

IFRS Briefing Sheet

Exposure Draft 9 *Joint Arrangements*

October 2007, **Issue 76**

This IFRS Briefing Sheet summarises the International Accounting Standards Board's (IASB) Exposure Draft (ED) 9 *Joint Arrangements*, which was published on 13 September 2007.

and is a result of the Board's short-term convergence project with the U.S. Financial Accounting Standards Board.

Proposals

Types of Joint Arrangements

The ED identifies three types of joint arrangements:

- "joint operation" – a joint arrangement, or part thereof, in which each party uses its own assets, incurs its own expenses and liabilities, and raises its own finance
- "joint asset" – a joint arrangement, or part thereof, in which each party has rights to the asset and often has joint ownership
- "joint venture" – a joint arrangement or part thereof, that is controlled by the venturers.

Background

ED 9 proposes accounting for joint arrangements based on the rights and obligations agreed to by parties to joint arrangements. The ED defines a joint arrangement as a contractual arrangement whereby two or more parties undertake an economic activity together and share decision-making relating to the activity.

In addition, the ED proposes improvements to the disclosures for joint arrangements by requiring more information about the operations that an entity conducts through such arrangements.

The ED would result in a partial revision to IAS 31 *Interests in Joint Ventures*

Less Focus on Legal Form

The ED proposes that emphasis be placed on an analysis of an entity's contractual rights and obligations related to a joint arrangement in determining the appropriate accounting. The form of an arrangement would no longer be the most significant consideration in determining the accounting requirements for joint arrangements. As a result, ED 9 proposes a change from the current IAS 31 guidance that focuses on the legal form of an arrangement.

A supplement to KPMG's publication IFRS in Brief

Proportionate Consolidation not Permitted

The ED proposes that an entity recognise an interest in a joint venture (i.e., an interest in a share of the outcome generated by the activities of a group of assets and liabilities subject to joint control) using the equity method. Unlike IAS 31, proportionate consolidation would not be permitted.

Disclosures

Under the ED, entities would disclose:

- a description of the nature of operations that are conducted through joint arrangements (which is not a current IAS 31 requirement)
- summarised financial information for each individually material joint venture (which is more detailed than the current IAS 31 requirement)

- current and non-current assets and liabilities of an entity's associates (which is a consequential amendment to the current IAS 28 *Investments in Associates* requirement to disclose total assets and liabilities)
- a list and description of significant subsidiaries and associates (which is a consequential amendment to IAS 27 *Consolidated and Separate Financial Statements* and IAS 28).

In addition, ED 9 proposes to align the disclosures required for joint arrangements with the disclosures required for associates in IAS 28.

Effective Date

The ED does not propose an effective date but does propose to permit early adoption of the final amendments to the standard.

Response to the IASB

The IASB has invited comments on the ED by 11 January 2008.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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