

22 March 2013

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street VIC 8007

Via e-mail: standard@asb.gov.au

Dear Kevin

Exposure Draft 234: Acquisition of an Interest in a Joint Operation

Thank you for the opportunity to comment on the Exposure Draft 234: Acquisition of an Interest in a Joint Operation (ED). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the ED and whilst we have not provided specific responses to the questions raised in the ED, we have provided our overall comments below.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We agree that AASB 11 *Joint Arrangements* does not address the acquisition of an interest in a joint operation. As a result of this, there is currently divergence in practice internationally on the issue of acquiring an interest in a joint operation particularly where the activity of that joint operation constitutes a business. We agree that the proposal is an improvement as it will eliminate diversity in practice for this specific circumstance.

However, the proposed requirements rely on the determination as to whether the joint operation constitutes a 'business' under AASB 3 *Business Combinations*. We consider that the definition is not sufficiently clear and we suggest guidance is developed in order to make a clear distinction between assets and 'business'. Further it is considered that the scope of the ED is particularly narrow, and there are other related areas that still require guidance. One example of the lack of specific guidance resulting in diversity is the step up of an interest in the same joint operation. We have recommended to the IASB that this and any other identified areas where guidance is lacking are also addressed as part of this project.

If you have any questions regarding this submission, please do not hesitate to contact either Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au or Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au

Yours sincerely



Alex Malley
Chief Executive Officer
CPA Australia Ltd



Lee White
Chief Executive Officer
Institute of Chartered Accountants Australia

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



Institute of
Chartered Accountants
Australia

charteredaccountants.com.au