

A photograph of two women sitting at a table in a meeting room. The woman on the left has long red hair and is looking at a laptop. The woman on the right has dark curly hair and is looking at the laptop. There are glasses of water and papers on the table. The background shows a modern office environment with large windows and other people working.

ASPE AT A GLANCE

Section 3056 - Interests in Joint Arrangements

Section 3056 - *Interests in Joint Arrangements*

Effective Date
Fiscal years beginning on or after January 1, 2016¹

SCOPE

Applies:

- To investments in arrangements in which the investor has joint control.
- When economic activities meet the definitions and criteria outlined in paragraphs 3056.03-.15, even though the activities may not be referred to as joint arrangements.

Does not apply:

- When economic activities do not meet the definitions and criteria outlined in paragraphs 3056.03-.15, even though the activities may sometimes be referred to as joint arrangements. Instead accounting for investments in such activities is governed by the nature of the investment (see Section 1591, *Subsidiaries*, Section 3051, *Investments*, and Section 3856, *Financial Instruments*).

JOINT ARRANGEMENTS

- The distinctive attribute common to all joint arrangements is that two or more investors are bound by a contractual arrangement that establishes they have joint control over the joint arrangement, regardless of the differences that may exist in their respective ownership interest.
- There are three categories of joint arrangements:
 - Jointly controlled operations;
 - Jointly controlled assets; and
 - Jointly controlled enterprises.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

RECOGNITION

- An investor in a **jointly controlled operation** in which the investor has joint control must recognize on its:
 - Balance Sheet - the assets that it controls and the liabilities that it incurs; and
 - Income Statement - its share of the revenue of the joint arrangement and its share of the expenses incurred by the joint arrangement.
- An investor in **jointly controlled assets** in which the investor has joint control must recognize on its:
 - Balance Sheet - its share of the jointly controlled assets and its share of any liabilities incurred jointly with the other investors in relation to the joint arrangement; and
 - Income Statement - any revenue from the sale or use of its share of the output of the joint arrangement, and its share of any expenses incurred by the joint arrangement.

CONTRIBUTIONS AND TRANSACTIONS

- When an investor transfers assets to a joint arrangement that consists of jointly controlled operations or jointly controlled assets and receives in exchange an interest in the joint arrangement that includes joint control, or sells assets in the normal course of operations to such a joint arrangement in which the investor has joint control, any gain or loss that occurs shall be recognized in income at the time of the transfer or sale to the extent of the interests of the other non-related investors.
 - However, if such a transaction provides evidence of a reduction in the net realizable value or a decline in the carrying amount of the relevant assets, the investor recognizes the decline by writing down its portion of the assets retained through its interest in the joint arrangement and recognizing the full amount of any loss in income.
- When an investor purchases assets in the normal course of operations from a joint arrangement that consist of jointly controlled operations or jointly controlled assets and in which it has joint control, the investor does not recognize its share of the profit or loss of the joint venture until the assets are sold to a third party.
 - However, if such a transaction provides evidence of a reduction in the net realizable value or a decline in the carrying amount of the relevant assets, the investor immediately recognizes its share of the loss in income.

¹ Except as specified in paragraph 3056.43.



JOINTLY CONTROLLED ENTERPRISES

RECOGNITION

- An investor with an interest in a **jointly controlled enterprise** makes an accounting policy choice to:
 - a) Account for all such interests using the equity method (as defined in Section 3051);
 - b) Account for all such interests using the cost method (as defined in Section 3051); or
 - c) Performs an analysis of each such interest to determine whether it represents a right to the net assets or to the individual assets and obligations for the individual liabilities relating to the joint arrangement (refer to the Appendix to Section 3056 for additional guidance on performing this analysis) and:
 - i. Accounts for all interests in the net assets of a jointly controlled enterprise in accordance with either the equity method or the cost method; and
 - ii. Accounts for all interests representing rights to the individual assets and obligations for the individual liabilities relating to a joint arrangement in accordance with paragraphs 3056.17-.18 (as described on the previous page under the “recognition” section for jointly controlled operations and jointly controlled assets).
- This accounting policy choice does not need to meet the criteria in paragraph 1506.06(b).

CONTRIBUTIONS AND TRANSACTIONS

- If the investor accounts for its interest in the jointly controlled enterprise using the cost or equity method, the investor accounts for its contributions to, and transactions with, the joint arrangement in accordance with Section 3051.
- If the investor accounts for its interest in the individual assets and obligations for the individual liabilities of the jointly controlled enterprise, then the investor accounts for its contributions to, and transactions with, the joint arrangement in accordance with paragraphs 3056.19-26 (as described on the previous page in the “contributions and transactions” section of jointly controlled operations and jointly controlled assets).

PRESENTATION

- The following must be presented separately on the Balance Sheet and the related income from investments in the following must be presented separately on the Income Statement:
 - Subsidiaries and interests in joint arrangements accounted for using the equity method;
 - Subsidiaries and interests in joint arrangements accounted for at cost;
 - Investments in companies subject to significant influence; and
 - Other investments accounted for at cost.



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