



Project **Joint Venture**

Topic **Outreach activities carried out so far**

Outreach activities

1. We presented in the April 2008 Board meeting a summary of the comment letters received on ED 9 *Joint Arrangements*. In that meeting the Board recognised that many respondents had a different interpretation and assessment of the implications of the model proposed from those of the Board. The Board asked us to seek the views of additional users and to contact some of the respondents in order to gain a better understanding of their concerns with the aim to cover any possible gaps in the final standard.
2. We contacted approximately 25 constituents, the majority of them respondents to the Invitation to Comment of ED 9. These discussions offered us the opportunity to gain a better understanding of how the different arrangements those respondents entered into would be affected by the proposals. It also gave us the opportunity to clarify with respondents whether their concerns about the proposals reflected fundamental disagreement with the model or disagreement with how the proposals had been drafted.
3. The respondents shared with us, on a confidential basis, examples and contractual documentation that provided us with helpful examples of how their arrangements are structured. We have been able to draw some initial conclusions on what we think the corresponding accounting was intended to be when we developed the proposals and how the final standard and application guidance should be amended to achieve that objective.

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

4. The main concern raised by the respondents contacted relates to their interpretation that arrangements classified as ‘jointly controlled entities’ under IAS 31 *Interests in Joint Ventures* will automatically be classified as ‘joint ventures’ under ED 9.
5. These respondents requested that the definitions of the different types of arrangements to be clarified in the final standard and to include additional guidance to assist in the decision leading to the classification of joint arrangements.
6. Of particular concern to these respondents has been that they see the definitions of ‘joint ventures’ and ‘joint operations’ proposed in ED 9 forcing arrangements to be classified as joint ventures that they think should be classified as joint operations (and which we agree should be joint operations if the thinking behind ED 9 is applied).
7. Another concern raised by respondents is how to assess the relevance of the legal form when determining the classification of a joint arrangement. Some respondents informed us that ED 9 gives little guidance on how to identify whether a party has interests in the assets and liabilities of the arrangements when the latter are set up in legal entities. This concern was raised particularly by some respondents from the Oil & Gas and Power Generation industries.
8. Another point noted from the conversations held with these respondents is that a number of arrangements that have been treated as ‘jointly controlled entities’ using IAS 31 might be in fact subsidiaries that should be consolidated by one of the parties in the arrangements.
9. Other areas that will need clarification and guidance in the final standard are as follows¹:
 - (a) ‘shared decision making’ which replaces the term ‘joint control’ in the case of joint asset and joint operation;
 - (b) the relationship between ‘business’ and ‘joint ventures’;

¹ All of these areas have been included in detail in Agenda Paper 8A.

- (c) accounting requirements need to be clear on whether a party is required to account for a 'right to use' or for a 'share of a joint asset'.