

Joint Arrangements

IASB meeting January 2011
Educational Session – Agenda Paper 10

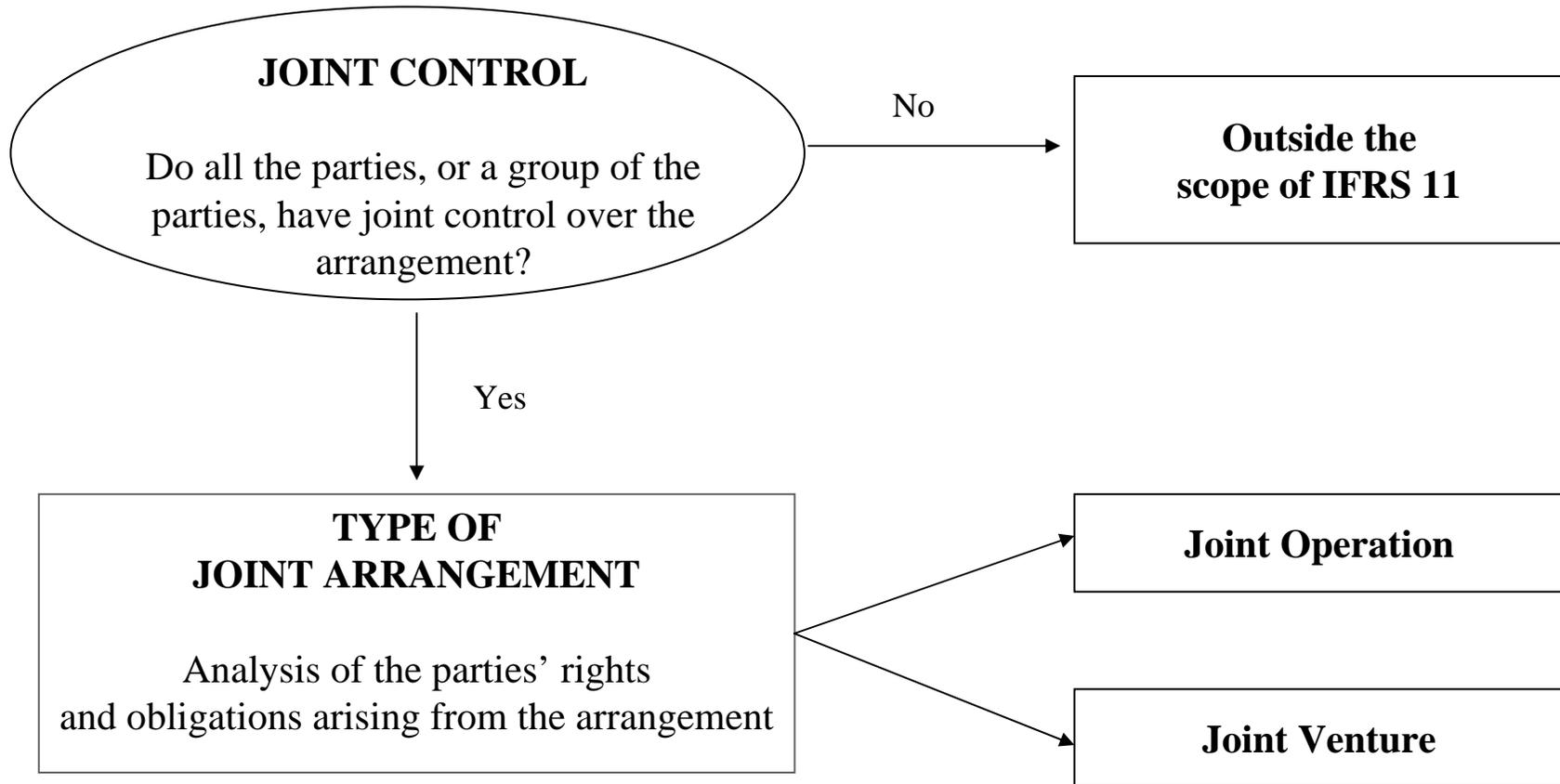
Mariela Isern – *Technical Manager*

156. DSR-Sitzung am 06.05.2011

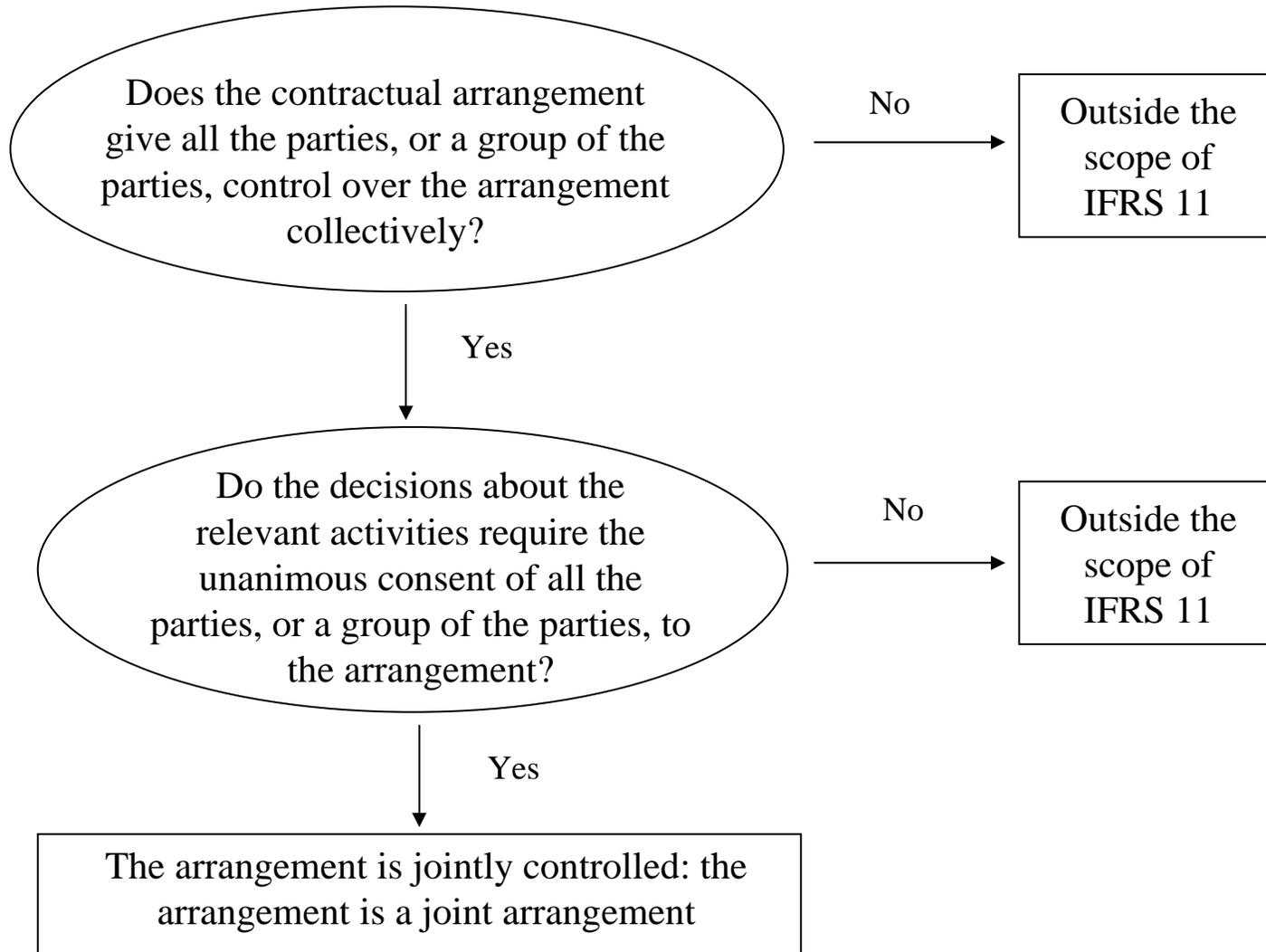
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The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation

The IFRS: assessments required



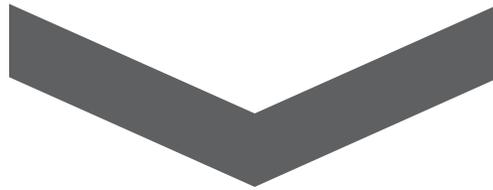
Assessing joint control



The IFRS: the core principle

Reflect the rights and obligations of parties to a joint arrangement

Increase comparability by removing the choice for jointly controlled entities

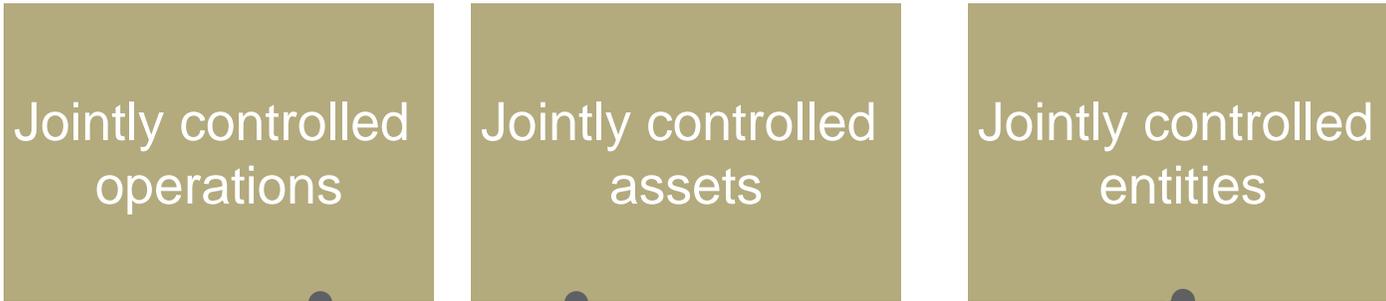


A party to a joint arrangement shall recognise its rights and obligations arising from the arrangement.

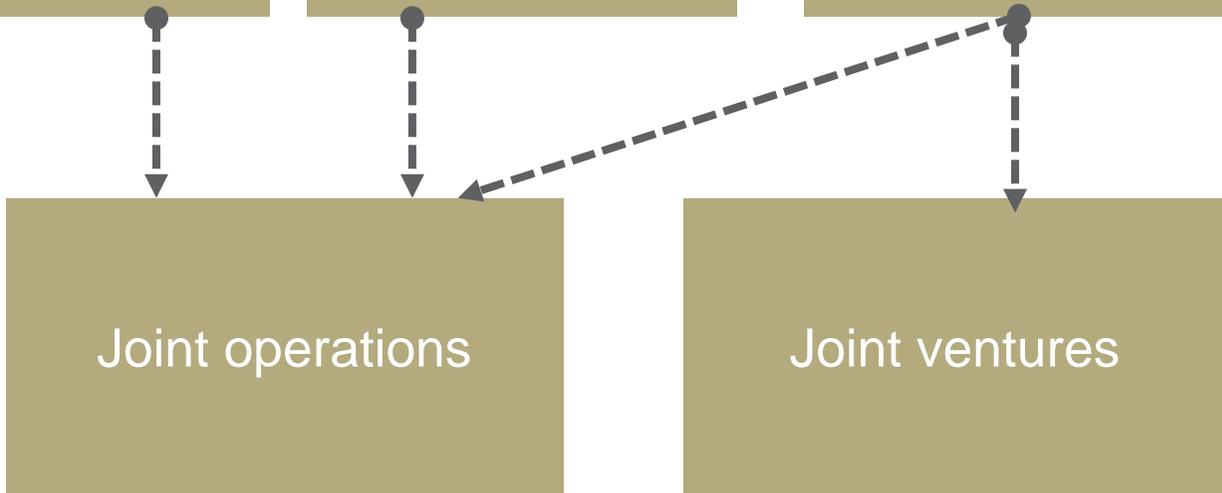
Types of joint arrangement

IAS 31

Joint Ventures: Joint control



IFRS 11



Joint Arrangements: Joint control

Assessing the classification

- Based on the rights and obligations arising from the arrangement

Joint arrangements

Not structured through a separate vehicle

Structured through a separate vehicle

The parties have:

An entity shall consider whether the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances give them:

rights to the assets and obligations for the liabilities of the arrangement

rights to the net assets of the arrangement

Joint Operation

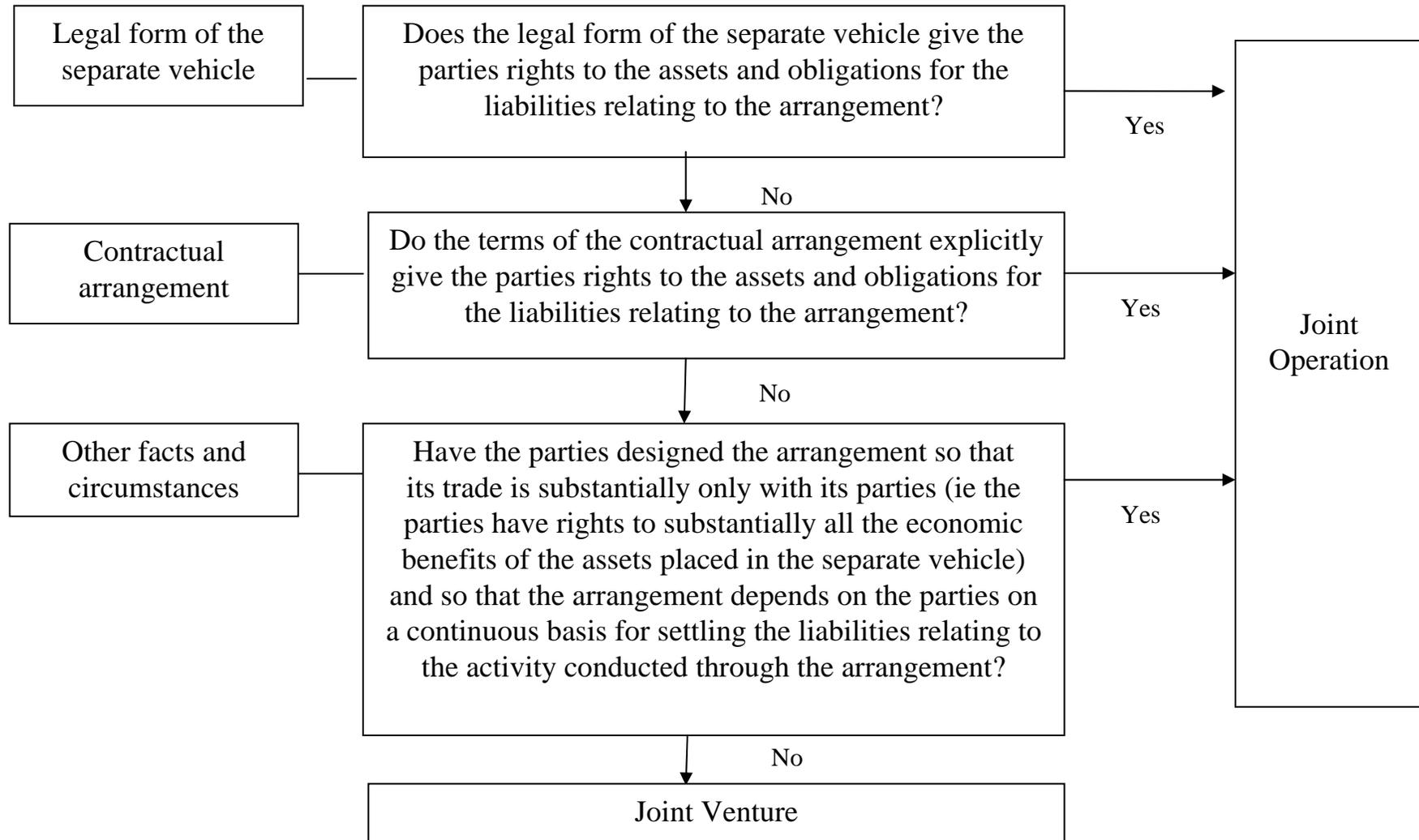
Joint Venture

Accounting for **assets, liabilities** and corresponding revenues and expenses

Accounting for **an investment** in the arrangement in accordance with the equity method

Assessing the classification

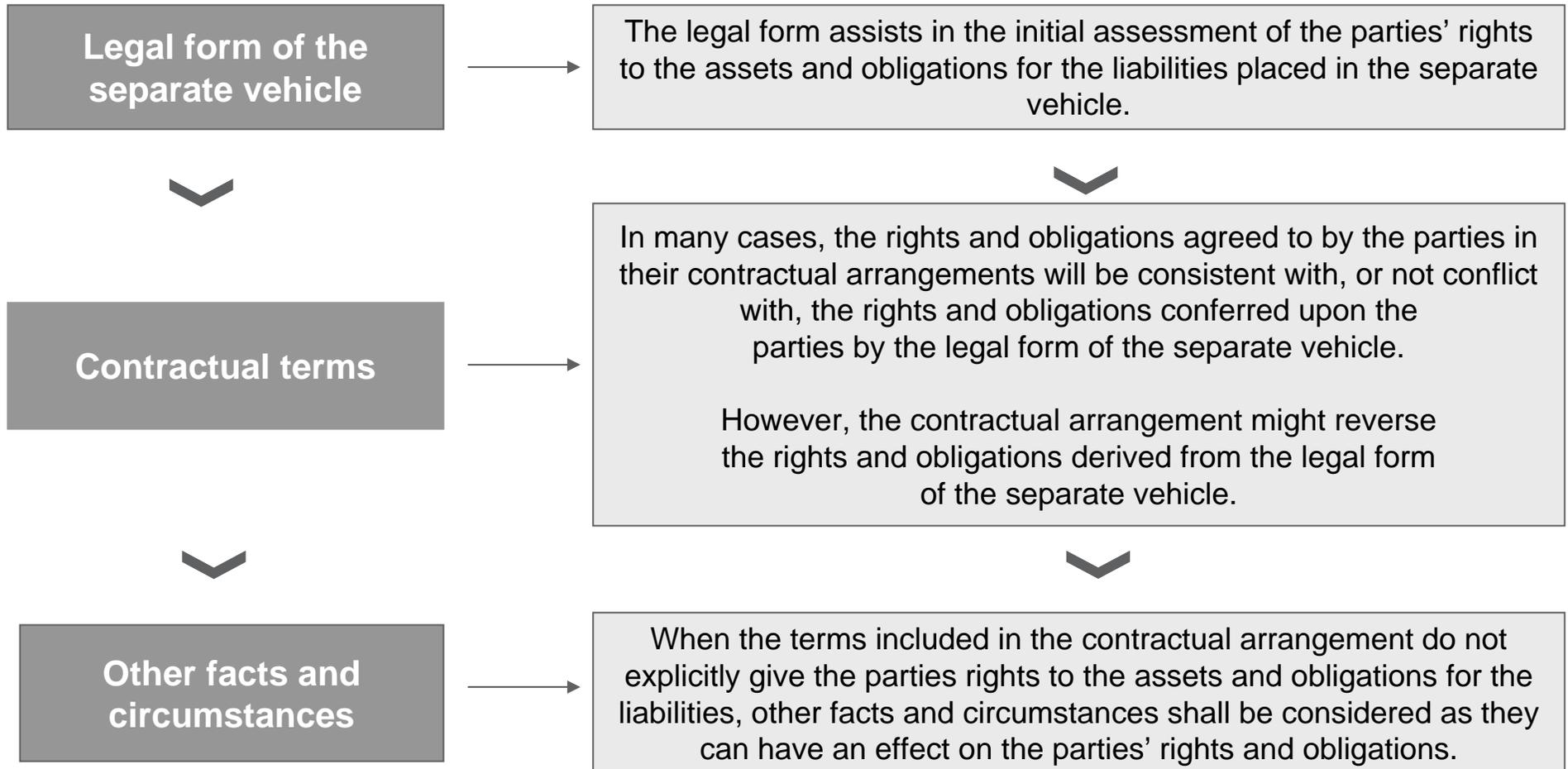
(structured through a separate vehicle)



Assessing the classification

(structured through a separate vehicle)

- Based on the rights and obligations arising from the arrangement



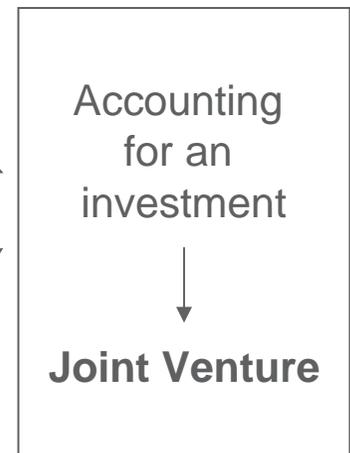
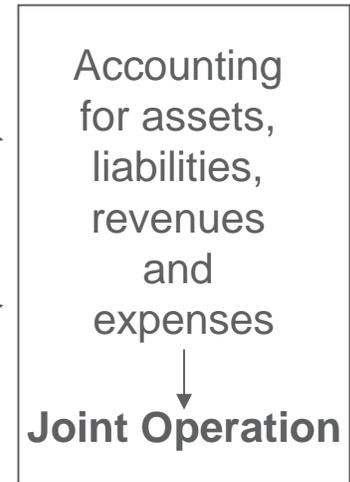
Examples of contractual terms and classification

“The Project assets **shall be held by the parties** in proportion to their respective shares. [...] The parties **shall be responsible** in proportion to their respective shares for **all financial obligations** related to the performance of the works, **sharing any risks arising from them**”

“Parties **shall share all** rights, title, interests, liabilities, obligations, risks, costs and expenses, and all net profits or net losses arising out of the XX Contract, in proportion to their shares ”

“The parties shall have **no** liability in respect of the debts, liabilities or obligations **of** the arrangement, except if the arrangement is unable to pay any of **its** debts or liabilities, then the liability of each party to any third party will be **limited** to the unpaid amount (if any) of its capital contribution”

“The **arrangement shall be liable** to the extent of **its own assets** against **all its debts and obligations**. Each party shall be liable to the arrangement **only to the extent** that such liabilities will not exceed its investment in the arrangement”



Other facts and circumstances

- Facts and circumstances that indicate that the arrangement is a joint operation:
 - (a) Restrictions imposed by the parties to the joint arrangement on the activities carried out by the arrangement.
 - (b) Commitments agreed to by the parties indicate that the parties have rights to substantially all of the economic benefits of the assets of the arrangement.
 - (c) The liabilities of the arrangement would be, in substance, satisfied by cash flows arising from the parties.

Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

