IPSASB Exposure Draft 51 *Joint Arrangements*

AASB Staff Issues Paper

Introduction

1 The International Public Sector Accounting Standards Board (IPSASB) issued Exposure Draft (ED) 51 *Joint Arrangements* (Agenda paper 12.5.1) in October 2013 and requested comments by 28 February 2014. This issues paper has been prepared by AASB staff with the intention of identifying any issues and comments that could be addressed in a submission to the IPSASB in respect of IPSAS ED 51.

2 The proposals in this ED are intended to replace IPSAS 8 *Interests in Joint Ventures* that was based on IAS 31 *Interest in Joint Ventures.* ED 51 is based on IFRS 11 and closely follows the requirements of that standard. The objective of this ED is to propose principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

3 The most significant change in relation to IPSAS 8 and ED 51 is that IPSAS 8 has three categories of joint arrangements – jointly controlled operations, jointly controlled assets and jointly controlled entities (as was in IAS 31) whereas ED 51 now has two – joint ventures and joint operations (as in IFRS 11 *Joint Arrangements*).

4 Aside from terminology changes required for the public sector, the only difference noted between IFRS 11 and ED 51 is that ED 51 includes one extra illustrative example – Example 3 'Joint provision of assisted living services'. However, at the time of issuance by the IPSASB the IASB had one outstanding proposal – ED/2012/7 *Acquisition of an Interest in a Joint Operation* that proposes to amend IFRS 11. This proposal has not been incorporated into ED 51.

Specific Matter for Comment 1 of ED 51

Do you agree that joint arrangements should be classified as joint ventures or joint operations based on whether an entity has (i) rights to assets and obligations for liabilities, or (ii) rights to net assets?

AASB Staff Analysis

5 Given that the requirements in ED 51 are very similar to those in IFRS 11 we see no reason to depart from IFRS and agree that a joint arrangement should be classified as a joint venture where the entity has the rights to the net assets and a joint operation where the entity has rights to assets and obligations for liabilities.

Question 1 to the Board

(a) Do you agree with the staff comments regarding Specific Matter for Comment 1?

Specific Matter for Comment 2 of ED 51

Do you agree that joint ventures should be accounted for in consolidated financial statements using the equity method?

AASB Staff Analysis

6 In agreement with the staff comments above we see no reason to depart from the requirements in IFRS 11 and agree that joint ventures should be accounted for in consolidated financial statements using the equity method.

Question 2 to the Board

(a) Do you agree with the staff comments regarding Specific Matter for Comment 2?