

# THE ANNUAL INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) WEEK & IPSAS WEEK

## IFRS 11: Joint Arrangements

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# Joint Arrangements



- An arrangement of which **two or more parties have joint control**.
- Joint control exists only when **decisions** about the relevant activities **require the unanimous consent** of the parties sharing control.
- Has the following characteristics:
  - **the parties are bound by a contractual arrangement, and**
  - **the contractual arrangement gives two or more of those parties joint control of the arrangement.**
- A joint arrangement is either a **joint operation** or a **joint venture**.

# IFRS 11: Joint Arrangements



Outlines the **accounting** by entities that jointly control an arrangement.

**Core principle** is that a party to a joint arrangement accounts for rights and obligations in a joint arrangement in accordance with the type of joint arrangement.

# Types of Joint Arrangements



Either **joint operations** or **joint ventures**:

A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

# Types of Joint Arrangements



A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation.

A joint arrangement that is not structured through a separate vehicle is a joint operation.

In a joint operation, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

# Financial statements of parties to a joint operation



A joint operator recognises line by line in relation to its interest in a joint operation:

its assets, including its share of any assets held jointly;  
its liabilities, including its share of any liabilities incurred jointly;  
its revenue from the sale of its share of the output of the joint operation;  
its share of the revenue from the sale of the output by the joint operation; and  
its expenses, including its share of any expenses incurred jointly.

This treatment is applicable in both the separate and consolidated financial statements of the joint operator

# Financial statements of parties to a joint venture



A joint venturer recognises its interest in a joint venture as an investment and shall account for that investment using the equity method

The option to use proportionate consolidation as provided for by the old standard on joint ventures (IAS 31) has been removed

# Financial statements of parties to a joint venture



A party that participates in, but does not have joint control of, a joint venture accounts for its interest in the arrangement in accordance with [IFRS 9](#) *Financial Instruments* unless it has significant influence over the joint venture, in which case it accounts for it in accordance with [IAS 28](#) (as amended in 2011).



There are **no disclosures specified in IFRS 11**. Instead, **IFRS 12** *Disclosure of Interests in Other Entities* outlines the disclosures required.



# Questions

