IFRS 11 JOINT ARRANGEMENTS

FACT SHEET

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This fact sheet is based on existing requirements as at 31 December 2015 and does not take into account recent standards and interpretations that have been issued but are not yet effective.

IMPORTANT NOTE

This fact sheet is based on the requirements of the International Financial Reporting Standards (IFRSs). In some jurisdictions, the IFRSs are adopted in their entirety; in other jurisdictions the individual IFRSs are amended. In some jurisdictions the requirements of a particular IFRS may not have been adopted. Consequently, users of the fact sheet in various jurisdictions should ascertain for themselves the relevance of the fact sheet to their particular jurisdiction. The application date included below is the effective date of the initial version of the standard.

IASB APPLICATION DATE (NON-JURISDICTION SPECIFIC)

IFRS 11 is applicable for annual reporting periods commencing on or after 1 January 2013. Earlier application is permitted. If an entity applies this IFRS earlier, it shall disclose that fact and apply IFRS 10, IFRS 12, IAS 27 (as amended in 2011) and IAS 28 (as amended in 2011) at the same time.

OBJECTIVE

IFRS 11 is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). This IFRS shall be applied by all entities that are a party to a joint arrangement.

JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint arrangement has the following characteristics:

a. The parties are bound by a *contractual arrangement*; and

b. The contractual arrangement gives *two or more of those parties joint control* of the arrangement.

In assessing whether an entity has joint control of an arrangement, an entity shall assess:

a. Whether all the parties, or a group of the parties, control the arrangement in accordance with the definition and guidance on control set out in IFRS 10; and

b. Whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

Types of Joint Arrangements

Under IFRS 11, there are two types of joint arrangements:

- joint operations
- joint ventures

	Joint Operation	Joint Venture
Characteristics	A *joint operation* is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement	**A *joint venture* is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.**
Financial Reporting	Joint operator recognises: • its assets, including its share of any assets held jointly • its liabilities, including its share of any liabilities incurred jointly • its revenue from the sale of its share of the output of the joint operation • its share of the revenue from sale of output by the joint operation • its expenses, including its share of any expenses incurred jointly When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, it shall apply all of the principles on business combinations accounting in IFRS 3, and other Australian Accounting Standards, that do not conflict with the guidance in IFRS 11 and disclose the information that is required in those Australian Accounting Standards in relation to business combinations.	**Joint venturer recognises its interest as an investment using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures.***

The key distinction between a joint operation and a joint venture is that a joint venturer has rights to the net assets of a joint venture. In contrast, for a joint operation, the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, of the arrangement.

Assessment of the Parties' Rights and Obligations Arising from the Arrangement

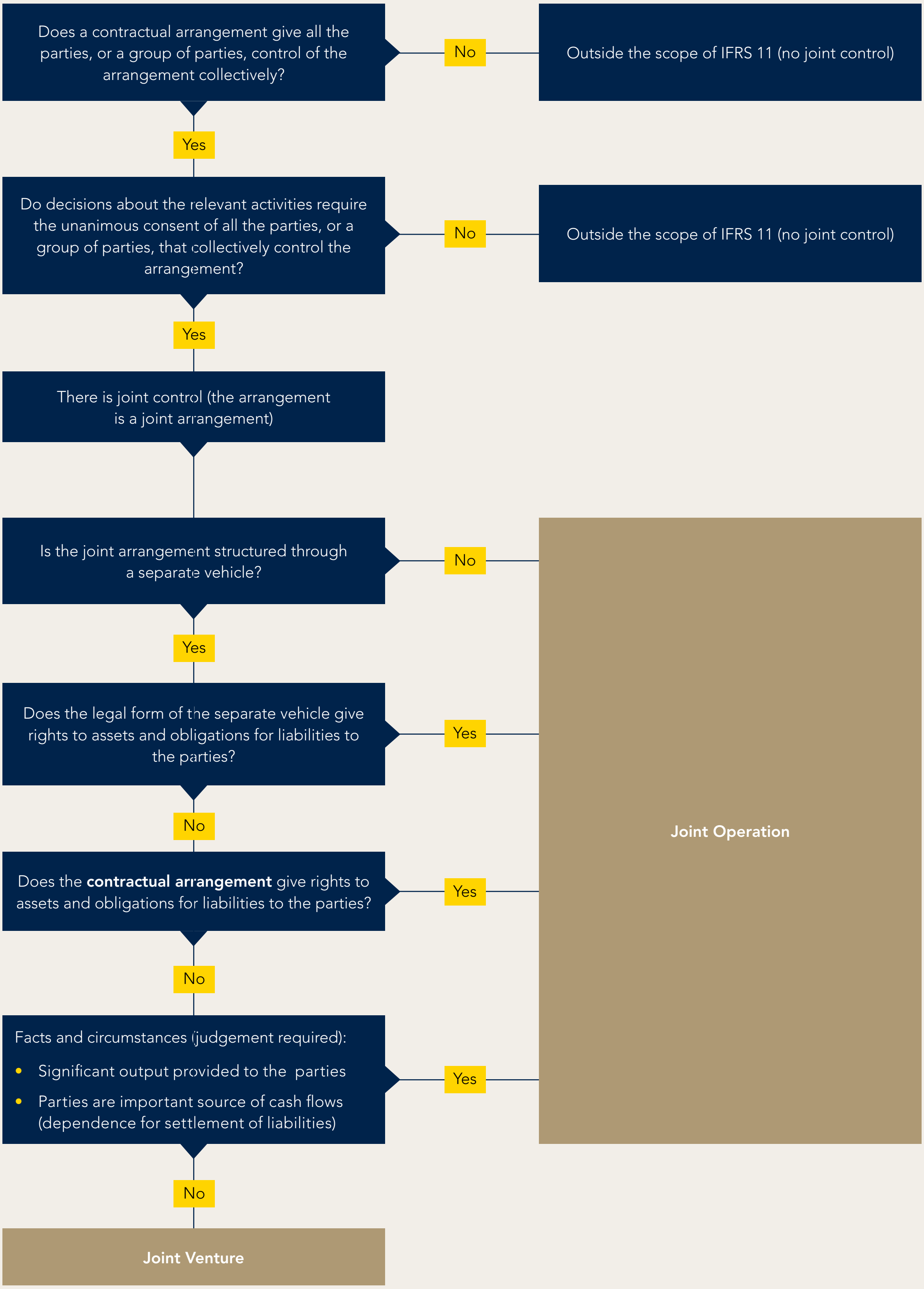
Where a joint arrangement is not structured through a separate vehicle, the contractual arrangement establishes directly the parties' rights to the assets and obligations for the liabilities relating to the arrangement.

Where a joint arrangement is structured through a separate vehicle, it can be either a joint venture or a joint operation. To determine which type of arrangement, consider:

- the legal form of the separate vehicle
- the terms of the contractual arrangement
- when relevant, other facts and circumstances

The form of a separate vehicle determines the initial rights to the assets and obligations for the liabilities, such as the interests of each party in the assets and whether the liability of each party is or is not limited. In many cases, the rights and obligations agreed to in the contractual arrangement will be consistent with the form of the separate vehicle. In some cases, however, the parties will use the contractual arrangement to reverse or modify the initial rights and obligations derived from the form of the separate vehicle. In the same way, other facts and circumstances can also alter the initial assessment of the type of joint arrangement.

The following diagram explains the classification of a joint arrangement under IFRS 11:



Other interests in joint arrangements

An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. IFRS 11 distinguishes between parties that have joint control of a joint arrangement (*joint operators* or *joint venturers*) and parties that participate in, but do not have joint control of, a joint arrangement.

When an arrangement is outside the scope of IFRS 11, an entity accounts for its interest in the arrangement in accordance with relevant Standards, such as IFRS 10, IAS 28 (as amended in 2011) or IFRS 9.

DISCLOSURES

All disclosure requirements are contained within IFRS 12 *Disclosure of Interests in Other Entities.*

DEFINITIONS

Joint arrangement	An arrangement of which two or more parties have **joint control.**
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint operation	A **joint arrangement** whereby the parties that have **joint control** of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
Joint operator	A party to a **joint operation** that has joint control of that **joint operation.**
Joint venture	A **joint arrangement** whereby the parties that have **joint control** of the arrangement have rights to the net assets of the arrangement.
Joint venturer	A party to a **joint venture** that has joint control of that **joint venture.**
Party to a joint arrangement	An entity that participates in a **joint arrangement,** regardless of whether that entity has **joint control** of the arrangement.
Separate vehicle	A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

AUSTRALIAN SPECIFIC REQUIREMENTS

The equivalent Australian standard is AASB 11 *Joint Arrangements* and is applicable to for profit entities for annual reporting periods commencing on or after 1 January 2013 and to not-for-profit entities for annual reporting periods commencing on or after 1 January 2014.

OTHER MATTERS

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