Accounting Standard

AASB 1006
December 1998

Interests in Joint Ventures

Issued by the
Australian Accounting Standards Board

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Defined words appear in *italics* the first time they appear in a section. The definitions are in Section 12. Standards are printed in **bold** type and commentary in light type.

MAIN FEATURES OF THE STANDARD

The Standard:

(a) defines a joint venture as a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint control only exists when no party is in a position to control unilaterally the economic activity

(b) defines joint control as the contractually agreed sharing of control over an economic activity. Joint control over an economic activity exists when two or more parties (venturers) together have the capacity to dominate the making of major decisions in relation to the economic activity

(c) requires a venturer in a joint venture operation to recognise the assets, liabilities and expenses arising from its interest in a joint venture operation and revenues from the sale or use of its share of the output of a joint venture operation

(d) requires a venturer to measure its interest in a joint venture entity that is a partnership by applying the equity method of accounting in its own financial report and, where applicable, its consolidated financial report

(e) requires a venturer that prepares a consolidated financial report to measure its interest in a joint venture entity that is not a partnership by applying the equity method of accounting in its consolidated financial report and by applying the cost method in its own financial report

(f) requires a venturer that does not prepare a consolidated financial report to measure its interest in a joint venture entity that is not a partnership by applying the equity method of accounting in its own financial report

(g) requires a venturer to make specific disclosures about its interests in joint ventures.

ACCOUNTING STANDARD AASB 1006

The Australian Accounting Standards Board makes Accounting Standard AASB 1006 “Interests in Joint Ventures” under section 334 of the Corporations Law.

Dated 4 December 1998

K H Spencer
Director – AASB

ACCOUNTING STANDARD

AASB 1006 “INTERESTS IN JOINT VENTURES”

1 Application

1.1 This Standard applies to each *entity* which is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Law and which:

(a) is a *reporting entity*; or

(b) holds those financial reports out to be, or form part of, a *general purpose financial report.*

2 Scope

2.1 This Standard applies to a *venturer.*

2.1.1 This Standard prescribes the accounting treatment for a venturer’s interests in *joint ventures* including an interest in a partnership that has been established as a result of a joint venture agreement. This Standard does not deal with an investor’s interest in a partnership that has not been established as a result of a joint venture agreement.

2.1.2 The standards specified in this Standard apply to the financial report where information resulting from their application is material in accordance with Accounting Standard AASB 1031 “Materiality”.

3 Operative Date

3.1 This Standard applies to *financial years* ending on or after 31 December 1999.

3.2 This Standard may be applied to financial years ending before 31 December 1999 where an election has been made in accordance with subsection 334(5) of the Corporations Law.

3.3 When operative, this Standard supersedes Accounting Standard AASB 1006 "Accounting for Interests in Joint Ventures" as approved by notice published in *Gazette* No. S 187 on 30 April 1986 and amended by Accounting Standard AASB 1025 "Application of the Reporting Entity Concept and Other Amendments".

3.3.1 Notice of this Standard was published in *the Commonwealth of Australia Gazette* on 7 December 1998.

4 Purpose of Standard

4.1 The purpose of this Standard is to:

- **(a) prescribe the accounting treatment for a *venturer*'s interests in *joint ventures***
- **(b) require a venturer to make specific disclosures about its interests in joint ventures.**

5 Joint Venture Operations

5.1 A *venturer* in a *joint venture operation* must *recognise:*

- **(a) *assets* arising from its share in each of the items employed in the joint venture operation when, and only when:**
  - **(i) it is probable that the future economic benefits embodied in the asset will eventuate; and**
  - **(ii) the asset possesses a cost or other value that can be measured reliably**

(b) ***liabilities* arising from its interest in the joint venture operation when, and only when:**

  (i) **it is probable that the future sacrifice of economic benefits will be required; and**

  (ii) **the amount of the liability can be measured reliably**

(c) ***expenses* arising from its interest in the joint venture operation when, and only when:**

  (i) **it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred; and**

  (ii) **the consumption or loss of future economic benefits can be measured reliably**

(d) ***revenue* from the sale or use of its share of the output of the joint venture operation when, and only when:**

  (i) **it is probable that the inflow or other enhancement or saving in outflows of future economic benefits has occurred; and**

  (ii) **the inflow or other enhancement or saving in outflows of future economic benefits can be measured reliably.**

5.1.1 Assets arising from a venturer's share in the items employed in a joint venture operation are normally included in the venturer's balance sheet with other assets that have a similar nature or function. For example, a share in an oil pipeline is aggregated with other plant and equipment controlled by the venturer. Liabilities incurred by a venturer as a result of its interest in a joint venture operation are included with other liabilities of the venturer that have a similar nature.

6 Joint Venture Entities

Joint Venture Entities that are Partnerships

6.1 A *venturer* must measure its interest in a *joint venture entity* that is a partnership by applying the equity method as set out in Section 5 of Accounting Standard AASB 1016 "Accounting for Investments in Associates" in its own financial report and, where applicable, its consolidated financial report.

6.1.1 A venturer in a joint venture partnership applies the equity method in measuring its interest in the partnership in its own financial report irrespective of whether it prepares a consolidated financial report. This ensures that the venturer's own financial report reflects the relationship between it and the partnership. A venturer in a joint venture partnership has an interest in the net assets of the partnership and it is liable jointly and severally for the *liabilities* of the partnership.

Joint Venture Entities that are not Partnerships

6.2 A venturer that prepares a consolidated financial report must measure its interest in a joint venture entity that is not a partnership by applying:

(a) the equity method as set out in Section 5 of Accounting Standard AASB 1016 "Accounting for Investments in Associates" in its consolidated financial report; and

(b) the cost method in its own financial report.

6.3 A venturer that does not prepare a consolidated financial report must measure its interest in a joint venture entity that is not a partnership by applying the equity method as set out in Section 5 of Accounting Standard AASB 1016 "Accounting for Investments in Associates" in its own financial report.

Liabilities relating to Interests in Joint Venture Entities

6.4 A venturer must *recognise* liabilities that relate to its interest in a joint venture entity when, and only when:

(a) it is probable that a future sacrifice of economic benefits will be required; and

(b) the amount of the liability can be measured reliably.

6.4.1 A liability that relates to a venturer's interest in a joint venture entity may arise where, for example, a venturer provides a guarantee for the liabilities of the other venturers. The venturer recognises such a liability when it is probable that a future sacrifice of economic benefits will be required and the amount of the liability can be measured reliably. Another example is where a venturer with an interest in a joint venture partnership recognises a liability when the net assets of the partnership fall below zero and the venturer has a present obligation to meet its share of the shortfall in the net assets of the partnership.

6.4.2 Although under the equity method the *carrying amount* of a venturer's investment in a joint venture entity cannot fall below zero, this does not preclude the recognition of liabilities relating to the venturer's interest in the joint venture entity.

6.5 Where a venturer recognises a liability in accordance with paragraph 6.4, that liability must be recognised separately from the carrying amount of the venturer's investment in the joint venture entity.

7 Managers of Joint Ventures

7.1 A *venturer* that is a manager of a *joint venture* must *recognise revenue* arising from rendering services to the joint venture in accordance with Accounting Standard AASB 1004 "Revenue".

7.1.1 A venturer may act as the manager of a joint venture and be paid a fee. Such fees are recognised as revenue by the venturer. Where accounting records are kept for a joint venture, the amount paid to the manager for rendering services to the joint venture would be recognised in the joint venture's accounting records as an *expense*.

8 Transactions between Venturers

8.1 Where a *venturer* in a *joint venture operation* sells part or all of an *asset* to other venturers in the *joint venture* for an interest in the joint venture, the amount of the profit or loss arising from the sale must be determined as the difference between the *fair value* of the consideration received or receivable and the *carrying amount* immediately prior to sale of the portion of the asset that has been sold.

8.1.1 The following example illustrates the approach a venturer is required to adopt under paragraph 8.1.

<u>Example</u>

A and B agree to form a joint venture. A provides plant and equipment with a fair value of $300,000 and B provides $300,000 cash. Each venturer receives a 50% interest in the joint venture and holds the assets as tenant in common. Immediately prior to forming the joint venture, the carrying amount of plant and equipment in A's balance sheet is $250,000.

A will *recognise* a profit of $25,000 on the disposal of a 50% interest in the plant and equipment to B.

An extract from A's balance sheet is as follows:

Cash	150,000
Plant and equipment	125,000
Retained profit – profit on disposal	25,000

An extract from B's balance sheet is as follows:

Cash	150,000
Plant and equipment	150,000

9 Disclosures

Interests in Joint Venture Operations

9.1 In respect of *joint venture operations*, the *venturer* must disclose the following information:

(a) the name and principal activities of each joint venture operation

(b) its percentage interest in the output of each joint venture operation during the *financial year*

(c) for each category of *assets*, the amount employed in joint venture operations.

Interests in Joint Venture Entities

9.2 A venturer is not required to apply the disclosure requirements in Accounting Standard AASB 1016 "Accounting for Investments in Associates" to its investment in a *joint venture entity*.

9.2.1 A venturer is not required to apply the disclosure requirements in AASB 1016 to its investment in a joint venture entity because it is required by this Standard to apply the disclosure requirements in paragraphs 9.3 to 9.7.

9.3 In respect of interests in joint venture entities, the venturer must disclose the following information:

(a) the name and principal activities of each joint venture entity

(b) the joint venture entity's *reporting date*, if it is different from that of the venturer

(c) its *ownership interest* in each joint venture entity as at the joint venture entity's reporting date and, if different, at the venturer's reporting date

(d) the proportion of *voting power* held in each joint venture entity where it is different from the proportion of ownership interest

(e) the amounts of retained profits or accumulated losses as at the beginning and end of the financial year which are attributable to its interest in joint venture entities

(f) the amounts of other reserves at the beginning and end of the financial year which are attributable to its interest in joint venture entities

(g) a schedule setting out the movements in the *carrying amount* of investments in joint venture entities, separately identifying the carrying amount as at the beginning and end of the financial year, and the amounts of new investments, disposals, share of the result (profit or loss), dividends and other movements

(h) the financial effects of events occurring after reporting date of a joint venture entity which could materially

affect the financial position or operating performance of that joint venture entity for the next financial year

(i) **where adjustments to eliminate the effect of dissimilar accounting policies cannot be made, the nature of the dissimilarities.**

9.4 **A venturer must disclose, in a summarised presentation, its share of the joint venture entity's:**

(a) ***current*** **assets**

(b) ***non-current*** **assets**

(c) **current** ***liabilities***

(d) **non-current liabilities**

(e) ***revenues***

(f) ***expenses***

(g) **operating results (profits or losses) before income tax**

(h) **income tax expense attributable to operating results (profits or losses)**

(i) **extraordinary items (net of income tax).**

Where there is more than one joint venture entity, the venturer is required to disclose only the aggregate amount for each of the above items.

9.5 **A venturer must disclose, separately from its other expenditure commitments, the aggregate amount of expenditure commitments, other than for the supply of inventories, arising from its interests in joint venture entities for which it will be liable.**

Interests in Joint Ventures

9.6 **A venturer must disclose, separately from the amount of its other contingent liabilities, the aggregate of:**

(a) **contingent liabilities arising from its interests in** ***joint ventures*****, including the amount for which it could be liable jointly with other venturers and its share of the**

contingent liabilities of joint venture entities for which it could be liable; and

(b) **contingent liabilities that arise because the venturer could be liable for the liabilities of the other venturers, including the amount arising from a guarantee provided for the liabilities of the other venturers.**

9.7 **A venturer must disclose, separately from its other capital commitments, the aggregate of:**

(a) **capital commitments arising from its interests in joint ventures including those that have been contracted jointly with other venturers for which it will be liable; and**

(b) **its share of the capital commitments of joint venture entities for which it will be liable**

that have been contracted for as at the reporting date and have not been *recognised* as liabilities.

10 Comparative Information

10.1 **The *entity* must disclose information for the preceding corresponding *financial year* which corresponds to the disclosures required by this Standard for the current financial year, except where this Standard is being applied for the first time and:**

(a) **the superseded Standard applied to the entity in the preceding corresponding financial year but did not require corresponding information; or**

(b) **the superseded Standard or this Standard did not apply to the entity in the preceding corresponding financial year.**

10.1.1 In relation to the preparation of a consolidated financial report of an *economic entity*, comparative information is not required for the first financial year after an entity becomes a *parent entity*.

10.1.2 Disclosure of comparative information is encouraged where, in accordance with paragraph 10.1, disclosure of comparative information is not required.

11 Transitional Provisions

11.1 Subject to paragraph 11.4, the accounting policies required by this Standard must be applied as at the beginning of the *financial year* to which this Standard is first applied.

11.2 Subject to paragraph 11.4, the *carrying amount* of an investment in a *joint venture entity* must be adjusted, as at the beginning of the financial year to which this Standard is first applied, to that amount which would have been the carrying amount had the requirements of this Standard been applicable from the *acquisition date* of the investment in the joint venture entity. The amount of this adjustment which relates to:

(a) the accumulated share of the operating results (profits or losses) of joint venture entities since acquisition date must be adjusted against retained profits or accumulated losses of the *venturer*

(b) increments or decrements in reserves of joint venture entities other than retained profits or accumulated losses since acquisition date must be adjusted against the reserves of the venturer.

11.3 Where the carrying amount of an investment in a joint venture entity has been revalued prior to the beginning of the financial year to which this Standard is first applied, the carrying amount of the investment must be adjusted against the asset revaluation reserve attributable to the investment to remove the effects of the revaluation prior to implementing the requirements of paragraph 11.2. Where the amount of the asset revaluation reserve attributable to the investment has previously been used, the amount of the adjustment must be made against retained profits or accumulated losses as at the beginning of the financial year to which this Standard is first applied.

11.3.1 The purpose of the adjustment to remove the effects of revaluations is to ensure that amounts attributable to the venturer's share of the post-acquisition profits or losses *recognised* by the joint venture entity are included in retained profits or accumulated losses of the venturer and not included in other reserves. Adjustments to achieve this outcome are necessary irrespective of the method of accounting previously applied in respect of the investment in a joint venture entity.

11.4 Where the retrospective application of the requirements of this Standard is not practicable, the carrying amount of an investment in a joint venture entity at the beginning of the financial year to which this Standard is first applied is deemed to have been determined in accordance with this Standard.

11.5 Where application of this Standard to an interest in a *joint venture operation* gives rise to initial adjustments which would otherwise be recognised in the profit and loss statement, the net amount of those adjustments, including any adjustments to deferred income tax balances, must, in accordance with Accounting Standard AASB 1018 "Profit and Loss Accounts", be adjusted against retained profits or accumulated losses as at the beginning of the financial year to which this Standard is first applied.

12 Definitions

12.1 In this Standard:

acquisition date* means the date on which an acquirer obtains control of an *asset

***assets* means future economic benefits controlled by the *entity* as a result of past transactions or other past events**

***borrowing corporation* is defined in the Corporations Law**

***carrying amount* means, in relation to an asset or a *liability*, the amount at which the asset or liability is recorded in the accounting records as at a particular date**

***company* is defined in the Corporations Law**

***control* means the capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in pursuing the objectives of the controlling entity**

current* means in the ordinary course of business, would be consumed or converted into cash, or would be due and payable, within twelve months after the *reporting date

economic entity **means a group of entities comprising the** ***parent entity*** **and each of its** ***subsidiaries***

entity **means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives**

equity **means the residual interest in the assets of the entity after deduction of its liabilities**

expenses **means consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in** ***equity*** **during the** ***financial year***

financial year **is defined in the Corporations Law**

general purpose financial report **means a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs**

holding company **is defined in the Corporations Law**

joint control **means the contractually agreed sharing of** ***control*** **over an economic activity. Joint control over an economic activity exists when two or more parties (*****venturers*****) must consent to all major decisions**

joint venture **means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to** ***joint control***

joint venture entity **means a** ***joint venture*** **that is in the form of an entity and does not include:**

(a) an entity that is acquired and held exclusively with a view to its disposal in the near future

(b) an entity that operates under severe long-term restrictions which impair significantly its ability to make distributions to the venturer

***joint venture operation* means a joint venture that is not a *joint venture entity* and does not include an entity that:**

(a) is acquired and held exclusively with a view to its disposal in the near future

(b) operates under severe long-term restrictions that impair significantly its ability to make distributions to the venturer

***liabilities* means future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events**

***listed corporation* is defined in the Corporations Law**

non-current* means other than *current

***ownership interest* means the equity interest held by an entity directly, and/or indirectly through another entity**

***parent entity* means an entity which controls another entity**

***recognised* means reported on, or incorporated in amounts reported on, the face of the profit and loss statement or the balance sheet (whether or not further disclosure of the item is included in the notes)**

***reporting date* means the end of the financial year to which the financial report relates**

***reporting entity* means an entity (including an *economic entity*) in respect of which it is reasonable to expect the existence of users dependent on *general purpose financial reports* for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources, and includes but is not limited to the following:**

(a) a *listed corporation*

(b) a *borrowing corporation*

(c) a *company* which is not a subsidiary of a *holding company* incorporated in Australia and which is a subsidiary of a foreign company where that foreign company has its securities listed for quotation on a

stock market **or those securities are traded on a stock market**

revenues **means inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the financial year**

significant influence **means the capacity of an entity to affect substantially (but not control) either, or both, of the financial and operating policies of another entity**

stock market **is defined in the Corporations Law**

subsidiary **means an entity which is controlled by a parent entity**

venturer **means a party to a joint venture that has joint control over that joint venture**

voting power **means the voting rights attaching to equity interests of an associate but excludes voting rights which apply only in special or contingent circumstances.**

Joint Control

12.1.1 The contractual arrangement establishes joint control over the joint venture. Joint control exists when no party is in a position to control unilaterally the economic activity, that is, no single party has the capacity to dominate the financing and operating decisions of the economic activity. Joint control over an economic activity exists when two or more parties (venturers) together have the capacity to dominate the making of major decisions in relation to the economic activity.

12.1.2 Where a party has control over an entity, the entity is not a joint venture entity for the purposes of this Standard and the controlling party consolidates the financial report of the entity in accordance with Accounting Standard AASB 1024 "Consolidated Accounts". Where a party has *significant influence* but not joint control over an entity, the party is not a venturer (because the consent of the party is not required for major decisions) and accounts for its interest in accordance with Accounting Standard AASB 1016 "Accounting for Investments in Associates". A party that has joint control over an entity has significant influence, but not control, over the entity.

Joint Ventures

12.1.3 Joint ventures are either *joint venture operations* which do not involve establishing separate entities and may simply be arrangements to share assets; or joint venture entities where entities separate from the venturers are established to undertake the joint activity. The following characteristics are common to all joint ventures:

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

(b) the contractual arrangement establishes the operation and management of the joint venture

(c) the contractual arrangement establishes joint control.

12.1.4 A joint venture is distinguished from other types of investments by the existence of a contractual arrangement that establishes joint control. The contractual arrangement identifies the venturers in the joint venture. Activities which have no contractual arrangement to establish joint control are not joint ventures for the purposes of this Standard.

12.1.5 A contractual arrangement may be evidenced in a number of ways, for example, by a formal written contract between the venturers or minutes of discussions between the venturers. In cases where a joint venture entity is formed, the arrangement could be incorporated in the articles or other by-laws of the entity. 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

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

12.1.6 The contractual arrangement may identify one venturer as the operator or manager of the joint venture. The operator or manager does not control the joint venture but acts within the financial and operating policies agreed by the venturers in accordance with the contractual arrangement and delegated to the operator. An entity or operation is not a joint venture if the operator or manager has the capacity to dominate the financial and operating policies of the economic activity.

Joint Venture Entities

12.1.7 A joint venture entity is a joint venture which involves the establishment of a corporation, partnership or other form of 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.

12.1.8 A joint venture entity controls assets, incurs liabilities and expenses and earns revenues. It may be able to 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 results of the joint venture entity, although some joint venture entities also involve a sharing of the output of the joint venture.

12.1.9 A common example of a joint venture entity is when two entities combine their activities in a particular line of business by transferring the relevant assets and liabilities into the joint venture 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 which is jointly controlled by the entity and the government or agency.

12.1.10 An investment which has been acquired and continues to be held exclusively with a view to disposal in the near future is not a joint venture entity under this Standard. Such an investment is acquired and held exclusively for sale if a purchaser has been identified, or is being actively sought, and disposal is reasonably expected to occur within one year of its *acquisition date.*

Joint Venture Operations

12.1.11 A joint venture operation is a joint venture that involves the shared use of assets of the venturers rather than the establishment of a corporation, partnership or other form of entity, or a financial structure that is separate from the venturers themselves. A joint venture operation is established by the venturers to obtain individual benefits as opposed to joint or collective profitability. The effect of this is that each of the venturers derives a share of output from the joint venture operation rather than shared revenue or profit.

12.1.12 Each venturer in a joint venture operation 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 activities of a joint venture operation may be carried out by the venturer's employees alongside other similar activities of the venturer. A joint venture operation agreement usually provides a means by which any expenses incurred in common and the output from the joint venture operation are shared among the venturers. In some cases, the agreement may require each venturer to sell its output together with the other venturers.

12.1.13 An example of a joint venture operation is where two or more venturers combine their operations, resources and expertise to extract mineral ores. Each venturer bears its own costs and takes a share of the output, such share being determined in accordance with the joint venture contract.

12.1.14 A joint venture operation can involve just the sharing of an asset that has been contributed by the venturers to, or that has been acquired by the venturers for the purpose of, the joint venture operation and dedicated solely for the purposes of the joint venture operation. The output of a joint venture asset is shared amongst the venturers in agreed proportions as set out in the joint venture contract. Each venturer bears an agreed share of the expenses incurred.

12.1.15 Many activities in the extractive industries involve joint venture operations where an asset is shared; for example, a number of entities may jointly 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 joint venture operation that involves the sharing of an asset is when two entities jointly control a property, each taking a share of the rents received and bearing a share of the expenses.

CONFORMITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS

Conformity with International Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with International Accounting Standard IAS 31 "Financial Reporting of Interests in Joint Ventures".

Conformity with New Zealand Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure conformity with Statement of Standard Accounting Practice SSAP-25 "Accounting for Interests in Joint Ventures and Partnerships" except to the extent that SSAP-25 requires an interest in a joint venture entity, other than a partnership, to be recognised by disclosing separately or aggregated with other similar items in the venturer's own financial statements:

(a) its share in each of the individual assets employed in the entity

(b) its share of liabilities incurred by the entity

(c) its share of net expenses incurred by the entity.

BACKGROUND TO REVISION

This section does not form part of the Standard. It is a summary of the reasons for the current revision to the Standard.

1 The reissue of the Standard is part of a program being undertaken by the Australian Accounting Standards Board and by the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation (the Boards) to achieve greater harmony between Australian accounting standards and those of the International Accounting Standards Committee (IASC).

2 The issue of the Standard follows consideration of the responses received on Exposure Draft ED 79 "Joint Ventures", which was prepared by the Boards and issued in June 1997. ED 79 contained proposals aimed at harmonising Accounting Standard AASB 1006 and Australian Accounting Standard AAS 19 "Accounting for Interests in Joint Ventures" with International Accounting Standard IAS 31 "Financial Reporting of Interests in Joint Ventures".

Principal Changes from the Previous Standard

3 Consistent with the proposals in ED 79, the Standard:

(a) expands the definition of "joint venture" to include all forms of joint arrangements, including incorporated entities and partnerships

(b) prescribes the accounting for interests in both joint venture entities and joint venture operations. The accounting for interests in joint venture operations is as prescribed for joint ventures in the previous Standard. In relation to joint venture entities, the Standard requires:

(i) a venturer that prepares a consolidated financial report to measure its interest in a joint venture entity which is not a partnership by applying the equity method of accounting in its consolidated financial report and by applying the cost method in its own financial report

(ii) a venturer that does not prepare a consolidated financial report to measure its interest in a joint venture entity which is not a partnership by applying the equity method of accounting in its own financial report

(iii) a venturer to measure its interest in a joint venture entity that is a partnership by applying the equity method of accounting in its own financial report and, where applicable, its consolidated financial report.

Noteworthy Differences from ED 79

4 The Standard retains the basic structure and content of the proposals in ED 79. However, the following changes were made after considering the responses received on ED 79:

(a) the concept of joint control is incorporated into the Standard so that harmony with IAS 31 is more apparent. The adoption of the concept of joint control does not increase the number of investments in entities that are being accounted for using the equity method of accounting from that proposed under ED 79 because for a venturer to have joint control they must also have significant influence, but not control, over the joint venture entity

(b) the accounting treatment for transactions between a venturer and other venturers in a joint venture as prescribed in the superseded Standard has been included in the Standard

(c) the Standard clarifies that the disclosure requirements in Accounting Standard AASB 1016 "Accounting for Investments in Associates" do not apply to a venturer's investments in a joint venture entity. The disclosures required to be made by a venturer with respect to its interests in joint venture entities are set out in the Standard.

Investors without Control, Joint Control or Significant Influence

5 Consistent with ED 79, the Standard does not address the accounting by an investor in a joint venture entity that does not have joint control over that entity. Under IAS 31 an investor that does not have control, joint control or significant influence over a joint venture entity measures its investment in accordance with International Accounting Standard IAS 25 "Accounting for Investments". IAS 25, which addresses the accounting for short and long term investments and investment properties, will be revised by the IASC when the project on the measurement and recognition of financial instruments is completed. Accordingly, the Boards will

address the accounting for short and long term investments in entities over which there is no control, joint control or significant influence, when progressing the recognition and measurement of financial instruments project.