

## SCOPE AND OBJECTIVE

- The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e., joint arrangements).
- This standard applies to all Tier 1 and 2 entities in determining the type of joint arrangement in which it is involved and in accounting for the rights and obligations of the joint arrangement.

## KEY DEFINITIONS

**Joint arrangement:** An arrangement of which two or more parties have joint control.

**Joint control:** The agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

**Joint venture:** A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

**Joint operation:** 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.

**Joint operator:** A party to a joint operation that has joint control of that joint operation.

**Joint venturer:** A party to a joint venture that has joint control of that joint venture.

**Party to a joint arrangement:** An entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

**Binding arrangement:** An arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. It includes rights from contracts or other legal rights.

**Separate vehicle:** A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

## JOINT ARRANGEMENT CHARACTERISTICS

A joint arrangement has the following characteristics:

- The parties are bound by a binding arrangement (see paragraphs AG2-AG4).
- The binding arrangement gives two or more of those parties joint control of the arrangement (see paragraphs 12-18).

A joint arrangement is either a joint operation or a joint venture (see below).

## SEPARATE FINANCIAL STATEMENTS

In its separate financial statements:

A joint operator or joint venturer accounts for its interest in:

- A joint operation: in accordance the “Joint Operations” section below; and
- A joint venture: either at cost, at fair value in accordance with PBE IPSAS 29, or using the equity method.

A party that participates in, but does not have joint control of, a joint arrangement accounts for its interest in:

- A joint operation in accordance in accordance the “Joint Operations” section below; and
- A joint venture in accordance with PBE IPSAS 29 *Financial Instruments: recognition and Measurement*, unless the entity has significant influence over the joint venture, in which case it shall apply paragraph 12 of PBE IPSAS 34.

## TRANSITIONAL PROVISIONS

There are a number of transitional provisions included in the standard - please refer to paragraphs 31 - 41 for details.

## TYPES OF JOINT ARRANGEMENTS

An entity determines the type of joint arrangement in which it is involved.

The classification of a joint arrangement as a **joint operation** or a **joint venture** depends upon the rights and obligations of the parties to the arrangement.

- Apply judgement when assessing whether a joint arrangement is a joint operation or a joint venture.
- Determine the type of joint arrangement by considering rights and obligations arising from the arrangement.
- Assess rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties or established by legislative or executive authority and, when relevant, other facts and circumstances (see paragraphs AG12-AG33 for additional guidance).
- If facts and circumstances change, reassess whether the type of joint arrangement has changed.

## FINANCIAL STATEMENTS OF PARTIES TO A JOINT ARRANGEMENT

### JOINT OPERATIONS

A joint operator recognises 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 arising from 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.

A party that participates in, but does not have joint control of, a joint operation also accounts for its interest in the arrangement as above if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation.

If a party that participates in, but does not have joint control of, a joint operation does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it accounts for its interest in the joint operation in accordance with the PBE Standards applicable to that interest.

### JOINT VENTURES

A joint venturer recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with PBE IPSAS 36 *Investments in Associates and Joint Ventures*, unless the entity is exempted from applying the equity method as specified in that Standard.

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 the PBE Standards dealing with financial instruments, being PBE IPSAS 28 *Financial Instruments: Presentation*, PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* and PBE IPSAS 30 *Financial Instruments: Disclosures* unless it has significant influence over the joint venture, in which case it accounts for it in accordance with PBE IPSAS 36 *Investments in Associated and Joint Ventures*.