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NZ ACCOUNTING STANDARDS BOARD

PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 8 INTERESTS IN JOINT VENTURES (PBE IPSAS 8)

Issued September 2014 and incorporates amendments to 31 January 2017 other than consequential amendments resulting from early adoption of PBE IFRS 9 *Financial Instruments*

This Standard was issued on 11 September 2014 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 October 2014.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in paragraphs 70.1 to 70.2.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 PBE Standard has been issued as part of a revised full set of PBE Standards that incorporate enhancements for not-for-profit public benefit entities.

This Standard, when applied, supersedes PBE IPSAS 8 *Interests in Joint Ventures* issued in May 2013.

This Standard is superseded by PBE IPSAS 37 *Joint Arrangements*. PBE IPSAS 37 shall be applied for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted, in which case this Standard is superseded from the earlier date of application.

PBE IPSAS 8 INTERESTS IN JOINT VENTURES

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PBE IPSAS 8 INTERESTS IN JOINT VENTURES

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The following is available on the XRB website as additional material:

IPSASB Basis for Conclusions

Public Benefit Entity International Public Sector Accounting Standard 8 *Interests in Joint Ventures* is set out in paragraphs 1–71 and the Application Guidance. All the paragraphs have equal authority. PBE IPSAS 8 should be read in the context of the NZASB's Basis for Conclusions on PBE IPSAS 8, the IPSASB's Basis for Conclusions on IPSAS 8, the *Public Benefit Entities' Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Scope

1. **An entity that prepares and presents financial statements shall 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. However, it does not apply to venturers' interests in jointly controlled entities held by:**

   (a) **Venture capital organisations; or**

   (b) **Mutual funds, unit trusts and similar entities including investment linked insurance funds**

   that are measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change in accordance with PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. A venturer holding such an interest shall make the disclosures required by paragraphs 62 and 63.

2. Guidance on recognition and measurement of interests identified in paragraph 1 that are measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change can be found in PBE IPSAS 29.

3. **A venturer with an interest in a jointly controlled entity is exempted from paragraphs 35 (proportionate consolidation) and 43 (equity method) when it meets the following conditions:**

   (a) **The interest is classified as held for sale in accordance with PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;**

   (b) **The exception in paragraph 16 of PBE IPSAS 6 *Consolidated and Separate Financial Statements* allowing a controlling entity that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or**

   (c) **All of the following apply:**

      (i) **The venturer is:**

      - **A wholly-owned controlled entity and users of financial statements prepared by applying proportionate consolidation or the equity method are unlikely to exist or (if they are) their information needs are met by the controlling entity's consolidated financial statements; or**
      - **A partially-owned controlled entity of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;**

      (ii) **The venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);**

      (iii) **The venturer neither filed, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and**

      *(iv) **The ultimate or any intermediate controlling entity of the venturer produces consolidated financial statements available for public use that comply with PBE Standards.**

RDR 3.1 **A Tier 2 entity is not required to comply with paragraph 3(c)(iv). In order to qualify for the exemption not to present consolidated financial statements, an entity must still comply with all the other conditions in paragraph 3(c).**

4. [Not used]

4.1 **This Standard applies to Tier 1 and Tier 2 public benefit entities.**

4.2 **A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*). Where an entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.**

5. [Not used]

Definitions

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

The equity method (for the purpose of this Standard) is a method of accounting 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 surplus or deficit of the venturer includes the venturer's share of the surplus or deficit of the jointly controlled entity.

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 that is subject to joint control.

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

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.

Terms defined in other PBE Standards are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Binding Arrangement

7. The existence of a binding arrangement distinguishes interests that involve joint control from investments in associates in which the investor has significant influence (see PBE IPSAS 7 *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. Another example would be an arrangement by two animal welfare charities to jointly undertake the building of an animal shelter. Activities that have no binding arrangement to establish joint control are not joint ventures for the purposes of this Standard.

8. A binding 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 binding 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:

- The activity, duration and reporting obligations of the joint venture;
- The appointment of the board of directors or equivalent governing body of the joint venture and the voting rights of the venturers;
- Capital contributions by the venturers; and
- The sharing by the venturers of the output, revenue, expenses, surpluses or deficits, total comprehensive revenue and expense or cash flows of the joint venture.

9. The binding arrangement establishes joint control over the joint venture. Such a requirement ensures that no single venturer is in a position to control the activity unilaterally. The arrangement identifies (a) those decisions in areas essential to the goals of the joint venture that require the consent of all the venturers, and (b) those decisions that may require the consent of a specified majority of the venturers.

10. The binding 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 that 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.

Forms of Joint Venture

11. Many 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.

12. Joint ventures take many different forms and structures. This Standard identifies three broad types – jointly controlled operations, jointly controlled assets, and jointly controlled entities – that 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 a binding arrangement; and

    (b) The binding arrangement establishes joint control.

Joint Control

13. Joint control may be precluded when a joint venture (a) is in legal reorganisation or in bankruptcy, (b) is subject to an administrative restructuring of government arrangements, or (c) operates under severe long-term restrictions on its ability to transfer funds to the venturer. If joint control is continuing, these events are not enough in themselves to justify not accounting for joint ventures in accordance with this Standard.

Separate Financial Statements

14. Neither (a) financial statements in which proportionate consolidation or the equity method is applied, nor (b) financial statements of an entity that does not have a controlled entity, associate or venturer's interest in a jointly controlled entity are separate financial statements.

15. Separate financial statements are (a) those presented in addition to consolidated financial statements, (b) financial statements in which investments are accounted for using the equity method, and (c) financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements need not be appended to, or accompany, those statements.

16. Entities that are exempted in accordance with (a) paragraph 16 of PBE IPSAS 6 from consolidation, (b) paragraph 19(c) of PBE IPSAS 7 from applying the equity method, or (c) paragraph 3 of this Standard from applying proportionate consolidation or the equity method may present separate financial statements as their only financial statements.

Jointly Controlled Operations

17. 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 finances, 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.

18. An example of a jointly controlled operation is when two or more venturers combine their operations, resources, and expertise to manufacture, market, and distribute jointly a particular product, such as an 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 binding arrangement. A further example is when two entities combine their operations, resources, and expertise to jointly deliver a service, such as aged care where, in accordance with an agreement, one entity offers domestic services and another 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 binding agreement.

19. **In respect of its interests in jointly controlled operations, a venturer shall recognise in its 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.**

20. Because the assets, liabilities, revenue (if any) and expenses are already recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

21. 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

22. Some joint ventures involve the joint control of, 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.

23. 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 of the jointly controlled asset.

24. Some activities involve jointly controlled assets. For example, Entity A may enter into an arrangement with Entity B to construct a toll road. The road provides the citizens with improved access between Entity A's industrial estate and its port facilities. The road also provides Entity B with direct access between its manufacturing plant and the port. The agreement between Entity A and Entity B 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 the rents received and bearing a share of the expenses.

25. **In respect of its interest in jointly controlled assets, a venturer shall recognise in its financial statements:**

    (a) **Its share of the jointly controlled assets, classified according to the nature of the assets;**

    (b) **Any liabilities that 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 that it has incurred in respect of its interest in the joint venture.**

26. In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognises in its 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 that 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 that 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.

27. Because the assets, liabilities, revenue, and expenses are recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

28. 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

29. 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. The entity operates in the same way as other entities, except that a binding arrangement between the venturers establishes joint control over the activity of the entity.

30. 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 surpluses of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.

31. 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 that is jointly controlled by the entity and the government or agency in the foreign country.

32. 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 to a jointly controlled entity assets that 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. Similarly, a number of churches may jointly establish a separate entity to provide welfare services.

33. 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 PBE Standards.

34. 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 recognised in its financial statements as an investment in the jointly controlled entity.

Financial Statements of a Venturer

Proportionate Consolidation

35. **A venturer shall recognise its interest in a jointly controlled entity using proportionate consolidation or the alternative method described in paragraph 43. When proportionate consolidation is used, one of the two reporting formats identified below shall be used.**

36. A venturer recognises its interest in a jointly controlled entity using one of the two reporting formats for proportionate consolidation, irrespective of (a) whether it also has investments in controlled entities, or (b) whether it describes its financial statements as consolidated financial statements.

37. When recognising an interest in a jointly controlled entity, 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 are reflected in the consolidated financial statements of the venturer when the venturer recognises 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 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 statement of comprehensive revenue and expense 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 PBE 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, line by line, in its financial statements. For example, it may combine its share of the jointly controlled entity's inventory with its inventory, and its share of the jointly controlled entity's property, plant and equipment with its property, plant and equipment. 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 financial statements. For example, it may show its share of a current asset of the jointly controlled entity separately as part of its current assets; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of its property, plant and equipment. Both these reporting formats result in the reporting of identical amounts of surplus or deficit and of each major classification of assets, liabilities, revenue, and expenses; both formats are acceptable for the purposes of this Standard.

40. Whichever format is used to give effect to proportionate consolidation, it is inappropriate to offset (a) any assets or liabilities by the deduction of other liabilities or assets, or (b) 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 realisation of the asset or the settlement of the liability.

41. **A venturer shall 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 such external restrictions are placed on the jointly controlled entity that the venturer no longer has joint control.

Equity Method

43. **As an alternative to proportionate consolidation described in paragraph 35, a venturer shall recognise its interest in a jointly controlled entity using the equity method.**

44. A venturer recognises its interest in a jointly controlled entity using the equity method irrespective of whether it also has investments in controlled entities or whether it describes its financial statements as consolidated financial statements.

45. Some venturers recognise their interests in jointly controlled entities using the equity method, as described in PBE IPSAS 7. The use of the equity method is supported (a) by those who argue that it is inappropriate to combine controlled items with jointly controlled items, and (b) 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 to say, 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 alternative treatment, when recognising interests in jointly controlled entities.

46. **A venturer shall 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 Proportionate Consolidation and Equity Method

47. **Interests in jointly controlled entities that are classified as held for sale in accordance with PBE IFRS 5 shall be accounted for in accordance with that Standard.**

48–50. [Not used]

51. **From the date on which a jointly controlled entity becomes a controlled entity of a venturer, the venturer shall account for its interest in accordance with PBE IPSAS 6 and PBE IFRS 3 *Business Combinations*. From the date on which a jointly controlled entity becomes an associate of a venturer, the venturer shall account for its interest in accordance with PBE IPSAS 7.**

51.1 When an interest in a jointly controlled entity previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using proportionate consolidation or the equity method as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

Separate Financial Statements of a Venturer

52. **An interest in a jointly controlled entity shall be accounted for in a venturer's separate financial statements in accordance with paragraphs 58−RDR 64.1 of PBE IPSAS 6.**

53. This Standard does not mandate which entities produce separate financial statements available for public use.

Transactions between a Venturer and a Joint Venture

54. **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. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other venturers. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.**

55. **When a venturer purchases assets from a joint venture, the venturer shall not recognise its share of the gains of the joint venture from the transaction until it resells the assets to an independent party. A venturer shall recognise its share of the losses resulting from these transactions in the same way as gains, except that losses shall be recognised immediately when they represent a reduction in the net realisable value of current assets or an impairment loss.**

56. 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 or recoverable service amount of the assets in accordance with PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* or PBE IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate. In determining value in use of a cash-generating asset, the venturer estimates future cash flows from the asset on the basis of continuing use of the asset and its ultimate disposal by the joint venture. In determining value in use of a non-cash-generating asset, the venturer estimates the present value of the remaining service potential of the asset using the approaches specified in PBE IPSAS 21.

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

57. **An investor in a joint venture that does not have joint control, but does have significant influence, shall account for its interest in a joint venture in accordance with PBE IPSAS 7.**

58. Guidance on accounting for interests in joint ventures where an investor does not have joint control or significant influence can be found in PBE IPSAS 29.

Operators of Joint Ventures

59. **Operators or managers of a joint venture shall account for any fees in accordance with PBE IPSAS 9 *Revenue from Exchange Transactions*.**

60. 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

61. **A venturer shall 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 that 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 that have arisen jointly with other venturers; and**

        (ii) **Its share of the contingent assets of the joint ventures themselves.**

62. **A venturer shall 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.**

*63. **A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall 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.**

64. **A venturer shall disclose the method it uses to recognise its interests in jointly controlled entities.**

Transitional Provisions

65–68. [Not used]

Effective Date

69–70. [Not used]

70.1 **A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**

70.2 ***2016 Omnibus Amendments to PBE Standards*, issued in January 2017, added a footnote to paragraph AG5. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

Withdrawal and Replacement of PBE IPSAS 8 (May 2013)

71. This Standard, when applied, supersedes PBE IPSAS 8 *Interests in Joint Ventures* issued in May 2013.

Application Guidance *Jointly Controlled Entities—Non-monetary Contributions by Venturers*

This Application Guidance is an integral part of PBE IPSAS 8

Issue

AG1. PBE IPSAS 8 paragraph 54 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, PBE IPSAS 8 paragraph 29 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".

AG2. Contributions to a jointly controlled entity (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").

AG3. 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 surplus or deficit;

(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.

AG4. This Application Guidance 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

AG5. In applying PBE IPSAS 8 paragraph 54 to non-monetary contributions to a JCE in exchange for an equity interest in the JCE, a venturer shall recognise in surplus or deficit 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;[1] or

(c) The contribution transaction lacks commercial substance, as that term is described in PBE IPSAS 17 *Property, Plant and Equipment.*

If exception (a), (b) or (c) applies, the gain or loss is regarded as unrealised and therefore is not recognised in surplus or deficit unless paragraph AG6 also applies.

AG6. 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 surplus or deficit.

AG7. 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.

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[1] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 8.

BC1. The New Zealand Accounting Standards Board (NZASB) has modified IPSAS 8 *Interests in Joint Ventures* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considered that the requirements of IPSAS 8 are generally appropriate for application by public benefit entities.

Non-monetary Contributions by Venturers

BC2. The NZASB decided that it was appropriate to include NZ SIC-13 *Non-monetary Contributions by Venturers* as integral Application Guidance in PBE IPSAS 8 to allow public benefit entities to continue to apply the guidance as appropriate.

Exceptions to Proportionate Consolidation and Equity Method

BC3. Paragraphs 48–50 of IPSAS 8 are not included in PBE IPSAS 8.

BC4. These paragraphs provide guidance regarding the exception to proportionate consolidation and equity method where an interest in a joint venture is acquired and held exclusively with a view to its disposal within twelve months from acquisition and management is actively seeking a buyer.

BC5. The suite of PBE Standards includes PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* which specifies the accounting for non-current assets held for sale and discontinued operations. Therefore, where an interest in a joint venture is acquired and held exclusively with a view to its disposal, the venturer accounts for that interest in accordance with PBE IFRS 5.

Comparison with IPSAS 8

PBE IPSAS 8 *Interests in Joint Ventures* is drawn from IPSAS 8 *Interests in Joint Ventures.* The significant differences between PBE IPSAS 8 and IPSAS 8 are:

(a) PBE IPSAS 8 provides a limited number of exemptions from the requirements in the standard relating to accounting for interests in a jointly controlled entity (using the equity method or proportionate consolidation). One of these exemptions is for investments classified as held for sale in accordance with PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. IPSAS 8 requires interests in jointly controlled entities which are held exclusively with a view to disposal within twelve months from acquisition, and for which management is actively seeking a buyer, to be classified as held for trading and accounted for in accordance with IPSAS 29 *Financial Instruments: Recognition and Measurement*.

(b) PBE IPSAS 8 requires an interest in a jointly controlled entity that becomes a controlled entity to be accounted for in accordance with PBE IPSAS 6 *Consolidated and Separate Financial Statements* and PBE IFRS 3 *Business Combinations*. IPSAS 8 requires the interest to be accounted for in accordance with IPSAS 6 *Consolidated and Separate Financial Statements*.

(c) PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.

(d) PBE IPSAS 8 includes integral Application Guidance regarding non-monetary contributions by venturers.

History of Amendments

PBE IPSAS 8 *Interests in Joint Ventures* was issued in September 2014.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 8. The table is based on amendments issued as at 31 January 2017 other than consequential amendments resulting from early adoption of PBE IFRS 9 *Financial Instruments.*

Pronouncements	**Date issued**	**Early operative date**	**Effective date (annual financial statements … on or after …)**
PBE IPSAS 8 *Interests in Joint Ventures*	Sept 2014	Early application is permitted for not-for-profit public benefit entities	1 April 2015
2016 Omnibus Amendments to PBE Standards	Jan 2017	–	1 Jan 2017

Table of Amended Paragraphs in PBE IPSAS 8		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 70.2	Added	*2016 Omnibus Amendments to PBE Standards* [Jan 2017]
Paragraph AG5	Amended	*2016 Omnibus Amendments to PBE Standards* [Jan 2017]