors or the president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family

of the chairman of the board of directors or president of any other company;

- (d) a non-profit organization of which the funds donated from the enterprise exceeds one third of the non-profit organization's total funds;
- (e) a director, supervisor, president, vice-president, assistant vice-president, and departmental heads reporting to the president;
- (f) the spouse of a director, supervisor or president of the enterprise;
- (g) the immediate and second immediate families of the enterprise's president and general manager.

It is necessary to consider the substance in addition to the legal form when identifying related parties.

- (3) Resource or obligation transfers between related parties are considered related party transactions regardless as to whether monetary consideration is involved.

III Disclosure standards

- (4) If there are significant transactions between an enterprise and its related parties during the reporting period, the enterprise should disclose the following information in the footnotes to the financial statements:
 - (a) the names of the related parties;
 - (b) the nature of the relationship(s) involved;
 - (c) the following significant transactions between the enterprise

and its related parties, including price, payment period, and other related information which helps to understand the impact of the related party transactions on the financial statements:

- (i) the dollar amount purchased from related parties or its percentage of purchases to total amount purchased;
- (ii) the dollar amount sold to related parties or its percentage of sales to total sales;
- (iii) the dollar amount of property transactions and the resulting gains and losses;
- (iv) the ending balance or percentage of notes receivable and accounts receivable;
- (v) the ending balance or percentage of notes payable and accounts payable;
- (vi) the highest outstanding balance, range of interest, ending balance and the total interest amount in the reporting period;
- (vii) the ending balances of endorsed notes, guarantees or provision of collateral;
- (viii) other transactions which have significant influence on the current net income and financial position, such as significant agency items, the provision and receipt of services, leases, granting of franchises, transfers of research projects, and management service contracts.

- (5) Any one of the above related party transactions which exceeds 10% of the total amount of a specific transaction of the enterprise should be disclosed separately; the remaining transactions may be presented in summary.

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- (6) When preparing consolidated financial statements, the enterprise need not disclose the eliminated related party transactions.

IV Notes

- (7) This Statement was issued on June 15, 1985, and is effective for financial statements for fiscal years ending after December 31, 1985.

The provisions of this Statement need not be applied to immaterial items.