

## **IPSAS 8—FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES**

### **Acknowledgment**

This International Public Sector Accounting Standard is drawn primarily from International Accounting Standard (IAS) 31, “Financial Reporting of Interests In Joint Ventures” published by the International Accounting Standards Committee (IASC). The International Accounting Standards Board (IASB) and the International Accounting Standards Committee Foundation (IASCF) were established in 2001 to replace IASC. The International Accounting Standards (IASs) issued by IASC remain in force until they are amended or withdrawn by IASB. Extracts from IAS 31 are reproduced in this publication of the Public Sector Committee of the International Federation of Accountants with the permission of IASB.

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**IPSAS 8—FINANCIAL REPORTING OF INTERESTS  
IN JOINT VENTURES**

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*The standards, which have been set in bold type, should be read in the context of the commentary paragraphs in this Standard, which are in plain type, and in the context of the “Preface to International Public Sector Accounting Standards.” International Public Sector Accounting Standards are not intended to apply to immaterial items.*

### Scope

1. **An entity which prepares and presents financial statements under the accrual basis of accounting should apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.**
2. This Standard provides the basis for accounting for interests in joint ventures.
3. **This Standard applies to all public sector entities other than Government Business Enterprises.**
4. Government Business Enterprises (GBEs) are required to comply with International Accounting Standards (IASs) issued by the International Accounting Standards Committee. The Public Sector Committee’s Guideline No. 1, “Financial Reporting by Government Business Enterprises” notes that IASs are relevant to all business enterprises, regardless of whether they are in the private or public sector. Accordingly, Guideline No. 1 recommends that GBEs should present financial statements that conform, in all material respects, to IASs.

### Definitions

5. **The following terms are used in this Standard with the meanings specified:**

**Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.**

**Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.**

**Associate** is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

**Cash** comprises cash on hand and demand deposits.

**Cash flows** are inflows and outflows of cash and cash equivalents.

**Consolidated financial statements** are the financial statements of an economic entity presented as those of a single entity.

**Contributions from owners** means future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which:

- (a) Conveys entitlement both to distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
- (b) Can be sold, exchanged, transferred or redeemed.

**Control** is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

**Controlled entity** is an entity that is under the control of another entity (known as the controlling entity).

**Controlling entity** is an entity that has one or more controlled entities.

**Distributions to owners** means future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.

**Economic entity** means a group of entities comprising a controlling entity and one or more controlled entities.

**Equity method** (for the purpose of this Standard) is a method of accounting and reporting whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets/equity of the jointly controlled entity. The statement of financial performance reflects the venturer's share of the results of operations of the jointly controlled entity.

**Expenses** are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

**Government Business Enterprise** means an entity that has all the following characteristics:

- (a) Is an entity with the power to contract in its own name;
- (b) Has been assigned the financial and operational authority to carry on a business;
- (c) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- (d) Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and
- (e) Is controlled by a public sector entity.

**Investor** in a joint venture is a party to a joint venture and does not have joint control over that joint venture.

**Joint control** is the agreed sharing of control over an activity by a binding arrangement.

**Joint venture** is a binding arrangement whereby two or more parties are committed to undertake an activity which is subject to joint control.

**Liabilities** are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

**Net assets/equity** is the residual interest in the assets of the entity after deducting all its liabilities.

**Proportionate consolidation** is a method of accounting and reporting whereby a venturer's share of each of the assets, liabilities, revenue and expenses of a jointly controlled entity is combined on a line-by-line basis with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.

**Revenue** is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

**Significant influence (for the purpose of this Standard) is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.**

**Venturer is a party to a joint venture and has joint control over that joint venture.**

### **Binding Arrangement**

6. The existence of a binding arrangement distinguishes interests which involve joint control from investments in associates where the investor has significant influence (see International Public Sector Accounting Standard (IPSAS) 7, “Accounting for Investments in Associates”). For the purposes of this Standard, an arrangement includes all binding arrangements between venturers. That is, in substance, the arrangement confers similar rights and obligations on the parties to it as if it were in the form of a contract. For instance, two government departments may enter into a formal arrangement to undertake a joint venture but the arrangement may not constitute a legal contract because, in that jurisdiction, individual departments may not be separate legal entities with the power to contract. Activities which have no binding arrangement to establish joint control are not joint ventures for the purposes of this Standard.
7. The arrangement may be evidenced in a number of ways, for example by a contract between the venturers or minutes of discussions between the venturers. In some cases, the arrangement is incorporated in the enabling legislation, articles or other by-laws of the joint venture. Whatever its form, the 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; and
  - (d) The sharing by the venturers of the output, revenue, expenses, surpluses or deficits, or cash flows of the joint venture.
8. The arrangement establishes joint control over the joint venture. Such a requirement ensures that no single venturer is in a position to unilaterally control the activity. The arrangement identifies those decisions in areas essential to the goals of the joint venture which require the consent of all the venturers and those decisions which may require the consent of a specified majority of the venturers.
9. The arrangement may identify one venturer as the operator or manager of the joint venture. The operator does not control the joint venture but acts

within the financial and operating policies which have been agreed by the venturers in accordance with the arrangement and delegated to the operator. If the operator has the power to govern the financial and operating policies of the activity, it controls the venture and the venture is a controlled entity of the operator and not a joint venture.

#### **Economic Entity**

10. The term “economic entity” is used in this Standard to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities.
11. Other terms sometimes used to refer to an economic entity include “administrative entity,” “financial entity,” “consolidated entity” and “group.”
12. An economic entity may include entities with both social policy and commercial objectives. For example, a government housing department may be an economic entity which includes entities that provide housing for a nominal charge, as well as entities that provide accommodation on a commercial basis.

#### **Forms of Joint Venture**

13. Many public sector entities establish joint ventures to undertake a variety of activities. The nature of these activities ranges from commercial undertakings to provision of community services at no charge. The terms of a joint venture are set out in a contract or other binding arrangement and usually specify the initial contribution from each joint venturer and the share of revenues or other benefits (if any), and expenses of each of the joint venturers.
14. Joint ventures take many different forms and structures. This Standard identifies three broad types—jointly controlled operations, jointly controlled assets and jointly controlled entities—which are commonly described as, and meet the definition of, joint ventures. The following characteristics are common to all joint ventures:
  - (a) Two or more venturers are bound by an arrangement; and
  - (b) The arrangement establishes joint control.

#### **Future Economic Benefits or Service Potential**

15. Assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity’s objectives but which do not directly generate net cash inflows are often described as embodying “service potential.” Assets that are used to generate net cash inflows are often described as embodying “future economic

benefits.” To encompass all the purposes to which assets may be put, this Standard uses the term “future economic benefits or service potential” to describe the essential characteristic of assets.

### **Government Business Enterprises**

16. Government Business Enterprises (GBEs) include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. IPSAS 6, “Consolidated Financial Statements and Accounting for Controlled Entities” provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity.

### **Net Assets/Equity**

17. “Net assets/equity” is the term used in this Standard to refer to the residual measure in the statement of financial position (assets less liabilities). Net assets/equity may be positive or negative. Other terms may be used in place of net assets/equity, provided that their meaning is clear.

### **Jointly Controlled Operations**

18. The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer 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 joint venture activities may be carried out by the venturer’s employees alongside the venturer’s similar activities. The joint venture agreement usually provides a means by which the revenue from the sale or provision of the joint product or service and any expenses incurred in common are shared among the venturers.
19. An example of a jointly controlled operation is when two or more venturers combine their operations, resources and expertise in order to manufacture, market and distribute jointly a particular product, such as aircraft. Different parts of the manufacturing process are carried out by each of the venturers. Each venturer bears its own costs and takes a share of the revenue from the sale of the aircraft, such share being determined in accordance with the arrangement. A further example is when two entities combine their

operations, resources and expertise in order to jointly deliver a service, such as aged care where, in accordance with an agreement, a local government offers domestic services and a local hospital offers medical care. Each venturer bears its own costs and takes a share of revenue, such as user charges and government grants; such share being determined in accordance with the agreement.

20. **In respect of its interests in jointly controlled operations, a venturer should recognize in its separate financial statements and consequently in its consolidated financial statements:**
- (a) **The assets that it controls and the liabilities that it incurs; and**
  - (b) **The expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.**
21. Because the assets, liabilities, revenue (if any) and expenses are already recognized in the separate financial statements of the venturer, and consequently in its consolidated financial statements, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.
22. Separate accounting records may not be required for the joint venture itself and financial statements may not be prepared for the joint venture. However, the venturers may prepare management accounts so that they may assess the performance of the joint venture.

### **Jointly Controlled Assets**

23. Some joint ventures involve the joint control, and often the joint ownership by the venturers, of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred.
24. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits or service potential through its share in the jointly controlled asset.
25. Some activities in the public sector involve jointly controlled assets. For example, a local government may enter into an arrangement with a private sector corporation to construct a toll road. The road provides the citizens

with improved access between the local government's industrial estate and its port facilities. The road also provides the private sector corporation with direct access between its manufacturing plant and the port. The agreement between the local authority and the private sector corporation specifies each party's share of revenues and expenses associated with the toll road. Accordingly, each venturer derives economic benefits or service potential from the jointly controlled asset and bears an agreed proportion of the costs of operating the road. Similarly, many activities in the oil, gas and mineral extraction industries involve jointly controlled assets; for example, a number of oil production companies may jointly control and 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 jointly controlled asset is when two entities jointly control a property, each taking a share of rents received and bearing a share of the expenses.

26. **In respect of its interest in jointly controlled assets, a venturer should recognize in its separate financial statements and consequently in its consolidated financial statements:**

- (a) **Its share of the jointly controlled assets, classified according to the nature of the assets;**
- (b) **Any liabilities which it has incurred;**
- (c) **Its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;**
- (d) **Any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and**
- (e) **Any expenses which it has incurred in respect of its interest in the joint venture.**

27. In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognizes in its separate financial statements and consequently in its consolidated financial statements:

- (a) Its share of the jointly controlled assets, classified according to the nature of the assets rather than as an investment. For example, a share of a jointly controlled road is classified as property, plant and equipment;
- (b) Any liabilities which it has incurred, for example those incurred in financing its share of the assets;
- (c) Its share of any liabilities incurred jointly with other venturers in relation to the joint venture;

- (d) Any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
  - (e) Any expenses which it has incurred in respect of its interest in the joint venture, for example those related to financing the venturer's interest in the assets and selling its share of the output.
28. Because the assets, liabilities, revenue and expenses are already recognized in the separate financial statements of the venturer, and consequently in its consolidated financial statements, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.
29. The treatment of jointly controlled assets reflects the substance and economic reality and, usually, the legal form of the joint venture. Separate accounting records for the joint venture itself may be limited to those expenses incurred in common by the venturers and ultimately borne by the venturers according to their agreed shares. Financial statements may not be prepared for the joint venture, although the venturers may prepare management accounts so that they may assess the performance of the joint venture.

### **Jointly Controlled Entities**

30. A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that an arrangement between the venturers establishes joint control over the activity of the entity.
31. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns revenue. It may 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 jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.
32. A common example of a jointly controlled entity is when two entities combine their activities in a particular line of service delivery by transferring the relevant assets and liabilities into a jointly controlled entity. Another example arises when an entity commences a business in a foreign country in conjunction with a government or other agency in that country, by establishing a separate entity which is jointly controlled by the entity and the government or agency in the foreign country.

33. Many jointly controlled entities are similar in substance to those joint ventures referred to as jointly controlled operations or jointly controlled assets. For example, the venturers may transfer a jointly controlled asset, such as a road, into a jointly controlled entity, for tax or other reasons. Similarly, the venturers may contribute into a jointly controlled entity, assets which will be operated jointly. Some jointly controlled operations also involve the establishment of a jointly controlled entity to deal with particular aspects of the activity, for example, the design, marketing, distribution or after-sales service of the product.
34. A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other entities in conformity with the appropriate accounting standards.
35. Each venturer usually contributes cash or other resources to the jointly controlled entity. These contributions are included in the accounting records of the venturer and recognized in its separate financial statements as an investment in the jointly controlled entity.

## **Consolidated Financial Statements of a Venturer**

### **Benchmark Treatment—Proportionate Consolidation**

36. **In its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using one of the two reporting formats for proportionate consolidation.**
37. When reporting an interest in a jointly controlled entity in consolidated financial statements, it is essential that a venturer reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits or service potential through its share of the assets and liabilities of the venture. This substance and economic reality is reflected in the consolidated financial statements of the venturer when the venturer reports its interests in the assets, liabilities, revenue and expenses of the jointly controlled entity by using one of the two reporting formats for proportionate consolidation described in paragraph 39.
38. The application of proportionate consolidation means that the consolidated statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The consolidated statement of financial performance of the venturer includes its share of the revenue and expenses of the jointly controlled entity. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the

consolidation of investments in controlled entities, which are set out in IPSAS 6.

39. Different reporting formats may be used to give effect to proportionate consolidation. The venturer may combine its share of each of the assets, liabilities, revenue and expenses of the jointly controlled entity with the similar items in its consolidated financial statements on a line-by-line basis. For example, it may combine its share of the jointly controlled entity's inventory with the inventory of the economic entity and its share of the jointly controlled entity's property, plant and equipment with the same items of the economic entity. Alternatively, the venturer may include separate line items for its share of the assets, liabilities, revenue and expenses of the jointly controlled entity in its consolidated financial statements. For example, it may show its share of the current assets of the jointly controlled entity separately as part of the current assets of the economic entity; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of the property, plant and equipment of the economic entity. Both these reporting formats result in the reporting of identical amounts of net revenue and expenses; both formats are acceptable for the purposes of this Standard.
40. Whatever format is used to give effect to proportionate consolidation, it is inappropriate to offset any assets or liabilities by the deduction of other liabilities or assets or any revenue or expenses by the deduction of other expenses or revenue, unless a legal right of set-off exists and the offsetting represents the expectation as to the realization of the asset or the settlement of the liability.
41. **A venturer should discontinue the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.**
42. A venturer discontinues the use of proportionate consolidation from the date on which it ceases to share in the control of a jointly controlled entity. This may happen, for example, when the venturer disposes of its interest or when external restrictions are placed on the jointly controlled entity so that it can no longer achieve its goals.

#### **Allowed Alternative Treatment—Equity Method**

43. **In its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using the equity method.**
44. Some venturers report their interests in jointly controlled entities using the equity method, as described in IPSAS 7. The use of the equity method is supported by those who argue that it is inappropriate to combine controlled

items with jointly controlled items and by those who believe that venturers have significant influence, rather than joint control, in a jointly controlled entity. This Standard does not recommend the use of the equity method because proportionate consolidation better reflects the substance and economic reality of a venturer's interest in a jointly controlled entity — that is control over the venturer's share of the future economic benefits or service potential. Nevertheless, this Standard permits the use of the equity method, as an allowed alternative treatment, when reporting interests in jointly controlled entities.

45. **A venturer should discontinue the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.**

#### **Exceptions to Benchmark and Allowed Alternative Treatments**

46. **The following interests should be accounted for as investments:**
- (a) **An interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal in the near future; and**
  - (b) **An interest in a jointly controlled entity which operates under severe long-term restrictions that significantly impair its ability to transfer funds or provide other non-financial benefits to the venturer.**
47. Guidance on accounting for investments can be found in international and/or national accounting standards.
48. The use of either proportionate consolidation or the equity method is inappropriate when the interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future. It is also inappropriate when the jointly controlled entity operates under severe long-term restrictions which significantly impair its ability to transfer funds or provide other non-financial benefits to the venturer.
49. **From the date on which a jointly controlled entity becomes a controlled entity of a venturer, the venturer accounts for its interest in accordance with IPSAS 6.**

#### **Separate Financial Statements of a Venturer**

50. In some jurisdictions, separate financial statements may be presented by a venturer in order to meet legal or other requirements. Such separate financial statements are prepared in order to meet a variety of needs with the result that different reporting practices are in use in different

jurisdictions. Accordingly, this Standard does not indicate a preference for any particular treatment.

### **Transactions Between a Venturer and a Joint Venture**

51. **When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction should reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer should recognize only that portion of the gain or loss which is attributable to the interests of the other venturers. The venturer should recognize the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realizable value of current assets or an impairment loss.**
52. **When a venturer purchases assets from a joint venture, the venturer should not recognize its share of the gains of the joint venture from the transaction until it resells the assets to an independent party. A venturer should recognize its share of the losses resulting from these transactions in the same way as gains except that losses should be recognized immediately when they represent a reduction in the net realizable value of current assets or an impairment loss.**
53. To assess whether a transaction between a venturer and a joint venture provides evidence of impairment of an asset, the venturer determines the recoverable amount of the assets in accordance with the relevant guidance on impairment of assets. In determining value in use, future cash flows from the asset are estimated based on continuing use of the asset and its ultimate disposal by the joint venture.

### **Reporting Interests in Joint Ventures in the Financial Statements of an Investor**

54. **An investor in a joint venture, which does not have joint control, but does have significant influence should report its interest in a joint venture in accordance with IPSAS 7.**
55. International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” provides guidance on accounting for interests in joint ventures where an investor does not have joint control or significant influence.

## Operators of Joint Ventures

56. **Operators or managers of a joint venture should account for any fees in accordance with the appropriate standards that address accounting for revenue from exchange transactions.**
57. One or more venturers may act as the operator or manager of a joint venture. Operators are usually paid a management fee for such duties. The fees are accounted for by the joint venture as an expense.

## Disclosure

58. **In accordance with the appropriate standards that address provisions, contingent liabilities and contingent assets, a venturer should disclose:**
- (a) **The aggregate amount of the following contingent liabilities, unless the possibility of any outflow in settlement is remote, separately from the amount of other contingent liabilities:**
    - (i) **Any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers;**
    - (ii) **Its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and**
    - (iii) **Those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture; and**
  - (b) **A brief description of the following contingent assets and, where practicable, an estimate of their financial effect, where an inflow of economic benefits or service potential is probable:**
    - (i) **Any contingent assets of the venturer arising in relation to its interests in joint ventures and its share in each of the contingent assets which have arisen jointly with other venturers; and**
    - (ii) **Its share of the contingent assets of the joint ventures themselves.**
59. **A venturer should disclose the aggregate amount of the following commitments, in respect of its interests in joint ventures, separately from other commitments:**
- (a) **Any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital**

- commitments that have been incurred jointly with other venturers; and**
- (b) **Its share of the capital commitments of the joint ventures themselves.**
60. **A venturer should disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer which reports its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method should disclose the aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, revenue and expenses related to its interest in joint ventures.**
61. **A venturer which does not issue consolidated financial statements because it does not have controlled entities, should disclose the information required in paragraphs 58, 59, and 60 (where applicable).**
62. It is appropriate that a venturer which does not prepare consolidated financial statements because it does not have controlled entities provides the same information about its interests in joint ventures as those venturers that issue consolidated financial statements.

### **Transitional Provisions**

63. **Where the benchmark treatment set out in this Standard is adopted, entities are not required to eliminate balances and transactions between themselves, their controlled entities and entities that they jointly control for reporting periods beginning on a date within three years following the date of first adoption of this Standard.**
64. Entities that adopt this Standard may have many controlled and jointly controlled entities with a significant number of transactions between these entities. Accordingly, it may initially be difficult to identify all the transactions and balances that need to be eliminated for the purpose of preparing the financial statements. For this reason, paragraph 63 provides temporary relief from eliminating in full balances and transactions between entities and their jointly controlled entities.
65. **Where entities apply the transitional provision in paragraph 63, an entity should disclose the fact that not all inter-entity balances and transactions have been eliminated.**

### **Effective Date**

66. **This International Public Sector Accounting Standard becomes effective for annual financial statements covering periods beginning on or after July 1, 2001. Earlier application is encouraged.**
67. When an entity adopts the accrual basis of accounting, as defined by International Public Sector Accounting Standards, for financial reporting purposes, subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption.

### Comparison with IAS 31

International Public Sector Accounting Standard (IPSAS) 8, “Financial Reporting of Interests in Joint Ventures” is drawn primarily from International Accounting Standard (IAS) 31, “Financial Reporting of Interests in Joint Ventures.” The main differences between IPSAS 8 and IAS 31 are as follows:

- Commentary additional to that in IAS 31 has been included in IPSAS 8 to clarify the applicability of the standards to accounting by public sector entities.
- IPSAS 8 uses different terminology, in certain instances, from IAS 31. The most significant examples are the use of the terms “entity,” “revenue,” “statement of financial performance,” “statement of financial position” and “net assets/equity” in IPSAS 8. The equivalent terms in IAS 31 are “enterprise,” “income,” “income statement,” “balance sheet” and “equity.”
- IPSAS 8 contains a different set of definitions of technical terms from IAS 31 (paragraph 5).
- IPSAS 8 uses a different definition of joint venture from IAS 31. The term “contractual arrangement” has been replaced by “binding arrangement.”
- IPSAS 8 includes a transitional provision that permits entities which adopt the benchmark treatment to not eliminate all balances and transactions between entities within the economic entity for reporting periods beginning on a date within three years following the date of first application of this Standard.