



Technical Accounting Alert

IASB issues amendments to IFRS 11 *Joint Arrangements*

Introduction

The International Accounting Standards Board (IASB) has published *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11). Those amendments provide guidance on the accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

The Australian Accounting Standards Board (AASB) is yet to issue these amendments in Australia.

Amendments to IFRS 11

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

Additionally, consequential amendments to IFRS 1 *First-time Adoption of Australian Accounting Standards* have been made so that IFRS 1's past business combinations exemption can also apply to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business.

Effective date and transition

These amendments to IFRS 11 should be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Action required

Entities should consider whether these amendments will have any impact on their accounting for joint operations for annual periods beginning on or after 1 January 2016.

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