

ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS
(AMENDMENTS TO NZ IFRS 11)



NZ ACCOUNTING
STANDARDS
BOARD

Accounting for Acquisitions of Interests in Joint Operations (Amendments to NZ IFRS 11)

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013 on 5 June 2014.

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 3 July 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 Part C.

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 Standard has been issued to amend the relevant New Zealand Tier 1 and Tier 2 For-profit Accounting Standards as a result of changes to an International Financial Reporting Standard.

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ISBN 978-1-927292-12-9

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Part A

Introduction

This Standard amends NZ IFRS 11 *Joint Ventures* (NZ IFRS 11).

This Standard requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in NZ IFRS 3 *Business Combinations*, to apply all of the principles on business combinations accounting in NZ IFRS 3 and other NZ IFRSs except for those principles that conflict with the guidance in this NZ IFRS. In addition, the acquirer shall disclose the information required by NZ IFRS 3 and other NZ IFRSs for business combinations.

Part B

Amendments to NZ IFRS 11 *Joint Arrangements*

Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

In the Introduction, paragraph IN4A and its related heading and paragraph IN9A are added. New text is underlined.

Reasons for amending IFRS 11 in May 2014

IN4A In May 2014 the International Accounting Standards Board amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

...

IN9A This NZ IFRS requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in NZ IFRS 3 *Business Combinations*, to apply all of the principles on business combinations accounting in NZ IFRS 3 and other NZ IFRSs except for those principles that conflict with the guidance in this NZ IFRS. In addition, the acquirer shall disclose the information required by NZ IFRS 3 and other NZ IFRSs for business combinations.

Paragraph 21A is added. Paragraphs 20–21 have been included for ease of reference but are not amended. New text is underlined.

Joint operations

20 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.

21 A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the NZ IFRSs applicable to the particular assets, liabilities, revenues and expenses.

21A When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in NZ IFRS 3 *Business Combinations*, it shall apply, to the extent of its share in accordance with paragraph 20, all of the principles on business combinations accounting in NZ IFRS 3, and other NZ IFRSs, that do not conflict with the guidance in this NZ IFRS and disclose the information that is required in those NZ IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business. The accounting for the acquisition of an interest in such a joint operation is specified in paragraphs B33A–B33D.

In Appendix B, the main heading before paragraph B34 is amended and paragraphs B33A–B33D and their related heading are added. New text is underlined.

Financial statements of parties to a joint arrangement (paragraphs 21A–22)

Accounting for acquisitions of interests in joint operations

- B33A** When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in NZ IFRS 3, it shall apply, to the extent of its share in accordance with paragraph 20, all of the principles on business combinations accounting in NZ IFRS 3, and other NZ IFRSs, that do not conflict with the guidance in this NZ IFRS and disclose the information required by those NZ IFRSs in relation to business combinations. The principles on business combinations accounting that do not conflict with the guidance in this NZ IFRS include but are not limited to:
- (a) measuring identifiable assets and liabilities at fair value, other than items for which exceptions are given in NZ IFRS 3 and other NZ IFRSs;
 - (b) recognising acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with the exception that the costs to issue debt or equity securities are recognised in accordance with NZ IAS 32 *Financial Instruments: Presentation* and NZ IFRS 9;¹
 - (c) recognising deferred tax assets and deferred tax liabilities that arise from the initial recognition of assets or liabilities, except for deferred tax liabilities that arise from the initial recognition of goodwill, as required by NZ IFRS 3 and NZ IAS 12 *Income Taxes* for business combinations;
 - (d) recognising the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, if any, as goodwill; and
 - (e) testing for impairment a cash-generating unit to which goodwill has been allocated at least annually, and whenever there is an indication that the unit may be impaired, as required by NZ IAS 36 *Impairment of Assets* for goodwill acquired in a business combination.
- B33B** Paragraphs 21A and B33A also apply to the formation of a joint operation if, and only if, an existing business, as defined in NZ IFRS 3, is contributed to the joint operation on its formation by one of the parties that participate in the joint operation. However, those paragraphs do not apply to the formation of a joint operation if all of the parties that participate in the joint operation only contribute assets or groups of assets that do not constitute businesses to the joint operation on its formation.
- B33C** A joint operator might increase its interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in NZ IFRS 3, by acquiring an additional interest in the joint operation. In such cases, previously held interests in the joint operation are not remeasured if the joint operator retains joint control.
- B33D** Paragraphs 21A and B33A–B33C do not apply on the acquisition of an interest in a joint operation when the parties sharing joint control, including the entity acquiring the interest in the joint operation, are under the common control of the same ultimate controlling party or parties both before and after the acquisition, and that control is not transitory.

¹

If an entity applies these amendments but does not yet apply NZ IFRS 9, the reference in these amendments to NZ IFRS 9 shall be read as a reference to NZ IAS 39 *Financial Instruments: Recognition and Measurement*.

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In Appendix C, paragraph C1AA and paragraph C14A and its related heading are added.

Effective date

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C1AA *Accounting for Acquisitions of Interests in Joint Operations (Amendments to NZ IFRS 11)*, issued in June 2014, amended the heading after paragraph B33 and added paragraphs 21A, B33A–B33D and C14A and their related headings. An entity shall apply those amendments prospectively in annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments in an earlier period it shall disclose that fact.

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Accounting for acquisitions of interests in joint operations

C14A *Accounting for Acquisitions of Interests in Joint Operations (Amendments to NZ IFRS 11)*, issued in June 2014, amended the heading after paragraph B33 and added paragraphs 21A, B33A–B33D, C1AA and their related headings. An entity shall apply those amendments prospectively for acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in NZ IFRS 3, for those acquisitions occurring from the beginning of the first period in which it applies those amendments. Consequently, amounts recognised for acquisitions of interests in joint operations occurring in prior periods shall not be adjusted.

Consequential amendments to NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*

Paragraph 39W is added. New text is underlined.

Effective date

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39W *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to NZ IFRS 11), issued in June 2014, amended paragraph C5. An entity shall apply that amendment in annual periods beginning on or after 1 January 2016. If an entity applies related amendments to NZ IFRS 11 from *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to NZ IFRS 11) in an earlier period, the amendment to paragraph C5 shall be applied in that earlier period.

In Appendix C, paragraph C5 is amended. Deleted text is struck through and new text is underlined.

Appendix C Exemptions for business combinations

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C5 The exemption for past business combinations also applies to past acquisitions of investments in associates, ~~and of interests in joint ventures~~ and interests in joint operations in which the activity of the joint operation constitutes a business, as defined in NZ IFRS 3. Furthermore, the date selected for paragraph C1 applies equally for all such acquisitions.

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Part C

Effective date

This Standard is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.