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Project	<b>Joint Ventures</b>
Topic	<b>Cover sheet</b>

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1. At this Board meeting we will be discussing two sections of the final standard. We expect this meeting to be our last meeting before the publication of the standard, unless any matter arises while drafting the standard that we consider it warrants public discussion with the Board.
2. The areas we will be discussing today are as follows:
  - (a) Agenda Paper 11-A: Transitional provisions.
  - (b) Agenda Paper 11-B: Disclosures.
3. Appendix 1 to this Agenda Paper compiles all the decisions tentatively made by the Board in its redeliberations during 2009 and 2010.

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## Appendix 1

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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.

**Decisions tentatively made by the Board during the deliberations held in 2009 and 2010**

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.
6. In February 2010 the Board tentatively decided to modify the scope paragraph of ED 9 to state that the IFRS should be applied by all entities in accounting for

interests in joint arrangements. The requirement for venture capital organisations or mutual funds, unit trusts and similar entities including investment-linked insurance funds that upon initial recognition are designated as at fair value through profit or loss to measure their investment at fair value in accordance with IFRS 9 or IAS 39 will be placed in the measurement section of the new IFRS. In addition, the Board tentatively agreed to amend the scope paragraph in IAS 28 as a consequential amendment in the IFRS to align IAS 28 with the decisions described above.

7. The Board also tentatively decided to remove all descriptions that associate loss of joint control and loss of significant influence in existing IFRSs with the term 'significant economic event'. The Board tentatively decided to retain this term for the event of loss of control.
8. In addition, the Board tentatively decided:
  - (a) to confirm that the requirements for the loss of joint control proposed in ED 9 would be carried into the IFRS.
  - (b) to amend IAS 21 *The Effects of Changes in Foreign Exchange Rates* to treat the loss of joint control over a joint venture that includes a foreign operation but in which the investor retains significant influence as a partial disposal instead of a disposal.