

## ***Accounting for Acquisitions of Interests in Joint Operations (Amendments to FRS 11)***

*This Addendum sets out the amendments to FRS 11 Joint Arrangements. An entity shall apply the amendments in this Addendum prospectively in annual periods beginning on or after 1 January 2016. Early application is permitted.*

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

### **IASB's 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.

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IN9A This FRS requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in FRS 3 *Business Combinations*, to apply all of the principles on business combinations accounting in FRS 3 and other FRSs except for those principles that conflict with the guidance in this FRS. In addition, the acquirer shall disclose the information required by FRS 3 and other FRSs 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 FRSs 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 FRS 3, it shall apply, to the extent of its share in accordance with paragraph 20, all of the principles on business combinations accounting in FRS 3, and other FRSs, that do not conflict with the guidance in this FRS and disclose the information that is required in those FRSs 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)**

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### **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 FRS 3, it shall apply, to the extent of its share in accordance with paragraph 20, all of the principles on business combinations accounting in FRS 3, and other FRSs, that do not conflict with the guidance in this FRS and disclose the information required by those FRSs in relation to business combinations. The principles on

business combinations accounting that do not conflict with the guidance in this FRS include but are not limited to:

- (a) measuring identifiable assets and liabilities at fair value, other than items for which exceptions are given in FRS 3 and other FRSs;
- (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 FRS 132 *Financial Instruments: Presentation* and FRS 9;<sup>1</sup>
- (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 FRS 3 and FRS 112 *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 FRS 136 *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 FRS 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.

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<sup>1</sup> If an entity applies these amendments but does not yet apply FRS 9, the reference in these amendments to FRS 9 shall be read as a reference to FRS 139 *Financial Instruments: Recognition and Measurement*.

**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 FRS 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.

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

Paragraph C1A was amended by the following FRS and is listed here for ease of reference.

<b>Paragraph</b>	<b>Document title</b>
C1A	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> (Amendments to FRS 10, FRS 11 and FRS 12)

## **Effective date**

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**C1AA** *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to FRS 11), issued in July 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 FRS 11), issued in July 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 FRS 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 FRS 1 *First-time Adoption of Financial Reporting Standards*

Paragraph 39W is added. New text is underlined.

Paragraphs 39F–39V were amended by the following FRSs and are listed here for ease of reference.

<b>Paragraph</b>	<b>Document title</b>
39F	<i>Disclosures—Transfers of Financial Assets</i> (Amendments to FRS 7)
39G	FRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> issued by IASB in October 2010)
39H	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> (Amendments to FRS 1)
39I	FRS 10 <i>Consolidated Financial Statements</i> FRS 11 <i>Joint Arrangements</i>
39J	FRS 13 <i>Fair Value Measurement</i>
39K	<i>Presentation of Items of Other Comprehensive Income</i> (Amendments to FRS 101)
39L	FRS 119 <i>Employee Benefits</i>
39M	IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>
39N and 39O	<i>Government Loans</i> (Amendments to FRS 1)
39P–39R	Improvements to FRSs (2012)
39S	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> (Amendments to FRS 10, FRS 11 and FRS 12)
39T	<i>Investment Entities</i> (Amendments to FRS 10, FRS 12 and FRS 127)
39U	FRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as amended by IASB in November 2013)
39V	FRS 14 <i>Regulatory Deferral Accounts</i>

## Effective date

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39W *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to FRS 11), issued in July 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 FRS 11 from *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to FRS 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.
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## 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 FRS 3. Furthermore, the date selected for paragraph C1 applies equally for all such acquisitions.