



Australian Government

Australian Accounting
Standards Board

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Sir David Tweedie
Chairman
International Accounting Standards Board
1st Floor
30 Cannon Street
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UNITED KINGDOM

Dear David

IASB's Project on Joint Ventures

The Australian Accounting Standards Board (AASB) is pleased to see the IASB's progress so far on the Joint Ventures project. The AASB would like to bring two matters to the attention of the IASB in finalising this important project.

Firstly, the AASB understands that the IASB has noted the inconsistency between IAS 27 *Consolidated and Separate Financial Statements* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* relating to the accounting for gains and losses resulting from contributions of non-monetary assets to a jointly controlled entity and decided not to address this inconsistency as part of the joint ventures project, but to resolve it in a separate project. The AASB considers that it would be preferable for the IASB to resolve this inconsistency as part of the joint ventures project rather than returning to the matter again in the future when it is cold.

Secondly, the AASB is concerned about diversity in the application of IAS 21 *The Effects of Changes in Foreign Exchange Rates* to non-controlling parties to a 'joint operation'. The issue is whether a non-controlling party to a joint operation, with a different functional currency, should treat its interest as a 'foreign operation' (as defined in IAS 21) by virtue of it being a 'branch' and therefore take differences to the foreign currency translation reserve (FCTR). Some think that such an interest cannot be a 'foreign operation' and look to control, joint control or significant influence as the 'determinant' of whether FCTR accounting is applicable (believing that a 'branch' requires control over whole assets, rather than parts of assets). Others note that parties sharing joint control in the same joint operation should recognise a FCTR in these circumstances under the existing Standards and it seems incongruent for other participants not to do the same. The AASB notes that this issue may become more prevalent under the new IFRS on joint arrangements given that the IASB's latest thinking is that all parties to joint operations should be treated in the same way (i.e., recognise a share of underlying assets and liabilities). Accordingly, the AASB recommends that the IASB consider addressing this issue in finalising the new IFRS.

If you require further information regarding any matters in this letter, please contact Siva Sivanantham (ssivanantham@asb.gov.au) or me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K M Stevenson', with a long horizontal flourish extending to the right.

Kevin M. Stevenson
Chairman