IFRS 11
Joint arrangements

1. Objective

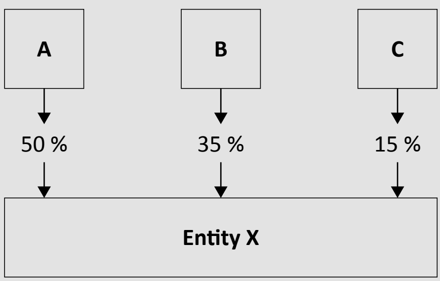
This Standard establishes principles of financial reporting to entities that have an interest in arrangements that are controlled jointly (joint arrangements).

2. Scope

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a **contractual arrangement**, generally set out in writing. A joint arrangement is either a joint operation or a joint venture – specific criteria must be applied to determine the type of joint arrangement, as this will determine the accounting requirements to be applied.

Joint control means the contractually-agreed sharing of control exerted over a company. Joint control only exists when decisions concerning the relevant activities of the entity (returns) require the **unanimous consent** of the parties sharing control.

Example 1: The contractual agreements stipulate that at least 75% of the voting rights are necessary to make a decision regarding the relevant activities.



In this case:

- no individual investor may make decisions alone;
- to be able to make a decision, approval of both from A and B is necessary;
- A and B therefore have joint control (and are joint venturers);
- C participates in the joint arrangement, but does not exert joint control.

However, if B and C are fully held by the same shareholder, the 3 participants exert joint control (A and B + C).

There are two different types of joint arrangements based on the type of contractual relationship:

- joint operations - the parties **("joint operators")** exert joint control over certain activities and have rights over all or part of certain assets, and obligations relating to certain liabilities;
- joint ventures - the parties **("joint venturers")** hold rights over the net assets of the company.

3. Accounting impact

3.1 Joint operations

A joint operator must recognize the following items:

- its assets, including its share of jointly-held assets;
- its liabilities, including its share of jointly-incurred liabilities;
- its revenue from the sales of its share of the output generated through the joint operation;
- its expenses incurred, including its share of jointly-incurred expenses.

Assets, liabilities, revenue and expenses recognized should be included in the financial statements for each item. Unlike the proportional method used previously, the joint operator accounts for the assets, liabilities, revenues and expenses of the joint activity as specified in the contractual agreements and not based on the share of ownership that the investor holds in the joint operation.

3.2 Joint ventures

A joint venturer must recognize its interest in the joint venture as an investment accounted for under the equity method described in IAS 28.

3.3 Separate financial statements

The joint operator accounts for its interest in a joint operation in accordance with point 3.1 above.

The joint venturer accounts for its interest in a joint venture, either at cost, or in accordance with IFRS 9.