

NZ SIC-13 (Diff Rep)



NZ SIC Interpretation 13 (Diff Rep)

**Jointly Controlled Entities—Non-Monetary Contributions
by Venturers (NZ SIC-13 (Diff Rep))**

Issued November 2012

This Interpretation was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Interpretation is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at 1 December 2012, the requirements in this Interpretation are identical to the requirements in NZ SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* as applied by qualifying entities. Versions of NZ SIC-13 applied by qualifying entities prior to adoption of this Interpretation are available in the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

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NZ SIC Interpretation 13 (Diff Rep) *Jointly Controlled Entities—Non-monetary Contributions by Venturers* (NZ SIC-13 (Diff Rep)) is set out in paragraphs 5–7.

NZ SIC-13 (Diff Rep) should be read in the context of the Basis for Conclusions on SIC-13.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ SIC-13 (Diff Rep).

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-13 (Diff Rep) *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*

This table lists the pronouncement establishing NZ SIC-13 (Diff Rep).

| Pronouncements | Date approved | Early operative date | Effective date (annual reporting periods... on or after ...) |
|---|----------------------|-----------------------------|---|
| NZ SIC-13 (Diff Rep) <i>Jointly Controlled Entities—Non-monetary Contributions by Venturers</i> | Nov 2012 | Early application permitted | 1 Dec 2012 |

The following tables list the pronouncements establishing and substantially amending NZ SIC-13 as applied by qualifying entities prior to the issue of this Interpretation as NZ SIC-13 (Diff Rep).

| Pronouncements | Date approved | Early operative date | Effective date (annual reporting periods... on or after ...) |
|--|----------------------|-----------------------------|---|
| NZ SIC-13 <i>Jointly Controlled Entities—Non-Monetary Contributions by Venturers</i> | Nov 2004 | 1 Jan 2005 | 1 Jan 2007 |
| NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007) | Nov 2007 | Early application permitted | 1 Jan 2009 |

| Table of Amended Paragraphs in NZ SIC-17 | | |
|---|---------------------|----------------------|
| Paragraph affected | How affected | By ... [date] |
| Various | Terminology changed | NZ IAS 1 [Nov 2007] |

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(NZ SIC-13 (Diff Rep))

References

- NZ IAS 8 (Diff Rep) *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 16 (Diff Rep) *Property, Plant and Equipment*
- NZ IAS 18 (Diff Rep) *Revenue*
- NZ IAS 31 (Diff Rep) *Interests in Joint Ventures*

NZ SIC-13 (Diff Rep) is identical to NZ SIC-13 applied by qualifying entities prior to the issuance of NZ SIC-13 (Diff Rep). That is, there is no change to the recognition, measurement, presentation and disclosure requirements of NZ SIC-13 on adoption of this Interpretation.

Issue

- 1 NZ IAS 31 (Diff Rep).⁴⁸ refers to both contributions and sales between a venturer and a joint venture as follows: “When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction”. In addition, NZ IAS 31 (Diff Rep).²⁴ says that “a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest”. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (“JCEs”).
- 2 Contributions to a JCE are transfers of assets by venturers in exchange for an equity interest in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (“additional consideration”).

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- 3 The issues are:
- (a) when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an equity interest in the JCE should be recognised by the venturer in profit or loss;
 - (b) how additional consideration should be accounted for by the venturer; and
 - (c) how any unrealised gain or loss should be presented in the consolidated financial statements of the venturer.
- 4 This Interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE that is accounted for using either the equity method or proportionate consolidation.

Consensus

- 5 In applying NZ IAS 31 (Diff Rep).⁴⁸ to non-monetary contributions to a JCE in exchange for an equity interest in the JCE, a venturer shall recognise in profit or loss for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:
- (a) the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the JCE;
 - (b) the gain or loss on the non-monetary contribution cannot be measured reliably; or
 - (c) the contribution transaction lacks commercial substance, as that term is described in NZ IAS 16 (Diff Rep).
- If exception (a), (b) or (c) applies, the gain or loss is regarded as unrealised and therefore is not be recognised in profit or loss unless paragraph 6 also applies.
- 6 If, in addition to receiving an equity interest in the JCE, a venturer receives monetary or non-monetary assets, an appropriate portion of gain or loss on the transaction shall be recognised by the venturer in profit or loss.
- 7 Unrealised gains or losses on non-monetary assets contributed to JCEs shall be eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. Such unrealised gains or losses shall not be presented as deferred gains or losses in the venturer's consolidated statement of financial position.

Basis for Conclusions on SIC-13

8–13 [Paragraphs 8–13 do not form part of NZ SIC-13 (Diff Rep).]

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Effective Date

A Tier 3 for-profit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ SIC-13 as applied by qualifying entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ SIC-13 as it applied to qualifying entities.