

IFRS 11 JOINT ARRANGEMENTS

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IFRS 11 Joint Arrangements

Objective

To establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). It applies to all parties subject to a joint arrangement.

Definitions

A Joint Arrangement- When two or more parties are bound by way of contractual agreement (does not have to be in writing, instead it is based on the substance of the dealings between the parties)

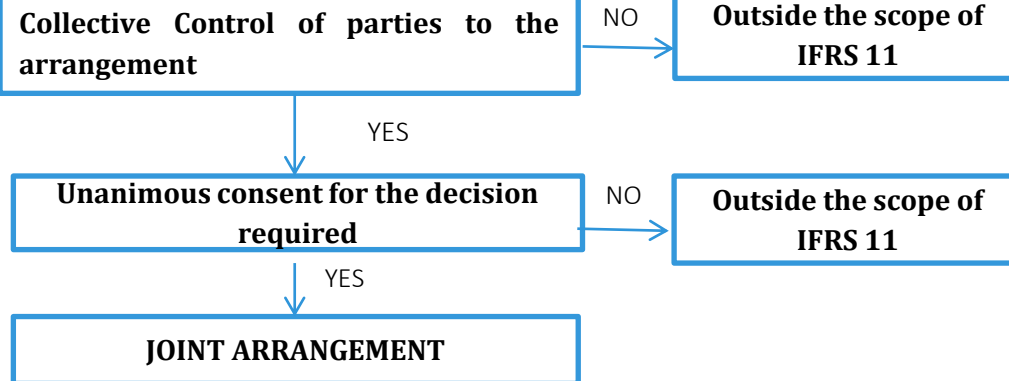
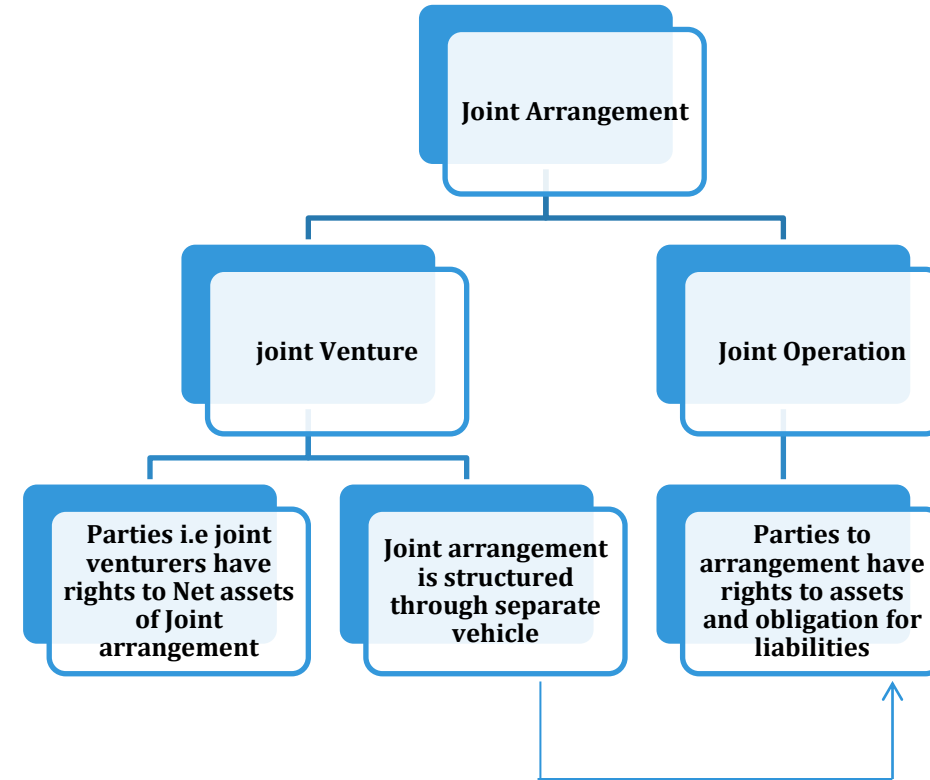
Joint control

When two or more parties contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of parties involved.

Scope

IFRS 11 applies to all parties subject to a joint arrangement.

Types of joint arrangements



RECOGNITION AND MEASUREMENT: JOINT CONTROLLING PARTIES

1. Joint operations

Consolidated/Individual Financial Statements

A joint operator recognises in relation to interest in a joint operation:

- a) Its assets, including its share of any assets held jointly
- b) Its liabilities, including its share of any liabilities incurred jointly
- c) Its revenue from the sale of its share of the output arising from the joint operation
- d) Its expenses, including its share of any expenses incurred jointly.

If a party that participates in, but does not have joint control of a joint operation, and rights to the assets and obligations relating to that joint operation:

- ❖ Are present, it is required to account for these as above.
- ❖ Are not present, it is required to account for its interest in the joint operation in accordance with the applicable IFRSs to that interest.

2. Joint ventures

Equity method as per IAS 28

Separate Financial Statements

Recognise interest either:

- ❖ At cost
- ❖ As a financial asset in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.

RECOGNITION AND MEASUREMENT: ENTITIES THAT PARTICIPATE, BUT DO NOT HAVE JOINT CONTROL ('NON-JOINT CONTROLLING PARTIES')

In some instances, there may be other parties who are investees in a joint arrangement but do not themselves have joint control of the joint arrangement

Joint operations (non-joint controlling party has contractual rights and obligations to assets, liabilities, expenses, and revenues)

Account for its contractual share of assets, liabilities, expenses, and revenues in both its ·

- Consolidated/Individual financial statements
- Separate financial statements.

Joint operations (non-joint controlling party does not have contractual rights and obligations to assets, liabilities, expenses, and revenues)

Consolidated/Individual Financial Statements Assess for significant influence in accordance with IAS 28 (i.e. as an associate): ·

- If present: apply the equity method¹ in accordance with IAS 28 (unless the entity is exempted from applying the equity method)
- If not present: financial asset (IAS 39/IFRS 9).

Separate Financial Statements

- Assess for significant influence in accordance with IAS 28: · If present: either (i) at cost (ii) financial asset (IAS 39/IFRS 9) · If not present: financial asset (IAS 39/IFRS 9).