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DSR –öffentliche SITZUNGSUNTERLAGE

DSR-Sitzung:	**156. / 06.05.2011 / 15:00 – 16:30 Uhr**
TOP:	**11 – Joint Arrangements – Update**
Thema:	**Vorstellung und Diskussion des künftigen IFRS 11 „Joint Arrangements“**
Papier:	**156_11c_JA_Redeliberations**

RE-DELIBERATIONS UND DELIBERATIONS ZU ED 9

STAND 26. APRIL 2011

February 2011

The staff presented a summary of the comment letters received on the Request for Views *Effective Date and Transition Methods* (RFV) that was published in October 2010, focusing on the effective date and transition requirements of the forthcoming IFRSs on consolidations and joint arrangements [IFRS 10 *Consolidated Financial Statement*s, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests with Other Entities*, IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011) and IAS 27 *Separate Financial Statements* (as revised in 2011) (hereafter referred to as 'the five IFRSs'].

On the basis of the comment letter analysis, the IASB unanimously decided to:

- require an effective date of 1 January 2013 for all five IFRSs. In reaching this decision the Board considered that:
  a. the consolidations and joint arrangements projects were either identified as low-impact projects in terms of the time and resources that the implementation of the consolidation and joint arrangement IFRSs will require, or were not mentioned at all by the constituents commenting on the RFV;
  b. the consolidations project is a financial crisis-related project that justifies an IFRS with an earlier effective date than the other IFRSs to be issued in 2011; and
  c. relatively few respondents specifically requested that the consolidation and joint arrangement IFRSs should be linked to other IFRSs to be issued in 2011 and their suggestions as to which other IFRSs they should be linked was not consistent.
- permit early application of the five IFRSs but only if all five IFRSs are applied at the same time. This decision reflects the views of the majority of respondents to the RFV. The Board decided that IFRS 12 should make it clear that providing some of the disclosure requirements in IFRS 12 would not compel the entity to comply with all of IFRS 12 or to adopt IFRS 10, IFRS 11, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) early.
- not to change the Board's previous tentative decisions regarding the transition requirements in IFRS 10 and IFRS 11. This decision reflects the views of the majority of the respondents to the RFV, who agreed with limited retrospective application when making the transition to those IFRSs.

Next steps: The staff are preparing the IFRSs for ballot. A publication plan will be placed on the project pages so that the entities can see the likely publication date.

January 2011

The IASB held an education session on joint arrangements. The session aimed to provide an overview of the main requirements of the forthcoming IFRS dealing with the accounting for joint arrangements. Even though the project is at its final stage, the Board thought that it would be helpful to provide interested parties with a summary of the forthcoming IFRS. Because this was purely an education session, the Board did not make any decisions.

Next steps: The Board will publish an IFRS on Joint Arrangements during the first quarter of 2011.

June 2010 (Extra Board meeting – 10 June)

Sweep issues for Joint Arrangements - Clarification of the partial use of fair value at the group level for an investment in an associate

At its meeting in February, the Board decided that one of the annual improvements that it was finalising would be better dealt with, not as an annual improvement, but instead by amending IAS 28 *Investments in Associates* as part of the Joint Arrangements project. That amendment confirmed that an entity could continue to use fair value to measure part of an investment in an associate held by a subsidiary, if that subsidiary used the scope exception in IAS 28 to measure its investment at fair value through profit or loss. The exception would, in making the change, be recharacterised as a measurement exemption. At this meeting the Board tentatively decided that the measurement exception could be applied even if the investment held by the qualifying subsidiary (which would be a venture capital organisation or mutual fund, unit trust or similar entity including an investment-linked insurance fund) was not an associate of that subsidiary.

May 2010

Interaction between IFRS 5 and loss of joint control/significant influence

The IASB tentatively decided that when an entity partially disposes of an interest in a joint venture or in an associate it shall reclassify as held for sale only the interest disposed of if such partial disposal fulfils the criteria for classification as held for sale set out in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The retained interest should continue to be accounted for using the equity method until the disposal occurs.

The Board also tentatively decided to extend the requirement of accounting for an interest in a joint operation that is classified as held for sale in accordance with IFRS 5 if an entity is committed to a sale plan that fulfils the criteria for classification as held for sale set out in IFRS 5.

The Board additionally agreed to clarify that if an interest (or a portion of an interest) in a joint venture or in an associate or an interest in a joint operation no longer meet the criteria to be classified as held for sale, an entity shall amend the financial statements for the periods since classification as held for sale.

Disclosures

The Board tentatively decided:

- to replace the qualifier 'significant' by the qualifier 'individually material' in the disclosure requirement of a list and description of interests in joint arrangements and associates;
- that the summarised financial information for individually-material joint ventures and associates shall be presented on a hundred per cent basis and that an entity should disclose its net interest amount in those joint ventures and associates that are not individually material;
- that the summarised financial information provided by associates should include current assets, non-current assets, current liabilities, non-current liabilities, revenues and profit or loss;
- that an entity shall disclose commitments and contingent liabilities in relation to its joint ventures separately. There will be no requirement for an entity to disclose commitments and contingent liabilities in relation to its joint operations separately, because these will be included in the reporting entity's own disclosures; and
- not to specifically address which disclosure requirements venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds need to fulfil in the case where these entities have an interest in a joint venture or an investment in an associate.

Transitional provisions

The Board tentatively decided that the transitional provisions for Jointly Controlled Entities (JCEs) from the equity method to the accounting for share of assets and liabilities will consist in the derecognition of the investment, and the recognition of the shares of assets and liabilities at their carrying values based on the entity's interests determined in accordance with the contractual arrangement. Any difference between the carrying amount of the investment and the carrying net amount of the individual assets and liabilities will be recognised in retained earnings.

The Board additionally tentatively decided that an entity shall provide a reconciliation between the investment derecognised and the breakdown of the shares of assets and liabilities recognised, together with any balance recognised in retained earnings.

The Board also discussed transitional provisions for first-time adopters. The Board tentatively decided that the main difference between the transitional provisions for first-time adopters and for those entities reporting under IFRS will be: a first-time adopter will need to convert its investment in a jointly controlled entity to an IFRS basis; and that in the case of transitioning from proportionate consolidation to the equity method, the resulting investment will have to be tested for impairment in accordance with IAS 36 *Impairment of Assets* regardless of whether there is any existing indication that the investment might be impaired.

March 2010

The Board continued its deliberations on the proposals in the exposure draft ED 9 *Joint Arrangements*.

Transitional provisions

The Board tentatively decided that Jointly Controlled Entities (JCEs) will transition from proportionate consolidation to the equity method, by aggregating at their respective carrying values the proportionate consolidated assets and liabilities into a single line item. The investment will need to be tested for impairment in accordance to IAS 36 *Impairment of Assets* at the date at which the standard is applied, and at the corresponding comparative periods.

The Board also had a preliminary discussion relating to the transitional provisions for JCEs that will have to transition their accounting from the equity method to the accounting for shares of assets and liabilities. The Board reached no decisions on this issue, but, they stated that the objective for these transitional provisions should be for an entity to account for the (shares of) assets and liabilities retrospectively.

Disclosures

The Board tentatively decided:

- to align the disclosure objectives for joint arrangements and associates;
- not to require disclosure of the basis of joint control;
- to require a list and description of investments in individually-material joint arrangements and associates;
- to require that an entity discloses commitments relating to its joint arrangements, including its share of commitments incurred jointly with other parties;
- to require an entity to disclose contingent liabilities relating to its joint arrangements and associates, including its share of contingent liabilities incurred jointly with other parties or investors;
- not to require summarised financial information for joint operations;
- that the summarised financial information to be presented for joint ventures and associates should be the same, independently of the measurement method by which the joint venture or associate is being accounted for; and
- to align the disclosure of information relating to the fact that a joint venture or associate is not accounted for using the equity method, and to provide the fair value of investments in joint ventures and associates for which there are published price quotations.

The Board also had a preliminary discussion relating to the aggregation and level of detail of the summarised financial information required for joint ventures and associates. The Board reached no decisions on this issue.

The Board will continue its discussion at future meetings, with the aim of publishing an IFRS in the second quarter of 2010.

February 2010

The Board continued its deliberations on the proposals in the exposure draft ED 9 *Joint Arrangements*. The Board discussed the scope and loss of joint control sections for the IFRS.

Scope

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 Investments in Associates as a consequential amendment in the IFRS to align IAS 28 with the decisions described above.

Loss of Joint Control

The Board 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.

In addition, the Board tentatively decided to:

- to confirm that the requirements for the loss of joint control proposed in ED 9 would be carried into the IFRS.
- 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.

The Board will continue its deliberation of this project at a future meeting.

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 nonmonetary 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*.

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:

- 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.
- 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.
- 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.
- 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.

June 2009

The Board continued its discussion of responses to ED 9 *Joint Arrangements* and decided tentatively:

- 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.
- that an investor in a joint arrangement that is a joint operation should account for its assets, liabilities, revenues and expenses, including its share of any assets, liabilities, revenues and expenses arising from the joint operation.
- 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.
- that parties with interests in a joint asset should directly recognise their share of the joint asset, classified according to the nature of the asset.

The Board will continue its discussion at future meetings, with the aim of publishing an IFRS in the third quarter of 2009.

May 2009

The Board continued its discussion of responses to ED 9 *Joint Arrangements* and decided tentatively:

- to replace the term 'shared decision-making' by 'joint control' for all types of joint arrangement.
- to merge 'joint operations' and 'joint assets' into a single type of joint arrangement called 'joint operation'.
- 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.

The Board also had a preliminary discussion about how participants in a joint arrangement should account for their interest in the arrangement if they do not have joint control. The Board reached no decisions on this issue.

The Board will continue its discussion at future meetings, with the aim of publishing an IFRS in the third quarter of 2009.

April 2008

The staff presented a summary of the comment letters received on ED 9 *Joint Arrangements*. The Board discussed the main issues raised and reaffirmed the principles in the exposure draft. The Board recognised that many respondents had a different interpretation and assessment of the implications of the model proposed from those of the Board. The proposed IFRS will need to be improved to address this gap.

The Board asked the staff to seek the views of additional users and to contact some of the respondents in order to gain a better understanding of their concerns. The staff will bring the results of those enquiries to the Board at a future meeting.

September 2007

The IASB issued the Exposure Draft ED 9 Joint Arrangements. The comment period ended on 11 January 2008.

July 2007

The Board discussed whether it is appropriate to measure at fair value the investment retained when an investor loses joint control but retains significant influence. A consequence of the proposals in the draft exposure draft is that the investor would use the equity method both when it has joint control and when it has significant influence, ie there would be no change in the basis of accounting on loss of joint control but retention of significant influence. The Board tentatively decided that for practical reasons, in such circumstances an investor should not remeasure at fair value the investment it retains.

The Board also tentatively decided that the exposure draft would draft a new IFRS for joint arrangements, rather than a revision of IAS 31 *Interests in Joint Ventures*.

June 2007

The Board discussed the disclosure requirements to be included in the exposure draft of proposed amendments to IAS 31 *Interests in Joint Ventures*. The main changes to the current disclosure requirements of IAS 31 that the Board tentatively decided to add for interests in joint ventures accounted for using the equity method are:

a) the reporting date of the financial statements of a joint venture, when it is different from that of the venturer, and the reason for using a different date.
b) the nature and extent of any significant restrictions on the ability of joint ventures to transfer funds to the venturer.
c) the unrecognised share of losses of a joint venture, if the venturer has discontinued recognition of its share of losses of a joint venture in accordance with the equity method.

The Board also tentatively decided that a venturer should present separately its share of profit or loss, its share of other comprehensive income and its share of any discontinued operations of joint ventures.

As a consequence the Board tentatively decided to delete the disclosures required by IAS 28 *Investments in Associates* paragraph 37(h) and (i): those disclosures relate to associates that are not accounted for using the equity method.

The Board also tentatively decided that:

(a) an entity should apply the proposed amendments to IAS 31 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and
(b) the consensus of SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* should be incorporated into IAS 31.

April 2007

The staff presented a draft of the proposed amendments to IAS 31 *Interests in Joint Ventures*. The draft included illustrative examples on which the staff had already sought and received feedback from some real estate preparers, oil and gas preparers, accounting firms and other standard setters. The Board was generally supportive of the examples, and the staff will prepare the exposure draft incorporating the feedback received from the Board and those interested parties.

The Board tentatively decided that the exposure draft should present a revised, rather than amended, IAS 31. This will allow the staff to reword and restructure IAS 31. The exposure draft will be published in a clean version only but will include tables of concordance showing the source of content in the proposed standard and the disposition of content in the existing standard.

November 2006

The staff reported on their discussions with preparers on the likely practical effects of the Board's proposals. The staff had consulted preparers from the extractive, real estate, pharmaceutical, branded goods and insurance industries.

The proposals regarding direct and indirect interests were expected to have little effect for ventures that involve jointly controlled assets and jointly controlled operations. Some preparers have direct interests in jointly controlled entities that they account for using proportionate consolidation in accordance with IAS 31 *Interests in Joint Ventures*. For those preparers, the proposals would require them to account for their direct interests in the individual assets and liabilities of the entity in accordance with applicable standards. A change from recognising interests in a jointly controlled entity using proportionate consolidation to the recognition of direct interests in the individual assets and liabilities of the entity was not expected to change significantly the amounts recognised. The Board's proposals would require equity accounting only when venturers have indirect interests in a joint venture.

The Board directed the staff to prepare an exposure draft of amendments to IAS 31 based on the decisions taken by the Board at its meetings in December 2005 and March and July 2006.

July 2006

The Board supported a staff proposal that interests venturers have in joint arrangements should be classified as either:

- direct interests in the underlying single assets or liabilities, whereby venturers have rights to individual assets or direct obligations for individual liabilities, or a share of them, within a group of assets or liabilities; or
- indirect interests in the 'net' outcome expected to be generated from a group of assets and liabilities under the joint control of all of the venturers.

The Board also tentatively decided that, in the absence of circumstances indicating otherwise, an interest in a jointly controlled business would represent an indirect interest in the arrangement. The existence of a business is an indicator that an indirect interest exists, but it is not conclusive in itself. Venturers should consider all the contractual rights and obligations they have in the arrangement.

The Board also tentatively decided that:

- in assessing the types of interests a venturer has in a joint arrangement, legal form matters, although the existence of a legal entity is not determinant;
- if the elements of an indirect interest exist, whether the output generated by a group of assets and liabilities is tradeable on an active market is not relevant for determining the nature of the interests participants have; and
- the disclosure requirements should not be amended as part of the short-term project.

The Board asked the staff to continue their research and discussions with preparers, users and other interested parties so that the Board can make a more informed assessment about the likely impact of the proposed amendments on current practice. The Board observed that the main objective of the project is to converge with the US accounting literature for jointly controlled entities by removing proportionate consolidation, rather than to harmonise with existing US practice generally. The proposal would be an improvement in the accounting for interests in joint arrangements by reducing the level of accounting discretion available to venturers.

March 2006

In December 2005 the Board decided that, within its short-term convergence project, it should remove the option in IAS 31 *Interests in Joint Ventures* of proportionate consolidation for jointly controlled entities. Making that change to IAS 31 would require venturers to recognise their interests in jointly controlled entities using the equity method. The Board also decided that the definition of a joint venture in IAS 31 does not adequately address the distinction between a jointly controlled entity and an undivided interest in the assets of a joint arrangement. At this meeting, the Board discussed papers on the definition of a joint venture prepared by staff of the Australian Accounting Standards Board, who are leading the IASB's long-term research project on joint ventures.

The research team proposed defining a joint venture as a jointly controlled 'integrated resource arrangement'. The Board decided not to adopt this definition.

The Board decided that the driver for accounting by participants in joint arrangements should be their contractual rights and obligations that are created by the joint arrangement agreement, rather than whether the arrangement is of a particular type or form. Accordingly, participants should account separately for contractual rights to share the net results of the arrangement's operations and any contractual rights they control unilaterally (such as rights of use). Participants in a jointly controlled business (as defined in the Exposure Draft of Amendments to IFRS 3 *Business Combinations*) would have contractual rights to share the net results of the arrangement's operations, but might also have contractual rights that they control unilaterally.

The Board thanked the research team for its work. The Board decided that, in view of the potential effects of developments in current Board projects (such as the consolidations and conceptual framework projects and, in particular, the short-term convergence project) on accounting for joint ventures, work on the long-term research project should be suspended, pending the outcome of those developments.

December 2005

The Board discussed addressing the accounting for interests in joint ventures in the context of a short-term convergence project. The Board decided that the existing option of proportionate consolidation in IAS 31 *Interests in Joint Ventures* should be removed.

However, the Board decided that the definition of a joint venture in IAS 31 does not address adequately the difference between a joint venture entity and an undivided interest in the assets and liabilities of a joint arrangement. The Board decided that the scope of the project should be expanded to consider the definition of a joint venture.

November 2004

The Board had previously decided that:

- the Australian Accounting Standards Board (AASB) should take responsibility for a long-term research project on accounting by venturers for interests in joint venture arrangements.
- The IASB should rapidly progress a short-term convergence project with the objective of removing from IAS 31 *Interests in Joint Ventures* the option of accounting for interests in joint venture entities using either the equity method or proportional consolidation.

At this meeting the Board considered an analysis of:

- the issues that would need to be addressed in the short-term project; and
- whether those issues could be resolved in a reasonable time.

The Board concluded that if it were to undertake the short-term project it would need to address the following issues:

- the nature of interests in jointly controlled entities, including:
  - o the substantive differences between an interest in a jointly controlled entity and other forms of joint arrangements, such as undivided interests in assets or groups of assets.
  - o possible inconsistencies between the substance and form of jointly controlled entities, and the effect (if any) of legal form on the substance of such arrangements.
- which of the two methods (ie equity method or proportional consolidation) more faithfully represents the economic substance of interests in jointly controlled entities.
- any differences between the notions of a jointly controlled entity in IFRSs and a corporate joint venture in US GAAP.

The Board noted that the research project team is well under way with its consideration of the substantive nature of interests in jointly controlled entities. The Board asked the staff to contact the research project team to determine when the team would be able to report its findings to the IASB.

The Board also asked the staff to assess the availability of staff resources to undertake the short-term project.

July 2004

The Board considered the most appropriate way to progress a short-term project on the accounting for interests in joint ventures with the objective of achieving convergence in the accounting for interests in jointly controlled entities.

In April 2003, the Board asked the Australian Accounting Standards Board to take responsibility for a broad long-term research project on joint venture arrangements. In response to this, the AASB formed a Joint Ventures research project team (‘the research team’), comprising staff from the standard-setters in Australia, China/Hong Kong, Malaysia and New Zealand. The research team met for the first time in February 2004, and developed a research project proposal. That proposal, which was presented at the National Standard-setters meeting in April 2004, outlined recommendations for the research project’s scope, the research methods to be used (including a draft questionnaire), and the research timetable.

After considering the research team’s project proposal at the National Standard-setters meeting in April 2004, the IASB asked the AASB to divide the project into two parts:

- a short-term project with the objective of achieving convergence in the accounting for interests in jointly controlled entities by removing the option from IAS 31 of accounting for interests in jointly controlled entities using either the equity method or proportionate consolidation.
- a longer-term research project dealing with the issues identified in the research team's project proposal. It was agreed that the National Standard-setters would assist the AASB in this longer-term project by 'field testing' the questionnaire.

At this meeting, the Board expressed concern about whether the short-term convergence project could be done without the research project having been completed. Deciding on whether to retain the option to use the equity method or proportionate consolidation would depend on a proper understanding of the nature of interests in joint ventures, including the substantive differences between an interest in a jointly controlled entity and an undivided interest in an asset or group of assets. Board members thought it was unlikely this could be achieved without conducting in-depth research on issues such as the structure of joint ventures, the effect of legal form on the substance of an arrangement and the concept of joint control.

The Board did not decide whether to proceed with the shortterm convergence project. However, it did decide that if it *were* to continue the project, the IASB/FASB joint convergence

project team would be best placed to carry it out. Instead, the Board agreed:

- in accordance with its earlier conclusions on the conduct of all research projects, to discuss issues with the research team at Board meetings as needed to progress the longerterm project. The Board also decided to ask the AASB to reconsider the timetable for the research project presented at the April 2004 National Standard-setters meeting to see whether it could be accelerated in light of this availability of time at regular Board meetings.
- the staff should prepare an analysis:
  - o outlining the issues that would need to be addressed in a short-term project whose objective is to eliminate from IAS 31 the option of accounting for interests in jointly controlled entities using either the equity method or proportionate consolidation; and
  - o examining whether those issues could be resolved in a reasonable time.

April 2003

The Board considered an issues paper prepared by the staff of the Australian Accounting Standards Board on *Joint Ventures – Definition* and the accounting treatment for jointly controlled entities.

Definition

The Board considered a proposal to change the definition of joint venture to remove the reference to a contractual arrangement. In making that recommendation, some argued that joint ventures may come about without the existence of a contract.

The Board decided that the existence of a contract is important, and probably essential to determining whether an arrangement is a joint venture.

Joint Venture Operations/ Joint Venture Entities and Proportional Consolidation versus Equity Accounting

The AASB staff paper addressed the limited issue of whether the IASB should remove the option to account for joint venture entities using either equity accounting or proportional consolidation contained in IAS 31 *Financial Reporting of Interests in Joint Ventures*.

The Board decided to undertake a research project to consider improving the distinction between control of an investment and control of the underlying assets and liabilities. A number of Board Members commented that their view on whether to retain the option to use equity accounting or proportional consolidation would depend on this distinction.

The Board noted that the distinction should be based on the substance of an arrangement and not on whether a legal entity exists. However, it was also noted that the legal structure of a joint venture might have significant implications for the substance of an arrangement.

The Board noted that it may be useful to examine whether there are three types of arrangements under which a venturer controls: (a) underlying assets and liabilities; (b) interests in underlying assets and liabilities; and (c) rights to share in the activities of an entity.

The Board also decided that it would be useful to consider whether the equity method is suitable for accounting for interests in joint ventures and the usefulness of the equity accounting method in general. It was noted that any such project should examine the alternatives of fair value (under IAS 39 *Financial Instruments: Recognition and Measurement*), the expanded equity method and the gross equity method.

A number of Board Members noted that the expanded equity method and the gross equity method might suffer from the same criticisms often made of proportional consolidation. Other members noted that they find the additional information provided by the expanded and gross equity methods useful, particularly when an entity conducts a large proportion of its existing operations through joint ventures. Under equity accounting, the balance sheet and income statement effectively “shrink” due to the netting that occurs in the application of the equity method and information is lost.

The Board acknowledged the work of the G4+1 in the areas of joint ventures (1999) and equity accounting (unpublished).

The Board decided that the Australian Accounting Standards Board should be responsible for the broad research project and should initially prepare a project plan, probably based on staging the project initially to cover only IAS 31 issues, with subsequent work to be scheduled on IAS 28 *Accounting for Investments*.