Project **Joint Ventures**

Topic **Project update**

1. This Agenda Paper lists the areas that will be covered in the forthcoming Board meetings. We expect to finish all discussions with the Board in March 2010 in order to proceed with the drafting of the standard. We expect publication of the final standard on Joint Arrangements to take place at the end of the second quarter of 2010.

2. Appendix 1 to this Agenda Paper includes all the decisions tentatively made by the Board during the meetings held in May, June and December 2009.

3. We have identified the following as remaining areas to deliberate with the Board:

   (a) Scope and Joint Control sections of the standard. We will be discussing these two areas today.

   (b) Transitional provisions. We will present this section to the Board on the meeting scheduled for the 2nd March 2010.

   (c) Disclosures. We will present this section to the Board during Board week in March 2010.

Appendix 1

Decisions tentatively made by the Board during the deliberations held in 2009

1. In May 2009 the Board tentatively decided:

   (a) to replace the term ‘shared decision-making’ by ‘joint control’ for all types of joint arrangement.

   (b) to merge ‘joint operations’ and ‘joint assets’ into a single type of joint arrangement called ‘joint operation’.

   (c) that a joint arrangement could comprise both a joint operation and a joint venture, but each need to be a complete arrangement in its own right and not merely a residual.

   (d) that, for a joint arrangement established in a separate entity, it is necessary to consider all relevant facts and circumstances to assess whether the arrangement is a joint operation or a joint venture. There should not be a rebuttable presumption that the arrangement is a joint venture.

2. In June 2009 the Board discussed how participants in a joint arrangement should account for their interest in the arrangement if they do not have joint control. The Board tentatively decided:

   (a) to introduce a term such as ‘investor in a joint arrangement’ to designate parties to joint arrangements that do not have joint control in the arrangement.

   (b) that an investor in a joint arrangement that is a joint operation should account for its assets, liabilities, revenues and expenses arising from the joint operation.

   (c) that an investor in a joint arrangement that is a joint venture should account for its interest in accordance with IAS 39 or, if it has significant influence in the joint venture, in accordance with IAS 28.

3. The Board also tentatively decided that a party with an interest in a joint operation shall recognise the assets or the shares of the assets it controls, classified according to the nature of the assets.

4. In December 2009 the Board discussed the inconsistency between IAS 27 *Consolidated and Separate Financial Statements* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The inconsistency relates to the accounting for gains and losses resulting from contributions of non-monetary assets to jointly controlled entities. The Board tentatively decided not to resolve the inconsistency within the Joint Ventures project, but to deal with it separately. The Board tentatively decided to incorporate the requirements in SIC-13 and any guidance relating to the equity method for joint ventures as a consequential amendment to IAS 28 *Investments in Associates*.

5. The Board discussed the comments received on the section of ED 9 relating to the accounting for transactions between the parties and their joint arrangements. The Board tentatively decided:

   (a) not to incorporate the requirements in SIC-13 that significant risks and rewards of ownership have been transferred to the arrangement and that gain or losses need to be measured reliably for the recognition of gains or losses arising from contributions of non-monetary assets. The condition relating the reliability in the measurement has not been considered necessary to be carried over because this is a statement already included in the *Framework* when discussing recognition.

   (b) to incorporate the requirement that the transaction should have commercial substance for the recognition of gains and losses arising from contributions of non-monetary assets.

   (c) to incorporate from IAS 31 *Interests in Joint Ventures* the requirement of full recognition of losses when the contribution, sale or purchase provides evidence of a reduction in the net realisable value or recoverable amounts of the assets contributed, sold or purchased.

   (d) to clarify in the final standard that when a joint operation is structured through an entity, transactions between the parties and the joint operations are, in essence, transactions between the parties themselves.