




THE ANANTROY BHATT KNOWLEDGE CENTRE



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Introduction

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

Definitions:

- Joint arrangement = An arrangement of which two or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures.
- 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 venture** A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
- **Joint operator** = A party to the joint operation that has joint control of that joint operation.
- **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

2

Joint Operations

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.

A venturer shall recognize in its financial statements:

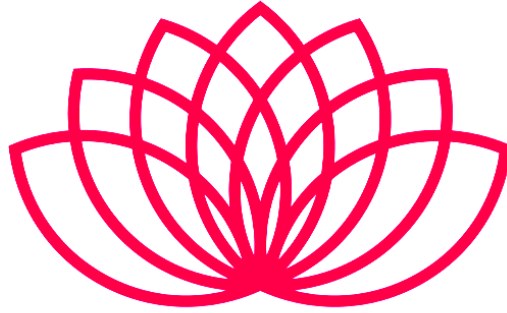
- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the revenue that it earns from the sale of goods or services by the joint venture.

No further adjustment or consolidation procedure is required.

2

Joint Ventures

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. A jointly controlled entity usually keeps its own accounting records.



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