

## UTILIZATION OF INFORMATION RELATED TO AFFILIATED PARTIES

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### **Abstract**

*This research conducts a study on the utilization of information regarding affiliated parties of the reporting entity. The objective of the research is to define the concepts related to affiliated parties as established by national and international accounting frameworks, as well as fiscal regulations. The aim is to identify information concerning transactions with affiliated parties reported in financial statements, as well as those disclosed in the notes to the financial statements.*

*The study employs scientific research methods such as: analysis of the regulatory framework governing the study (both national and international accounting standards and fiscal regulations), synthesis of information, and comparison to identify distinctive and similar features regarding the treatment of the concept and information related to affiliated parties. It also addresses the challenges involved, enabling the presentation of the relationship between information on transactions with affiliated parties reported according to National Accounting Standards (SNC) and International Financial Reporting Standards (IFRS). The research findings reveal a discrepancy between the definition of the concept under national and international frameworks, as well as between accounting and fiscal frameworks. Additionally, differences were identified in the information required to be disclosed in financial statements concerning affiliated parties based on the two regulatory frameworks.*

**Keywords:** *affiliated parties, information, control, financial reporting, significant influence*

**JEL classification:** M41

### **1. Introduction**

The conduct of business by entities of various sizes can lead to transactions with entities that belong to the same group or individuals who are part of the same family. These transactions may not always occur under market conditions, due to the privileged relationships between the parties involved. Moreover, it is sometimes possible that such transactions lack economic justification. To ensure that users are accurately informed about the impact of these transactions on the entity's performance, accounting standards require the reporting of essential data regarding relationships with such parties (Istrate, 2016).

The importance of this research is determined by the economic context in general, as well as by the national regulation of transactions with affiliated parties in the Republic of Moldova, governed by the National Accounting Standard (SNC) "Affiliated Parties and Civil Society Contracts" [10] – for entities organizing accounting according to SNC, and internationally by the International Accounting Standard (IAS) 24 "Disclosure of Information about Affiliated Parties" [7] – for entities organizing accounting according to IFRS. This research addresses the need to benefit from and utilize information provided by entities regarding their relationships with other entities and individuals with whom they have a special connection and are subject to treatment under the term affiliated parties. The relevance of this research is highlighted by the transparency of information and the accuracy of business practices, as information related to transactions with affiliated parties can influence decisions and activities of entities.

In order to manage information related to transactions with affiliated parties correctly, entities are required, depending on the applicable regulatory framework - either National Accounting

Standards (SNC) or International Financial Reporting Standards (IFRS) - to manage these transactions transparently and to report and disclose the relevant information appropriately. The existence of accounting standards at both national and international levels that regulate the accounting treatment and reporting of information related to transactions with affiliated parties underscores their importance in business operations and ensures that decisions are beneficial to both the entity and the affiliated parties involved. In this context, the optimization of financial information related to affiliated parties requires a comprehensive approach to ensure transparency and good governance of the entity to avoid conflicts of interest.

## **2. Literature review**

This research focuses on the study of specific concepts related to affiliated parties (primarily the definition of an affiliated party, followed by concepts elucidated from this definition such as significant influence, financial policies, operational policies, etc.). It will then present and examine the accounting elements used to record transactions with affiliated parties and subsequently the reporting of these transactions in financial statements as well as their disclosure in the notes to the financial statements. The reported and disclosed financial information regarding transactions with affiliated parties serves as a basis for decision-making by information users.

## **3. Research Methodology**

From the perspective of applicability, this research is fundamental and aims to expand scientific knowledge regarding the reporting of information related to transactions with affiliated parties. Functionally, it is an exploratory study aimed at identifying the relationship between the reported information related to transactions with affiliated parties under both national and international accounting frameworks, both of which are applied by entities in the Republic of Moldova. Simultaneously, by examining the approach to analyzing the information under review, the study represents a qualitative analysis of both the provisions of national and international accounting regulations and existing research.

The study employed scientific research methods such as: analysis of the regulatory framework governing the study, synthesis of information, comparison to identify distinctive and similar features, and elucidation of challenges, which enabled the presentation of the relationship between the information on transactions with affiliated parties reported according to SNC and IFRS.

## **4. Results and discussions**

### **4.1. Accounting Treatment of Transactions with Affiliated Parties**

According to International Accounting Standard 24 “Related Party Disclosures” [7], relationships with affiliated parties are a normal feature of trade and business. For example, entities often conduct distinct parts of their operations through subsidiaries, joint ventures, and associates. In these cases, the entity has the ability to influence the financial and operational policies of the invested entity through the presence of control, joint control, or significant influence. The relationship with affiliated parties can impact the profit or loss and the financial position of the entity. Affiliated parties may enter into transactions that unaffiliated parties would not engage in. For instance, an entity selling goods to the parent company at cost might not sell on the same terms to another customer. Furthermore, transactions between affiliated parties can be conducted at different values compared to transactions between unaffiliated parties. The profit or loss and financial position of an entity can be affected by a relationship with affiliated parties even if no transactions occur with those parties. The mere existence of the relationship may be sufficient to impact the entity’s transactions with other parties. For example, a subsidiary may cease relationships with a business partner following the parent company's acquisition of a subsidiary within the same group, engaged in the same activity as the former business partner. Alternatively,

one party may refrain from acting due to the significant influence of another—for example, a subsidiary may receive instructions from the parent company not to engage in research and development activities (IAS 24).

One perspective is that transactions with affiliated parties can be used within corporate groups as a means to optimize the allocation of internal resources, reduce transaction costs, and improve asset profitability. On the other hand, if these transactions are misused by management or other interested parties, they can produce misleading operational results and negatively impact the wealth of minority shareholders (Wenxia Ge, Donald H. Drury, et al., 2010).

Based on the aforementioned points, understanding transactions, reporting information, including commitments and relationships with affiliated parties, can affect users' evaluations of an entity's performance, including risk and opportunity assessments faced by the entity.

In response to public concerns about the reporting of transactions with affiliated parties, accounting regulators have emphasized the need to disclose relationships with affiliated parties and transactions with such parties to protect the rights of individual investors. In this context, it can be noted that entities organizing accounting and financial reporting according to National Accounting Standards will apply the provisions of SNC "Affiliated Parties and Civil Society Contracts" [9], while entities organizing accounting and financial reporting according to International Financial Reporting Standards will apply the provisions of IAS 24 "Disclosure of Information about Affiliated Parties" [7]. The need to examine the provisions of both accounting regulatory frameworks is driven by their application by entities in the Republic of Moldova [5, art. 5].

However, there are multiple challenges from identifying affiliated parties to managing and reporting information related to transactions with affiliated parties, which will be further investigated.

#### 4.2. Conceptual approaches to affiliate parties

The research will present and examine the concept of an affiliate party as defined by both national and international accounting standards.

**Table 1. Definition of Affiliate Parties**

SNC “Affiliate Parties and Civil Society Contracts” [10]	IAS 24 „Related Party Disclosures” [7], IFRS 11 “Joint Arrangements” [9], IFRS 10 “Consolidated Financial Statements”, IAS 28 “Investments in Associates and Joint Ventures” [8]
<b>Affiliate Parties</b> – Entities or individuals that have the ability to control or are controlled, have significant influence or are significantly influenced by the other party in financial and operational policies	<b>An affiliate</b> is a person or entity that is affiliated with the entity preparing the financial statements. (IAS 24)
<i>Definition of Terms Within the Concept of Affiliate Parties:</i>	
<b>Control</b> – The ability to direct the financial and operational policies of an entity or organization in order to gain economic benefits from its activities.	An investor <b>controls</b> an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. (IFRS 10).
<b>Joint Control</b> – shared control of an economic activity agreed upon by contract, which exists only when decisions about relevant activities require the unanimous consent of the parties that jointly control the activity.	<b>Joint Control</b> is the shared control of a contractual arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. (IFRS 11, IAS 28)
<b>Significant Influence</b> – The ability to influence the financial and operational policies of an entity through an equity interest ranging from 20% to 50%, or by other means specified in the entity’s charter or	<b>Significant Influence</b> is the ability to participate in decisions about the financial and operational policies of the investee without having control or joint control over those policies. (IAS 28)

agreement.	
<b>Financial Policies</b> – The set of methods, means, and tools used to mobilize, allocate, and utilize financial resources to ensure the efficient operation of the entity through decisions on financing, investing, and dividend distribution.	
<b>Operational Policies</b> – Methods for implementing the operational tasks set out in the entity’s strategies regarding pricing, inventory levels, sales volume, etc.	

Source: SNC “Affiliate Parties and Civil Society Contracts” [10], IAS 24 “Related Party Disclosures” [7], IFRS 11 “Joint Arrangements” [9], IFRS 10 “Consolidated Financial Statements”, IAS 28 “Investments in Associates and Joint Ventures” [8]

According to the definitions provided in Table 1, it can be observed that the National Accounting Standard (SNC) 'Affiliate Parties and Civil Society Contracts' [9] offers a broader and more detailed description of affiliate parties, while IAS 24 'Related Party Disclosures' [7] provides a more generalized concept of affiliate parties. This highlights the need to examine the situations described to determine who qualifies as an affiliate party and who does not, according to the mentioned standards. We emphasize that, according to EU Directive 2013/34/EU [2, art. 2, p.3], 'affiliate party' has the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the application of international accounting standards. Therefore, the European and international regulatory frameworks offer a unified definition of affiliate parties.

Based on the definition of affiliate parties, it can be concluded that an affiliate party can be both an entity and an individual. Consequently, the regulatory standards describe the conditions for considering an affiliate party for entities and separately for individuals, which differ in terms and are presented in Table 2.

**Table 2. Characteristics for Identifying Affiliate Parties**

National Regulatory Framework: SNC “Affiliate Parties and Civil Society Contracts” [10]		International Regulatory Framework: IAS 24 “Related Party Disclosures” [7]	
An entity is considered an affiliate party if:	An individual is considered an affiliate party if:	An entity is considered an affiliate of a reporting entity if any of the following conditions apply:	An individual or a close family member of that individual is considered an affiliate of a reporting entity if that person:
a) An entity that directly or indirectly controls another entity	a) An individual or a close family member of that individual (such as parents, spouse, and their children)	a) The entity and the reporting entity are members of the same group (meaning that each parent company, subsidiary, and affiliate within the same group is related to the others).	a) has control or joint control over the reporting entity;
b) An associate – an entity in which another entity has significant influence over financial and operational policies, but which is neither a subsidiary nor a participant in a joint arrangement"	who has significant influence over the entity or is a key management personnel of the entity (for example, a member of the entity’s board, executive committee,	b) An entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the group to which the other entity belongs).	b) has significant influence over the reporting entity; or
c) A subsidiary – an entity that is controlled	supervisory board,	c) Both entities are joint ventures of the same third party.	c) is a key management personnel

by the parent entity	or other governing bodies) and, as such, participates in managing the entity’s financial and operational policies.	d) One entity is a joint venture of a third entity, while the other is an associate of that third entity.	of the reporting entity or of the parent company of the reporting entity.
d) An entity that is controlled or jointly controlled by an individual and/or a close family member of that individual (such as parents, spouse, and their children)		e) The entity is a post-employment benefit plan for the employees of the reporting entity or for the employees of an affiliate of the reporting entity. If the reporting entity itself is such a plan, the sponsoring employers are also considered affiliates of the reporting entity.	
		f) The entity is controlled or jointly controlled by a person identified as an individual.	
		g) An individual or a close family member of that individual who has control or joint control over the reporting entity has significant influence over the entity or is a key management personnel of the entity (or the entity’s parent company).	
		h) The entity, or any other member of a group of which it is a part, provides services related to key management personnel of the reporting entity or of the parent company of the reporting entity.	

Source: SNC “ Affiliate Parties and Civil Society Contracts” [10], IAS 24 “ Related Party Disclosures” [7]

As observed from Table 2 regarding the characteristics established for identifying affiliate parties, the requirements for an individual affiliate party are the same, while the international regulatory framework provides more detailed descriptions for affiliated entities compared to the national framework.

Given the close relationship between accounting and taxation of entities in the Republic of Moldova, it is important to note that the provisions of the Fiscal Code of the Republic of Moldova [1, art. 22617] also define an affiliated person as follows: a person is considered affiliated with another person, including one undergoing insolvency proceedings, if the relationship between them is defined by at least one of the following cases:

a) An individual is affiliated with another individual if they are spouses or relatives up to the second degree, inclusive;

b) An individual is affiliated with a legal entity if the individual holds, directly or indirectly, including holdings through affiliated persons, at least 25% of the voting shares or if they effectively control the legal entity;

c) A legal entity is affiliated with another legal entity if it holds, directly or indirectly, including holdings through affiliated persons, at least 25% of the voting shares or if it effectively controls that legal entity;

d) A legal entity is affiliated with another legal entity if a third party holds, directly or indirectly, including holdings through affiliated persons, at least 25% of the voting shares in both the first legal entity and the second one, or if it effectively controls them.

Similarly, the provisions of the Fiscal Code [1] establish the characteristics of direct or indirect control. A person is considered to effectively control a legal entity if it is determined that, both factually and legally, they have decision-making authority over the activities of the targeted legal entity through:

- Appointing or dismissing the majority of the members of the supervisory board (council) of the legal entity, the executive body, or the majority of members of the executive body and/or auditors or the majority of members of the audit committee;
- Exercising control based on a contract with the legal entity, a clause in the incorporation document or the statute of the legal entity, or an agreement with other persons who hold voting shares in the legal entity.

A person is considered to indirectly control a legal entity if they hold voting shares in the legal entity through another individual and/or legal entity, or through multiple individuals and/or legal entities.

The permanent representation of the legal entity is also considered an affiliated person.

It is noteworthy that the use of different definitions of affiliated parties/persons creates difficulties regarding the accounting and tax treatment of transactions with affiliated parties, even though they largely align on certain characteristics. In this context, it is reasonable to unify the concept of affiliated party/person used in different national accounting and tax regulations, which would eliminate various approaches and interpretations in practical application by entities.

Likewise, both national and international accounting frameworks specify who is not considered an affiliated party, as presented in Table 3.

**Table 3. Entities Not Considered Affiliated Parties**

<b>National Regulatory Framework: SNC “Affiliated Parties and Civil Society Contracts” [10]</b>	<b>International Regulatory Framework: IAS 24 “Presentation of Information on Affiliated Parties” [7]</b>
Entities that share a director or another key management personnel member who does not control or influence either party;	Two entities merely because they share a director or another key management personnel member, or because a key management personnel member of one entity has significant influence over the other entity.
Customers, suppliers, distributors, etc., with whom the entity conducts ordinary economic transactions, regardless of their volume;	A customer, supplier, franchisor, distributor, or general agent with whom the entity conducts a significant volume of transactions, solely due to the resulting economic dependency.
Other entities and individuals such as: financiers, creditors, trade unions, public authorities, etc., within the context of ordinary relationships.	Two partners in a joint venture solely because they exercise joint control over the joint venture. (i) financiers, (ii) trade unions, (iii) public services, (iv) government departments and agencies that neither control, jointly control, nor exert significant influence over the reporting entity, merely by virtue of their ordinary relationships with the entity (although these relationships may affect the entity's freedom of action or its participation in the decision-making process).

Source: SNC “Affiliated Parties and Civil Society Contracts” [10], IAS 24 “Presentation of Information on Affiliated Parties” [7]

As can be observed, both regulatory frameworks have the same provisions regarding who is not considered an affiliated party, although the international regulatory framework provides a more detailed description of the situations due to the complexity of the existing possibilities.

#### **4.3. Assets and Liabilities for Recording and Reporting Transactions with Affiliated Parties**

Transactions between affiliated parties represent the transfer of resources or obligations between affiliated parties and include [10]:

- ✓ Acquisition and/or sale of assets;
- ✓ Provision and/or receipt of services;
- ✓ Transfer/receipt of goods on lease (rent, hire);
- ✓ Granting/receiving of loans, financing, and capital contributions;
- ✓ Granting/receiving of guarantees;
- ✓ Settlement of debts on behalf of the entity or by the entity on behalf of the affiliated party, etc.

Transactions between affiliated parties are recorded separately from transactions between non-affiliated parties, thereby generating distinct asset and liability elements.

The following sections of the research will examine the asset elements and corresponding accounts provided for their recording, as presented in Table 4:

**Table 4. Asset and liability elements generated by transactions with affiliated parties according to SNC**

Elements Related to the Financial Position Presented in the Balance Sheet			
ASSETS		LIABILITIES	
Fixed Assets	Current Assets	Long-term Liabilities	Current Liabilities
<ul style="list-style-type: none"> <li>✚ Long-term Financial Investments in Affiliated Entities (Account 142), reported under line 150 in the balance sheet:</li> </ul>	<ul style="list-style-type: none"> <li>✚ Current Financial Investments in Affiliated Entities (Account 252), reported under line 390 in the balance sheet:</li> </ul>	<ul style="list-style-type: none"> <li>✚ Long-term Loans from Affiliated Entities (Sub-account 4122), without separate disclosure in the balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>✚ Short-term Loans from Affiliated Entities (Sub-account 5122), without separate disclosure in the balance sheet.</li> </ul>
<ul style="list-style-type: none"> <li>✓ <i>Shares and Equity Interests Held in Affiliated Entities (Sub-accounts 1421 and 2521), reported respectively in lines 151 and 391 of the balance sheet;</i></li> <li>✓ <i>Loans Granted to Affiliated Entities (Sub-accounts 1422 and 2522), reported respectively in lines 152 and 392 of the balance sheet;</i></li> <li>✓ <i>Loans Granted Related to Participation Interests (Sub-accounts 1423 and 2523), reported respectively in lines 153 and 393 of the balance sheet;</i></li> <li>✓ <i>Other Financial Investments in Affiliates (Sub-accounts 1424 and 2524), reported respectively in lines 154 and 394 of the balance sheet.</i></li> </ul>			
<ul style="list-style-type: none"> <li>✚ Depreciation of Long-Term Financial Investments in Affiliates (Sub-account 1432) is considered when determining line 150 of the balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>✚ Adjustments for the Depreciation of Current Financial Investments in Affiliates (Sub-account 2542) are considered when determining line 390 of the balance sheet</li> </ul>		
<ul style="list-style-type: none"> <li>✚ Long-term Receivables from Affiliates (Accounting Account 162), reported in line 180 of the balance sheet:</li> </ul>	<ul style="list-style-type: none"> <li>✚ Current Receivables from Affiliates (Accounting Account 223), reported in line 310 of the balance sheet:</li> </ul>	<ul style="list-style-type: none"> <li>✚ Long-Term Liabilities to Affiliates (Accounting Account 422), reported in line 660 of the balance sheet:</li> </ul>	<ul style="list-style-type: none"> <li>✚ Current Liabilities to Affiliates (Accounting Account 522), reported in line 740 of the balance sheet:</li> </ul>
<ul style="list-style-type: none"> <li>✓ <i>Receivables related to participation interests (Sub-accounts 1621 and 2231), reported respectively in lines 181 and 311 of the balance sheet;</i></li> <li>✓ <i>Other receivables from affiliated parties (Sub-</i></li> </ul>		<ul style="list-style-type: none"> <li>✓ <i>Liabilities related to participation interests (Sub-accounts 4221 and 5221), reported respectively in lines 661 and 741 of the balance sheet</i></li> </ul>	

<i>accounts 1622 and 2232), without a separate disclosure in the balance sheet.</i>	✓ <i>Other liabilities to affiliated parties (Sub-accounts 4222 and 5222), without separate disclosure in the balance sheet</i>
<b>Elements related to financial performance presented in the income statement</b>	
<b>REVENUES</b>	<b>EXPENSES</b>
<b>Financial Revenues</b>	<b>Financial Expenses</b>
Income from Participation Interests Received from Affiliated Parties (analytical record in account level II – 6221), reported in line 092 of the Profit and Loss Statement	Interest expenses related to affiliated parties (analytical record in the sub-account 7221), reported in line 102 of the Profit and Loss Statement.
Interest Income Received from Affiliated Parties (analytical record in account level II – 6222), reported in line 094 of the Profit and Loss Statement	
Revenue from other long-term financial investments obtained from affiliated parties (analytical record in the sub-account 6223), reported in line 096 of the Profit and Loss Statement	

Source: General Plan of Accounting Accounts [6], SNC “Presentation of Financial Statements” [11]

According to the information presented in Table 4, it can be noted that the accounting elements related to transactions with affiliated parties are included both in the balance sheet (under fixed and current assets, as well as long-term and short-term liabilities) and in the Income Statement (under financial income and expenses).

Based on the research on the reporting of information related to relationships and transactions with affiliated parties according to the European framework provided by Directive 2013/34/EU [2, Annex III and IV], the following information needs to be reported:

- In the balance sheet:
  - Shares held in affiliated enterprises.
  - Loans granted to affiliated enterprises.
  - Amounts receivable from affiliated enterprises.
  - Amounts payable to affiliated enterprises.
- In the Income Statement:
  - Income from investments, with a separate indication of income obtained from affiliated enterprises.
  - Income from other investments and loans that are part of fixed assets, with a separate indication of income obtained from affiliated enterprises.
  - Other interest receivable and similar income, with a separate indication of income obtained from affiliated enterprises.
  - Interest payable and similar expenses, with a separate indication of amounts payable to affiliated enterprises.

Continuing the research, we will examine the information required to be disclosed in the Notes to the financial statements concerning affiliated parties. According to the SNC “Presentation of Financial Statements” [11], the following information must be disclosed in the Notes to the complete financial statements with reference to affiliated parties:

- Guarantees provided or received;
- Expenses recognized during the current accounting period regarding impaired receivables from affiliated parties, including the related provisions.

International regulations under IAS 24 “Presentation of Information about Related Parties” [7] require the presentation of information concerning affiliated parties regarding:

- The relationships between a parent company and its subsidiaries must be presented whether or not transactions have occurred between them. An entity must present the name of the parent company and, if different, the ultimate controlling party. If neither the parent company nor the ultimate controlling party prepares consolidated financial statements available for

public use, the name of the parent company immediately above the parent of the reporting entity that prepares these statements must also be disclosed (IAS 24, p.13).

- An entity must present information about the compensation of key management personnel in total and for each of the following categories (IAS 24, p.17):
  - (a) Short-term employee benefits;
  - (b) Post-employment benefits;
  - (c) Other long-term benefits;
  - (d) Termination benefits; and
  - (e) Share-based payment.
- If an entity has had transactions with related parties during the periods covered by the financial statements, it must disclose the nature of the relationship with the related parties, as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. The disclosure of information must include at least (IAS 24, p.18):
  - (a) The value of the transactions;
  - (b) The value of outstanding balances, including commitments, and:
    - (i) The terms and conditions of these balances, including whether they are secured, and the nature of the consideration to be provided for settlement; and
    - (ii) Details regarding guarantees given or received;
  - (c) Provisions for doubtful receivables related to the value of outstanding balances; and
  - (d) Expenses recognized during the period related to irrecoverable or doubtful receivables owed by related parties.

Thus, international accounting regulations (IAS 24) contain more detailed disclosure requirements for transactions and relationships with related parties compared to national accounting regulations.

Accounting is considered a tool for representing the life of an entity, based on principles, norms, rules, and professional judgments. Today, accounting has become a crucial informational tool for those involved in the business world (Lazari, 2015). Transactions with related parties are potential means through which related parties may expropriate external shareholders through their own transactions. Therefore, the presentation of separate information regarding these transactions, as well as the disclosure of information about related parties, is of particular interest to information users.

The recording, financial reporting, and disclosure of information related to transactions with related parties are crucial both for business operations and corporate governance of entities because: separate reporting of transactions with related parties ensures transparency, which is of particular interest to investors, shareholders, and other stakeholders this transparency helps them understand how transactions with related parties are managed by the reporting entity, reporting information on transactions with related parties allows for monitoring and evaluating whether these transactions are conducted in alignment with the entity's interests, thus helping to avoid conflicts of interest, analyzing information related to transactions with related parties can provide insights into the entity's financial position and performance, particularly regarding the efficiency of resource management, information on transactions with related parties contributes to the enhancement of corporate governance.

## 5. Conclusions

Based on the study conducted, a difference can be observed between the concept of a related party as defined by the national accounting framework under SNC “Related Parties and Civil Society Contracts” [10] versus the international accounting framework under IAS 24 “Disclosure of Related Party Transactions” [7], as well as between the national accounting provisions and those of the fiscal framework as outlined in the Fiscal Code of the Republic of Moldova [1]. In this context, it is proposed to unify the notion of a related party/person used in different national accounting and fiscal regulations to eliminate various approaches and interpretations in the practical application by entities.

Furthermore, regarding the presentation and disclosure of information both about transactions with related parties and the mention of related parties of the reporting entity, it is evident that the requirements of IAS 24 “Disclosure of Related Party Transactions” [7] are significantly more complex compared to those of SNC “Related Parties and Civil Society Contracts” [10]. Given the importance of related party relationships, we propose adopting and incorporating these requirements into the national framework to meet the informational needs of users.

To allow users of financial statements to form an opinion about the effects of an entity's relationships with related parties, it is appropriate to present the relationship with related parties when control exists, regardless of whether transactions between related parties have occurred or not [7, p.14]. Thus, the international accounting framework not only requires reporting information related to transactions with related parties in the financial statements and disclosing the conditions of these transactions but also mandates the presentation of related parties of the reporting entity even if no transactions took place during the period. We observe a much more cautious approach regarding the presentation and disclosure of information on related parties.

Based on the study, the importance of separate recording of asset elements from transactions with related parties and the need for their reporting through distinct indicators in both the balance sheet and the profit and loss statement is evident. This is essential for providing relevant information to users for decision-making and ensuring good governance of entities. Information regarding transactions with related parties can contribute to understanding economic, financial, and governance aspects.

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