Compiled AASB Standard –
RDR Early Application Only

AASB 131

Interests in Joint Ventures

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2010 but before 1 July 2011 with early application of the Reduced Disclosure Requirements (RDR). It incorporates relevant amendments made up to and including 30 June 2010. RDR amendments cannot be applied to periods beginning before 1 July 2009.

Prepared on 29 July 2011 by the staff of the Australian Accounting Standards Board.

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Australian Accounting Standard AASB 131 *Interests in Joint Ventures* (as amended) is set out in paragraphs Aus1.1 – 58D. All the paragraphs have equal authority. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 131 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

COMPILATION DETAILS

Accounting Standard AASB 131 *Interests in Joint Ventures* as amended – RDR Early Application Only

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2010 but before 1 July 2011 with early application of the Reduced Disclosure Requirements. It takes into account amendments up to and including 30 June 2010 and was prepared on 29 July 2011 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 131 (July 2004) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	**Date made**	**Application date** *(annual reporting periods)*	**Application, saving or transitional provisions**
AASB 131	15 Jul 2004	*(beginning)* 1 Jan 2005	
AASB 2004-2	22 Dec 2004	*(beginning)* 1 Jan 2005	–
AASB 2007-2	15 Feb 2007	*(ending)* 28 Feb 2007	see (a) below
AASB 2007-4	30 Apr 2007	*(beginning)* 1 Jul 2007	see (b) below
AASB 2007-8	24 Sep 2007	*(beginning)* 1 Jan 2009	see (c) below
AASB 2007-10	13 Dec 2007	*(beginning)* 1 Jan 2009	see (c) below
AASB 2008-3	6 Mar 2008	*(beginning)* 1 Jul 2009	see (d) below
AASB 2008-5	24 Jul 2008	*(beginning)* 1 Jan 2009	see (e) below
AASB 2009-11	7 Dec 2009	*(beginning)* 1 Jan 2013	not compiled*
AASB 2010-3	23 Jun 2010	*(beginning)* 1 Jul 2010	see (f) below
AASB 2010-2	30 Jun 2010	*(beginning)* 1 Jul 2013	see (g) below
AASB 2010-7	6 Dec 2010	*(beginning)* 1 Jan 2013	not compiled*
AASB 2011-5	20 Jul 2011	*(beginning)* 1 Jul 2011	not compiled*
AASB 2011-6	20 Jul 2011	*(beginning)* 1 Jul 2013	not compiled*

* The amendments made by this Standard are not included in this compilation, which presents the principal Standard as applicable to annual reporting periods beginning on or after 1 July 2010 but before 1 July 2011 with early application of the Reduced Disclosure Requirements set out in AASB 2010-2.

(a) Entities may elect to apply the relevant amendments to annual reporting periods beginning on or after 1 January 2005 that end before 28 February 2007.

(b) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.

(c) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.

(d) Entities may elect to apply this Standard to annual reporting periods beginning on or after 30 June 2007 but before 1 July 2009, provided that AASB 3 *Business Combinations* (March 2008) and AASB 127 *Consolidated and Separate Financial Statements* (March 2008) are also applied to such periods.

(e) Entities may elect to apply this Standard, or its amendments to individual Standards, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.

(f) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2010.

(g) Entities may elect to apply this Standard (the RDR amendments) to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied to such periods.

Table of Amendments

Paragraph affected	**How affected**	**By … [paragraph]**
Aus1.1	amended	AASB 2007-8 [7, 8]
Aus1.4	amended	AASB 2007-8 [8]
Aus1.8-Aus1.9 (and preceding heading)	added	AASB 2010-2 [39]
1	amended amended	AASB 2007-10 [74] AASB 2008-5 [49]
2	amended amended amended	AASB 2004-2 [12] AASB 2007-4 [76] AASB 2007-10 [74]
3	amended	AASB 2007-4 [77]
4	added	AASB 2007-4 [78]
5	added	AASB 2007-4 [78]
6	added	AASB 2007-4 [78]
30 (preceding heading)	added amended	AASB 2007-4 [79] AASB 2007-10 [74]
30-32	added	AASB 2007-4 [80]
33	added amended	AASB 2007-4 [80] AASB 2007-8 [6]
34-37	added	AASB 2007-4 [80]
38	amended	AASB 2007-4 [81]
Aus38.1	deleted	AASB 2007-4 [82]
39	added	AASB 2007-4 [81]
40	added	AASB 2007-4 [81]

Paragraph affected	**How affected**	**By … [paragraph]**
42 (preceding heading)	amended	AASB 2007-4 [83]
43	amended	AASB 2007-4 [81]
Aus43.1	deleted	AASB 2007-4 [82]
45	amended	AASB 2008-3 [51]
45A-45B	added	AASB 2008-3 [52]
46	amended amended	AASB 2007-4 [84] AASB 2008-3 [53]
48 (footnote 1)	amended	AASB 2007-2 [10]
51 (preceding heading)	amended	AASB 2007-10 [74]
56	added	AASB 2007-4 [85]
57	added	AASB 2007-4 [85]
Aus57.1-Aus57.5	deleted	AASB 2007-4 [86]
58 (preceding heading)	amended	AASB 2008-5 [50]
58A	note added paragraph added (in place of note)	AASB 2008-3 [54] AASB 2010-3 [11]
58B	added	AASB 2008-5 [51]
58D	added	AASB 2010-3 [11]

COMPARISON WITH IAS 31

AASB 131 and IAS 31

AASB 131 *Interests in Joint Ventures* as amended incorporates IAS 31 *Interests in Joint Ventures* as issued and amended by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IAS 31) are identified with the prefix "Aus", followed by the number of the relevant IASB paragraph and decimal numbering.

Compliance with IAS 31

Entities that comply with AASB 131 as amended will simultaneously be in compliance with IAS 31 as amended, with the exception of entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

ACCOUNTING STANDARD AASB 131 –
RDR EARLY APPLICATION ONLY

The Australian Accounting Standards Board made Accounting Standard AASB 131 *Interests in Joint Ventures* under section 334 of the *Corporations Act 2001* on 15 July 2004.

This compiled version of AASB 131 applies to annual reporting periods beginning on or after 1 July 2010 but before 1 July 2011 with early application of the Reduced Disclosure Requirements. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 30 June 2010 (see Compilation Details).

ACCOUNTING STANDARD AASB 131

INTERESTS IN JOINT VENTURES

Application

Aus1.1 **This Standard applies to:**

(a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**

(b) **general purpose financial statements of each other reporting entity; and**

(c) **financial statements that are, or are held out to be, general purpose financial statements.**

Aus1.2 **This Standard applies to annual reporting periods beginning on or after 1 January 2005.**
[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

Aus1.3 **This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.**

Aus1.4 **The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.**

Aus1.5 When applicable, this Standard supersedes:

(a) AASB 1006 *Interests in Joint Ventures* as notified in the *Commonwealth of Australia Gazette* No S 575, 7 December 1998; and

(b) AAS 19 *Interests in Joint Ventures* as issued in December 1998.

Aus1.6 Both AASB 1006 and AAS 19 remain applicable until superseded by this Standard.

Aus1.7 Notice of this Standard was published in the *Commonwealth of Australia Gazette* No S 294, 22 July 2004.

Reduced Disclosure Requirements

Aus1.8 Paragraph 56 of this Standard does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with this excluded requirement.

Aus1.9 The requirement that does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements is identified in this Standard by shading of the relevant text.

Scope

1 This Standard shall be applied in accounting for interests in *joint ventures* and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of *venturers* and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

(a) venture capital organisations; or

(b) 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 or are classified as held for trading and accounted for in accordance with AASB 139 *Financial*

***Instruments: Recognition and Measurement*. Such investments shall be measured at fair value in accordance with AASB 139, with changes in fair value recognised in profit or loss in the period of the change. A venturer holding such an interest shall make the disclosures required by paragraphs 55 and 56.**

2 **A venturer with an interest in a jointly controlled entity is exempted from paragraphs 30 (*proportionate consolidation*) and 38 (*equity method*) when it meets the following conditions:**

(a) the interest is classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; or

(b) the exception in paragraph 10, as modified by paragraph Aus10.1, of AASB 127 *Consolidated and Separate Financial Statements* allowing a parent that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or

(c) all of the following apply:

(i) the venturer is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;

(ii) the venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

(iii) the venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and

(iv) the ultimate Australian or any intermediate parent of the venturer produces consolidated financial statements available for public use that comply with Australian equivalents to IFRSs.

Definitions

3 **The following terms are used in this Standard with the meanings specified.**

Control **is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.**

The *equity method* is a method of accounting whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

An *investor in a joint venture* is a party to a joint venture and does not have joint control over that joint venture.

Joint control **is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).**

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Proportionate consolidation **is a method of accounting whereby a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.**

Separate financial statements **are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.**

Significant influence **is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.**

A *venturer* is a party to a joint venture and has joint control over that joint venture.

4 Financial statements in which proportionate consolidation or the equity method is applied are not *separate financial statements*, nor are the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity.

5 Separate financial statements are those presented in addition to consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements need not be appended to, or accompany, those statements.

6 Entities that are exempted in accordance with paragraphs 10 and Aus10.1 of AASB 127 from consolidation, paragraph 13(c) of AASB 128 *Investments in Associates* from applying the equity method or paragraph 2 of this Standard from applying proportionate consolidation or the equity method may present separate financial statements as their only financial statements.

Forms of Joint Venture

7 Joint ventures take many different forms and structures. This Standard identifies three broad types—jointly controlled operations, jointly controlled assets and jointly controlled entities—that are commonly described as, and meet the definition of, joint ventures. The following characteristics are common to all joint ventures:

(a) two or more venturers are bound by a contractual arrangement; and

(b) the contractual arrangement establishes *joint control*.

Joint Control

8 Joint control may be precluded when an investee is in legal reorganisation or in bankruptcy, or operates under severe long-term restrictions on its ability to transfer funds to the venturer. If joint control is continuing, these events are not enough in themselves to justify not accounting for joint ventures in accordance with this Standard.

Contractual Arrangement

9 The existence of a contractual arrangement distinguishes interests that involve joint control from investments in associates in which the investor has *significant influence* (see AASB 128 *Investments in Associates*). Activities that have no contractual arrangement to establish joint control are not joint ventures for the purposes of this Standard.

10 The contractual arrangement may be evidenced in a number of ways, for example by a contract between the venturers or minutes of discussions between the venturers. In some cases, the arrangement is incorporated in the articles or other by-laws of the joint venture. Whatever its form, the contractual arrangement is usually in writing and deals with such matters as:

(a) the activity, duration and reporting obligations of the joint venture;

(b) the appointment of the board of directors or equivalent governing body of the joint venture and the voting rights of the venturers;

(c) capital contributions by the venturers; and

(d) the sharing by the venturers of the output, income, expenses or results of the joint venture.

11 The contractual arrangement establishes joint control over the joint venture. Such a requirement ensures that no single venturer is in a position to *control* the activity unilaterally.

12 The contractual arrangement may identify one venturer as the operator or manager of the joint venture. The operator does not control the joint venture but acts within the financial and operating policies that have been agreed by the venturers in accordance with the contractual arrangement and delegated to the operator. If the operator has the power to govern the financial and operating policies of the economic activity, it controls the venture and the venture is a subsidiary of the operator and not a joint venture.

Jointly Controlled Operations

13 The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is

separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product and any expenses incurred in common are shared among the venturers.

14 An example of a jointly controlled operation is when two or more venturers combine their operations, resources and expertise to manufacture, market and distribute jointly a particular product, such as an aircraft. Different parts of the manufacturing process are carried out by each of the venturers. Each venturer bears its own costs and takes a share of the revenue from the sale of the aircraft, such share being determined in accordance with the contractual arrangement.

15 In respect of its interests in jointly controlled operations, a venturer shall recognise in its financial statements:

(a) the assets that it controls and the liabilities that it incurs; and

(b) the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

16 Because the assets, liabilities, income and expenses are recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

17 Separate accounting records may not be required for the joint venture itself and financial statements may not be prepared for the joint venture. However, the venturers may prepare management accounts so that they may assess the performance of the joint venture.

Jointly Controlled Assets

18 Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred.

19 These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from

the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

20 Many activities in the oil, gas and mineral extraction industries involve jointly controlled assets. For example, a number of oil production companies may jointly control and operate an oil pipeline. Each venturer uses the pipeline to transport its own product in return for which it bears an agreed proportion of the expenses of operating the pipeline. Another example of a jointly controlled asset is when two entities jointly control a property, each taking a share of the rents received and bearing a share of the expenses.

21 In respect of its interest in jointly controlled assets, a venturer shall recognise in its financial statements:

(a) its share of the jointly controlled assets, classified according to the nature of the assets;

(b) any liabilities that it has incurred;

(c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;

(d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and

(e) any expenses that it has incurred in respect of its interest in the joint venture.

22 In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognises in its financial statements:

(a) its share of the jointly controlled assets, classified according to the nature of the assets rather than as an investment. For example, a share of a jointly controlled oil pipeline is classified as property, plant and equipment.

(b) any liabilities that it has incurred, for example those incurred in financing its share of the assets.

(c) its share of any liabilities incurred jointly with other venturers in relation to the joint venture.

(d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture.

(e) any expenses that it has incurred in respect of its interest in the joint venture, for example those related to financing the venturer's interest in the assets and selling its share of the output.

Because the assets, liabilities, income and expenses are recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

23 The treatment of jointly controlled assets reflects the substance and economic reality and, usually, the legal form of the joint venture. Separate accounting records for the joint venture itself may be limited to those expenses incurred in common by the venturers and ultimately borne by the venturers according to their agreed shares. Financial statements may not be prepared for the joint venture, although the venturers may prepare management accounts so that they may assess the performance of the joint venture.

Jointly Controlled Entities

24 A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

25 A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the profits of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.

26 A common example of a jointly controlled entity is when two entities combine their activities in a particular line of business by transferring the relevant assets and liabilities into a jointly controlled entity. Another example is when an entity commences a business in a foreign country in conjunction with the government or other agency in that country, by establishing a separate entity that is jointly controlled by the entity and the government or agency.

27 Many jointly controlled entities are similar in substance to those joint ventures referred to as jointly controlled operations or jointly controlled assets. For example, the venturers may transfer a jointly controlled asset, such as an oil pipeline, into a jointly controlled entity, for tax or other reasons. Similarly, the venturers may contribute into a jointly controlled entity assets that will be operated jointly. Some jointly controlled operations also involve the establishment of a jointly controlled entity to deal with particular aspects of the activity, for example, the design, marketing, distribution or after-sales service of the product.

28 A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other entities in conformity with Australian equivalents to IFRSs.

29 Each venturer usually contributes cash or other resources to the jointly controlled entity. These contributions are included in the accounting records of the venturer and recognised in its financial statements as an investment in the jointly controlled entity.

Financial Statements of a Venturer

Proportionate Consolidation

30 A venturer shall recognise its interest in a jointly controlled entity using proportionate consolidation or the alternative method described in paragraph 38. When proportionate consolidation is used, one of the two reporting formats identified below shall be used.

31 A venturer recognises its interest in a jointly controlled entity using one of the two reporting formats for proportionate consolidation irrespective of whether it also has investments in subsidiaries or whether it describes its financial statements as consolidated financial statements.

32 When recognising an interest in a jointly controlled entity, it is essential that a venturer reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits through its share of the assets and liabilities of the venture. This substance and economic reality are reflected in the consolidated financial statements of the venturer when the venturer recognises its interests in the assets, liabilities, income and expenses of the jointly controlled entity by using one of the two reporting formats for proportionate consolidation described in paragraph 34.

33 The application of proportionate consolidation means that the statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The statement of comprehensive income of the venturer includes its share of the income and expenses of the jointly controlled entity. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in subsidiaries, which are set out in AASB 127.

34 Different reporting formats may be used to give effect to proportionate consolidation. The venturer may combine its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements. For example, it may combine its share of the jointly controlled entity's inventory with its inventory and its share of the jointly controlled entity's property, plant and equipment with its property, plant and equipment. Alternatively, the venturer may include separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entity in its financial statements. For example, it may show its share of a current asset of the jointly controlled entity separately as part of its current assets; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of its property, plant and equipment. Both these reporting formats result in the reporting of identical amounts of profit or loss and of each major classification of assets, liabilities, income and expenses; both formats are acceptable for the purposes of this Standard.

35 Whichever format is used to give effect to proportionate consolidation, it is inappropriate to offset any assets or liabilities by the deduction of other liabilities or assets or any income or expenses by the deduction of other expenses or income, unless a legal right of set-off exists and the offsetting represents the expectation as to the realisation of the asset or the settlement of the liability.

36 **A venturer shall discontinue the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.**

37 A venturer discontinues the use of proportionate consolidation from the date on which it ceases to share in the control of a jointly controlled entity. This may happen, for example, when the venturer disposes of its interest or when such external restrictions are placed on the jointly controlled entity that the venturer no longer has joint control.

Equity Method

38 As an alternative to proportionate consolidation described in paragraph 30, a venturer shall recognise its interest in a jointly controlled entity using the equity method.

39 A venturer recognises its interest in a jointly controlled entity using the equity method irrespective of whether it also has investments in subsidiaries or whether it describes its financial statements as consolidated financial statements.

40 Some venturers recognise their interests in jointly controlled entities using the equity method, as described in AASB 128. The use of the equity method is supported by those who argue that it is inappropriate to combine controlled items with jointly controlled items and by those who believe that venturers have significant influence, rather than joint control, in a jointly controlled entity. This Standard does not recommend the use of the equity method because proportionate consolidation better reflects the substance and economic reality of a venturer's interest in a jointly controlled entity, that is to say, control over the venturer's share of the future economic benefits. Nevertheless, this Standard permits the use of the equity method, as an alternative treatment, when recognising interests in jointly controlled entities.

41 A venturer shall discontinue the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.

Exceptions to Proportionate Consolidation and Equity Method

42 Interests in jointly controlled entities that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* shall be accounted for in accordance with that Standard.

43 When an interest in a jointly controlled entity previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using proportionate consolidation or the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

44 [Deleted by the IASB]

45 When an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with

AASB 139 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From the date when a jointly controlled entity becomes a subsidiary of an investor, the investor shall account for its interest in accordance with AASB 127 and AASB 3 *Business Combinations* (as revised in March 2008). From the date when a jointly controlled entity becomes an associate of an investor, the investor shall account for its interest in accordance with AASB 128. On the loss of joint control, the investor shall measure at fair value any investment the investor retains in the former jointly controlled entity. The investor shall recognise in profit or loss any difference between:

(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the jointly controlled entity; and

(b) the carrying amount of the investment at the date when joint control is lost.

45A When an investment ceases to be a jointly controlled entity and is accounted for in accordance with AASB 139, the fair value of the investment when it ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139.

45B If an investor loses joint control of an entity, the investor shall account for all amounts recognised in other comprehensive income in relation to that entity on the same basis as would be required if the jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the investor loses joint control of the entity. For example, if a jointly controlled entity has available-for-sale financial assets and the investor loses joint control of the entity, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to those assets. If an investor's ownership interest in a jointly controlled entity is reduced, but the investment continues to be a jointly controlled entity, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

Separate Financial Statements of a Venturer

46 An interest in a jointly controlled entity shall be accounted for in a venturer's separate financial statements in accordance with paragraphs 38-43 of AASB 127.

47 This Standard does not mandate which entities produce separate financial statements available for public use.

Transactions between a Venturer and a Joint Venture

48 When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other venturers.[1] The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

49 When a venturer purchases assets from a joint venture, the venturer shall not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. A venturer shall recognise its share of the losses resulting from these transactions in the same way as profits except that losses shall be recognised immediately when they represent a reduction in the net realisable value of current assets or an impairment loss.

50 To assess whether a transaction between a venturer and a joint venture provides evidence of impairment of an asset, the venturer determines the recoverable amount of the asset in accordance with AASB 136 *Impairment of Assets*. In determining value in use, the venturer estimates future cash flows from the asset on the basis of continuing use of the asset and its ultimate disposal by the joint venture.

1 See also Interpretation 113 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*, as identified in AASB 1048 *Interpretation of Standards*.

Reporting Interests in Joint Ventures in the Financial Statements of an Investor

51 An *investor in a joint venture* that does not have joint control shall account for that investment in accordance with AASB 139 or, if it has significant influence in the joint venture, in accordance with AASB 128.

Operators of Joint Ventures

52 Operators or managers of a joint venture shall account for any fees in accordance with AASB 118 *Revenue*.

53 One or more venturers may act as the operator or manager of a joint venture. Operators are usually paid a management fee for such duties. The fees are accounted for by the joint venture as an expense.

Disclosure

Interests in Joint Ventures

54 A venturer shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:

(a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers;

(b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and

(c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.

55 A venturer shall disclose the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:

(a) any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and

(b) its share of the capital commitments of the joint ventures themselves.

56 A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.

57 A venturer shall disclose the method it uses to recognise its interests in jointly controlled entities.

Effective Date and Transition

58 [Deleted by the AASB]

58A AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply the amendment to paragraph 46 retrospectively and the amendment to paragraph 45 and paragraphs 45A and 45B prospectively for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 127 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

58B Paragraph 1 was amended by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in July 2008. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 3 of AASB 7 *Financial Instruments: Disclosures*, paragraph 1 of AASB 128 and paragraph 4 of AASB 132 *Financial Instruments: Presentation* issued in July 2008. An entity is permitted to apply the amendment prospectively.

58D Paragraph 58A was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the amendment to paragraph 46 retrospectively and the amendment to paragraph 45 and paragraphs 45A and 45B prospectively for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

Withdrawal of IAS 31 (revised 2000)

59 [Deleted by the AASB]