



## **New Zealand Equivalent to SIC Interpretation 13**

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

**Issued November 2004 and incorporates amendments up to and including 30 November 2012 other than consequential amendments resulting from early adoption of NZ IFRS 11 *Joint Arrangements***

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.

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

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

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

**Reduced Disclosure Regime**

Tier 2 for-profit entities must comply with all the provisions in NZ SIC-13.

# New Zealand Equivalent to SIC Interpretation 13

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

### References

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

### Issue

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- 1 NZ IAS 31.48 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 31.24 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”).
- 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

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- 5 In applying NZ IAS 31.48 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.
 If exception (a), (b) or (c) applies, the gain or loss is regarded as unrealised and therefore is not 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**

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8–13 [Paragraphs 8–13 do not form part of NZ SIC-13.]

## **Effective Date**

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This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Interpretation is permitted only when an entity complies with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005.

14 [Not reproduced – relates to IASB Effective Date]

15 [Not reproduced – relates to IASB Effective Date]

NZ 15.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

## HISTORY OF AMENDMENTS

### Table of Pronouncements – NZ SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*

This table lists the pronouncements establishing and substantially amending NZ SIC-13. The table is based on amendments approved as at 30 November 2012 other than consequential amendments resulting from early adoption of NZ IFRS 11 *Joint Arrangements*.

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
<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> <sup>1</sup>	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ SIC-13		
Paragraph affected	How affected	By ... [date]
Various	Terminology changed	NZ IAS 1 [Nov 2007]
Paragraph NZ 15.1	Inserted	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]

<sup>1</sup> This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.