SUPPLEMENTARY

IND AS 111

PAPER - 17

Ind AS 111: Joint Arrangements

1. **Meaning of Joint Arrangement:** A joint arrangement is an arrangement of which two or more parties have joint control.
   [An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. Note, at least two of all the parties must have joint control.]

2. **Scope:** This Ind AS shall be applied by all entities that are a party to a joint arrangement. *[whether or not it has joint control]*

3. **Objectives:**

   a. The objective of Ind AS 111 is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. *joint arrangements*).

   b. To meet the objective this Ind AS defines *joint control* and requires an entity that is a *party to a joint arrangement* to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

4. **Characteristics of Joint Arrangement:**

   A joint arrangement has the following characteristics:

   (a) The parties are bound by a contractual arrangement.
   (b) The contractual arrangement gives two or more of those parties joint control of the arrangement.

5. **Meaning of Joint Control:** Joint control is 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.

   [*At least two of all the parties must have shared control as joint operators or joint venturers*.]

6. **Type of Joint Arrangement:**

   An entity shall determine the type of joint arrangement in which it is involved. A joint arrangement is either a *joint operation* or a *joint venture*.
   The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

   A joint operation is 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. Those parties are called joint operators.

   A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the **net assets** of the arrangement. Those parties are called joint venturers.

Illustration 1.

Assume that two parties structure a joint arrangement in an incorporated entity. Each party has a 50 per cent ownership interest in the incorporated entity. The incorporation enables the separation of the entity from its owners and as a consequence the assets and liabilities held in

the entity are the assets and liabilities of the incorporated entity. In such a case, the assessment of the rights and obligations conferred upon the parties by the legal form of the separate vehicle indicates that the parties have rights to the net assets of the arrangement and the joint arrangement is classified as Joint Venture.
However, if parties modify the features of the corporation through their contractual arrangement so that each has an interest in the assets of the incorporated entity and each is liable for the liabilities of the incorporated entity in a specified proportion, such contractual modifications to the features of a corporation can cause the joint arrangement to be a Joint Operation.

7. Financial statements of parties to a joint arrangement classified as Joint operations:

A. A joint operator shall recognise in relation to its interest in a joint operation:

(a) its assets, including its share of any assets held jointly;
(b) its liabilities, including its share of any liabilities incurred jointly;
(c) its revenue from the sale of its share of the output arising from the joint operation;
(d) its share of the revenue from the sale of the output by the joint operation; and
(e) its expenses, including its share of any expenses incurred jointly.

B. A party that participates in, but does not have joint control of, a joint operation shall also account for its interest in the arrangement in accordance with paragraph 6 if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation.

8. Financial statements of parties to a joint arrangement classified as Joint venture:

a. A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with Ind AS 28, *Investments in Associates and Joint Ventures,* unless the entity is exempted from applying the equity method as specified in that standard.

b. A party that participates in, but does not have joint control of, a joint venture shall account for its interest in the arrangement in accordance with Ind AS 109, *Financial Instruments*, unless it has significant influence over the joint venture, in which case it shall account for it in accordance with Ind AS 28.

9. Separate financial statements:

A. In its separate financial statements, a joint operator or joint venturer shall account for its interest in:

(a) a joint operation in accordance with paragraph 7;
(b) a joint venture in accordance with paragraph 10 of Ind AS 27, Separate Financial Statements.

B. In its separate financial statements, a party that participates in, but does not have joint control of, a joint arrangement shall account for its interest in:

(a) a joint operation in accordance with paragraph 23;
(b) a joint venture in accordance with Ind AS 109, unless the entity has significant influence over the joint venture, in which case it shall apply paragraph 10 of Ind AS 27.