

IFRS-11 – Joint Arrangements (May 2014)

Classification of joint arrangements

The Interpretations Committee received a request to clarify how the assessment of ‘other facts and circumstances’ described in IFRS 11 affects the classification of a joint arrangement as a joint operation or a joint venture. The Interpretations Committee considered whether the assessment of ‘other facts and circumstances’ should be undertaken with a view only towards whether those facts and circumstances create enforceable rights to the assets and obligations for the liabilities or whether that assessment should also consider the design and purpose of the joint arrangement, the entity’s business needs and the entity’s past practices

The Interpretations Committee noted that paragraph 14 of IFRS 11 requires the classification of a joint arrangement as a joint operation or a joint venture to depend on rights to the assets and obligations for the liabilities of the parties to the arrangement, and that rights and obligations, by nature, are enforceable. The Interpretations Committee noted that paragraph B30 of IFRS 11 describes that when ‘other facts and circumstances’ give the parties rights to the assets, and obligations for the liabilities, relating to the arrangement, the assessment of ‘other facts and circumstances’ would lead to the joint arrangement being classified as a joint operation. Consequently, the Interpretations Committee noted that the assessment of ‘other facts and circumstances’ should focus on whether those facts and circumstances create rights to the assets and obligations for the liabilities. The Interpretations Committee considered that in the light of its analysis of the existing IFRS requirements, no Interpretation or amendment to the Standard was required. Consequently, the Interpretations Committee decided not to add this issue to its agenda