# ACCOUNTING STANDARDS BOARD

# STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

# INTERESTS IN JOINT VENTURES

# (GRAP 8)

**Issued by the**
**Accounting Standards Board**

**November 2010**

**Acknowledgement**

The Standard of Generally Recognised Accounting Practice (GRAP) on *Interests in Joint Ventures* is based on the International Public Sector Accounting Standard (IPSAS) 8 on *Interests in Joint Ventures* from the *Handbook of International Public Sector Accounting Pronouncements* of the International Public Sector Accounting Standards Board (IPSASB), published by the International Federation of Accountants (IFAC) and is used with the permission of the IFAC.



The approved text of IPSASs is that published by the IFAC in the English language, and copies may be obtained directly from:

International Federation of Accountants

529 Fifth Avenue, 6th Floor

New York, New York 10017 USA

Internet: http://www.ifac.org

# Contents

## Standard of Generally Recognised Accounting Practice

## Interests in Joint Ventures

# INTERESTS IN JOINT VENTURES

This Standard was originally issued by the Accounting Standards Board (the Board) in November 2005. Since then, it has been amended by:

- Improvements to the Standards of GRAP, issued by the Board in November 2010.
- Consequential amendments when the following Standards of GRAP became effective:
  - GRAP 21 *Impairment of Non-cash-generating Assets*
  - GRAP 26 *Impairment of Cash-generating Assets*
  - GRAP 104 *Financial Instruments*
  - GRAP 100 *Discontinued Operations* that was revised in 2013.

## Introduction

### Standards of Generally Recognised Accounting Practice (GRAP)

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

(a) departments (including national, provincial and government components);

(b) public entities;

(c) trading entities (as defined in the PFMA);

(d) constitutional institutions;

(e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and

(f) Parliament and the provincial legislatures.

The above are collectively referred to as "entities" in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board® for:

(a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities;* and

(b) entities under the ownership control of any of these entities.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard and any related Interpretations of the Standards of GRAP.

Any limitation of the applicability of specific Standards or Interpretations is made clear in those Standards or Interpretations.

This Standard is set out in paragraphs .01 to .73. All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP,* the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Reference may be made here to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .11 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

# Objective

.01 The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. It also sets out the disclosure requirements of interests in jointly controlled entities.

.02 This Standard requires an entity to recognise interests in a jointly controlled entity by using either the proportionate consolidation or the equity method. This Standard also stipulates the requirements to recognise surplus or deficits arising from a venturer contributing or selling or purchasing of assets to/from a joint venture.

.03 This Standard also requires minimum disclosures for a venturer in accordance with the Standard of GRAP on *Provisions, Contingent Liabilities and Contingent Assets*.

# Scope

***.04 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:***

***(a) venture capital organisations, or***

***(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds***

***that are measured at fair value, with changes in fair value recognised in surplus or deficit in the period of the change in accordance with the Standard of GRAP on Financial Instruments (GRAP 104). A venture holding such an investment shall make the disclosures required by paragraphs .63 and .64.***

***.05 A venturer with an interest in a jointly controlled entity is exempted from paragraphs .36 (proportionate consolidation) and .44 (equity method) when it meets any of the following conditions:***

***(a) the exception in paragraph .15 of the Standard of GRAP on Consolidated and Separate Financial Statements (GRAP 6) allowing a controlling entity that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or***

***(b) all of the following apply:***

***(i) the venturer is:***

- ***itself a wholly-owned controlled entity and users of financial***

***statements prepared by applying proportionate consolidation or the equity method are unlikely to exist or their information needs are met by the controlling entity's consolidated financial statements; or***

- ***a partially-owned controlled entity of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;***

***(ii) the venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);***

***(iii) the venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and***

***(iv) the ultimate or any intermediate controlling entity of the venturer produces consolidated financial statements available for public use that comply with Standards of GRAP.***

## Definitions

***.06 The following terms are used in this Standard with the meanings specified:***

***<u>Consolidated financial statements</u> are the financial statements of an economic entity presented as those of a single entity.***

***<u>Control</u> is the power to govern the financial and operating policies of another entity so as to benefit from its activities.***

***<u>Equity method</u> is a method of accounting whereby an investment in an associate or interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's or venturer's share of net assets of the jointly controlled entity. The surplus or deficit of the investor or venturer includes the investor's or the venturer's share of the surplus or deficit of the investee or jointly controlled entity.***

***<u>An investor in a joint venture</u> is a party to a joint venture and does not have joint control over that joint venture.***

***<u>Joint control</u> is the agreed sharing of control over an activity by a binding arrangement and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).***

***A <u>joint venture</u> is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.***

***<u>Proportionate consolidation</u> is a method of accounting whereby a venturer's***

***share of each of the assets, liabilities, revenue and expenses of a jointly controlled entity is combined line-by-line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.***

***Separate financial statements** are those presented by a controlling entity, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on a basis of the direct interest in the net assets rather than on the basis of the reported results and net assets of the investees.*

***Significant influence** is the power to participate in the financial and operating policy decisions of an activity, but is not control or joint control over those policies.*

***A venturer is a party to a joint venture and has joint control over that joint venture.***

***Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.***

## Separate financial statements

.07 Financial statements in which proportionate consolidation or the equity method is applied are not separate financial statements, nor are the financial statements of an entity that does not have a controlled entity, associate or venturer's interest in a jointly controlled entity.

.08 Separate financial statements are those presented in addition to consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements need not be appended to, or accompany, those statements.

.09 Entities that are exempted from:

(a) consolidation in accordance with paragraph .15 of GRAP 6;

(b) applying the equity method in accordance with paragraph .18(b) of the Standard of GRAP on *Investments in Associates* (GRAP 7)*;* or

(c) applying proportionate consolidation or the equity method in accordance with paragraph .05

may present separate financial statements as their only financial statements.

## Binding arrangement

.10 The existence of a binding arrangement distinguishes interests that involve joint control from investments in associates where the investor has significant influence (see GRAP 7). For the purposes of this Standard, an arrangement includes all binding arrangements between venturers. That is, in substance, the arrangement confers similar rights and obligations on the parties to it as if it were in the form of a contract. For instance, two government departments may enter into a formal arrangement to undertake a joint venture but that arrangement is governed by legislation, ministerial order or similar means rather than a contractual arrangement directly between the two departments. Activities that have no binding arrangement to establish joint control are not joint ventures for the purposes of this Standard.

.11 The binding arrangement may be evidenced in a number of ways, for example by a contract between the venturers or minutes of discussions between the venturers. In some cases, the binding arrangement is incorporated in the enabling legislation, articles or other by-laws of the joint venture. Whatever its form, the binding arrangement is usually in writing and deals with such matters as:

(a) the activity, duration and reporting obligations of the joint venture;

(b) the appointment of the management of the joint venture and the voting rights of the venturers;

(c) capital contributions by the venturers; and

(d) the sharing by the venturers of the output, revenue, expenses, surpluses or deficits, or cash flows of the joint venture.

.12 The binding arrangement establishes joint control over the joint venture. Such a requirement ensures that no single venturer is in a position to control the activity unilaterally. The binding arrangement identifies those decisions in areas essential to the goals of the joint venture which require the consent of all the venturers and those decisions which may require the consent of a specified majority of the venturers.

.13 The binding arrangement may identify one venturer as the operator or manager of the joint venture. The operator does not control the joint venture but acts within the financial and operating policies that have been agreed by the venturers in accordance with the binding arrangement and delegated to the operator. If the operator has the power to govern the financial and operating policies of the activity, it controls the venture and the venture is a controlled entity of the operator and not a joint venture.

## Forms of joint venture

.14 Entities establish joint ventures to undertake a variety of activities. The nature of these activities ranges from commercial undertakings to provision of community services at no charge. The terms of a joint venture are set out in a contract or other binding arrangement and usually specify the initial contribution from each joint venturer and the share of revenues or other benefits (if any), and expenses of each of the joint venturers.

.15 Joint ventures take many different forms and structures. This Standard identifies three broad types — jointly controlled operations, jointly controlled assets and jointly controlled entities — that are commonly described as, and meet the definition of, joint ventures. The following characteristics are common to all joint ventures:

(a) two or more venturers are bound by a binding arrangement; and

(b) the binding arrangement establishes joint control.

### Joint control

.16 Joint control may be precluded when an investee is in legal reorganisation, is subject to an administrative restructuring of government arrangements, or operates under severe long-term restrictions on its ability to transfer funds to the venturer. If joint control is continuing, these events are not enough in themselves to justify not accounting for joint ventures in accordance with this Standard.

.17 Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

## Jointly controlled operations

.18 The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale or provision of the joint product or service and any expenses incurred in common are shared among the venturers.

.19 An example of a jointly controlled operation is when two or more venturers combine their operations, resources and expertise to manufacture, market and distribute jointly a particular product, such as aircraft. Different parts of the manufacturing process are carried out by each of the venturers. Each venturer bears its own costs and takes a share of the revenue from the sale of the aircraft, such share being determined in accordance with the arrangement. A further example is when two entities combine their operations, resources and expertise to jointly deliver a service, such as aged care where, in accordance with an agreement, a municipality offers domestic services and a hospital offers medical care. Each venturer bears its own costs and takes a share of revenue, such as user charges and government grants; such share being determined in accordance with the binding arrangement.

***.20 In respect of its interests in jointly controlled operations, a venturer shall recognise in its financial statements:***

***(a) the assets that it controls and the liabilities that it incurs; and***

***(b) the expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.***

.21 Because the assets, liabilities, revenue (if any) and expenses are recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

.22 Separate accounting records may not be required for the joint venture itself and financial statements may not be prepared for the joint venture. However, the venturers may prepare management accounts so that they may assess the performance of the joint venture.

## Jointly controlled assets

.23 Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred.

.24 These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits or service potential through its share of the jointly controlled asset.

.25 Some activities in the public sector involve jointly controlled assets. For example, a municipality may enter into an arrangement with a private sector corporation to construct a toll road. The road provides the citizens with improved access between the municipality's industrial estate and its port facilities. The road also provides the private sector corporation with direct access between its manufacturing plant and the port. The agreement between the municipality and the private sector corporation specifies each party's share of revenues and expenses associated with the toll road. Accordingly, each venturer derives economic benefits or service potential from the jointly controlled asset and bears an agreed proportion of the costs of operating the road. An example of a jointly controlled asset is when two entities jointly control a property, each taking a share of the rents received and bearing a share of the expenses.

***.26 In respect of its interest in jointly controlled assets, a venturer shall recognise in its financial statements:***

***(a) its share of the jointly controlled assets, classified according to the nature of the assets;***

***(b) any liabilities that it has incurred;***

***(c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;***

***(d) any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and***

***(e) any expenses that it has incurred in respect of its interest in the joint venture.***

.27 In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognises in its financial statements:

(a) its share of the jointly controlled assets, classified according to the nature of the assets rather than as an investment. For example, a share of a jointly controlled road is classified as property, plant and equipment;

(b) any liabilities that it has incurred, for example those incurred in financing its share of the assets;

(c) its share of any liabilities incurred jointly with other venturers in relation to the joint venture;

(d) any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and

(e) any expenses that it has incurred in respect of its interest in the joint venture, for example, those related to financing the venturer's interest in the assets and selling its share of the output.

.28 Because the assets, liabilities, revenue and expenses are recognised in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

.29 The treatment of jointly controlled assets reflects the substance and economic reality and, usually, the legal form of the joint venture. Separate accounting records for the joint venture itself may be limited to those expenses incurred in common by the venturers and ultimately borne by the venturers according to their agreed shares. Financial statements may not be prepared for the joint venture, although the venturers may prepare management accounts so that they may assess the performance of the joint venture.

## Jointly controlled entities

.30 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. The entity operates in the same way as other entities, except that a binding arrangement between the venturers establishes joint control over the activity of the entity.

.31 A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns revenue. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the surpluses of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.

.32 A common example of a jointly controlled entity is when two entities combine their activities in a particular line of service delivery by transferring the relevant assets and liabilities into a jointly controlled entity. Another example arises when an entity commences an operation in a foreign country in conjunction with a government or other agency in that country, by establishing a separate entity that is jointly controlled by the entity and the government or agency in the foreign country.

.33 Many jointly controlled entities are similar in substance to those joint ventures referred to as jointly controlled operations or jointly controlled assets. For example, the venturers may transfer a jointly controlled asset, such as a road, into a jointly controlled entity, for tax or other reasons. Similarly, the venturers may contribute into a jointly controlled entity's assets that will be operated jointly. Some jointly controlled operations also involve the establishment of a jointly controlled entity to deal with particular aspects of the activity, for example, the design, marketing, distribution or after-sales service of the product.

.34 A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other entities in conformity with Standards of GRAP or other accounting standards if appropriate.

.35 Each venturer usually contributes cash or other resources to the jointly controlled entity. These contributions are included in the accounting records of the venturer and recognised in its separate financial statements as an investment in the jointly controlled entity.

## Financial statements of a venturer

### Proportionate consolidation

***.36 A venturer shall recognise its interests in a jointly controlled entity using proportionate consolidation or the alternative method described in paragraph .44. When proportionate consolidation is used, one of the two reporting formats identified below shall be used.***

.37 A venturer recognises its interest in a jointly controlled entity using one of the two reporting formats for proportionate consolidation irrespective of whether it also has investments in controlled entities or whether it describes its financial statements as consolidated financial statements.

.38 When recognising an interest in a jointly controlled entity, it is essential that a venturer reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits or service potential through its share of the assets and liabilities of the venture. This substance and economic reality are reflected in the consolidated financial statements of the venturer when the venturer recognises its interests in the assets, liabilities, revenue and expenses of the jointly controlled entity by using one of the two reporting formats for proportionate consolidation described in paragraph .40.

.39 The application of proportionate consolidation means that the statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The statement of financial performance of the venturer includes its share of the revenue and expenses of the jointly controlled entity. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in controlled entities, which are set out in GRAP 6.

.40 Different reporting formats may be used to give effect to proportionate consolidation. The venturer may combine its share of each of the assets, liabilities, revenue and expenses of the jointly controlled entity with the similar items, line-by-line, in its financial statements. For example, it may combine its share of the jointly controlled entity's inventory with its inventory and its share of the jointly controlled entity's property, plant and equipment with its property, plant and equipment. Alternatively, the venturer may include separate line items for its share of the assets, liabilities, revenue and expenses of the jointly controlled entity in its financial statements. For example, it may show its share of a current asset of the jointly controlled entity separately as part of its current assets; it may show its share of the property, plant and equipment of the jointly controlled entity separately as part of its property, plant and equipment. Both these reporting formats result in the reporting of identical amounts of surplus and deficit and of each major classification of assets, liabilities, revenue and expenses; both formats are acceptable for purposes of this Standard.

.41 Whichever format is used to give effect to proportionate consolidation, it is inappropriate to offset any assets or liabilities by the deduction of other liabilities or assets or any revenue or expenses by the deduction of other expenses or revenue, unless a legal right of set-off exists and the offsetting represents the expectation as to the realisation of the asset or the settlement of the liability.

***.42 A venturer shall discontinue the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.***

.43 A venturer discontinues the use of proportionate consolidation from the date on which it ceases to share in the control of a jointly controlled entity. This may happen, for example, when the venturer disposes of its interest or when such external restrictions are placed on the jointly controlled entity that the venturer no longer has joint control.

**Equity method**

***.44 As an alternative to proportionate consolidation described in paragraph .36, a venturer shall recognise its interest in a jointly controlled entity using the equity method.***

.45 A venturer recognises its interest in a jointly controlled entity using the equity method irrespective of whether it also has investments in controlled entities or whether it describes its financial statements as consolidated financial statements.

.46 Some venturers recognise their interests in jointly controlled entities using the equity method, as described in GRAP 7. The use of the equity method is supported by those who argue that it is inappropriate to combine controlled items with jointly controlled items and by those who believe that venturers have significant influence, rather than joint control, in a jointly controlled entity. This Standard does not recommend the use of the equity method because proportionate consolidation better reflects the substance and economic reality of a venturer's interest in a jointly controlled entity, that is to say, control over the venturer's share of the future economic benefits or service potential. Nevertheless, this Standard permits the use of the equity method, as an alternative treatment, when recognising interests in jointly controlled entities.

***.47 A venturer shall discontinue the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.***

**Exceptions to proportionate consolidation and equity method**

***.48 When an investor ceases to have joint control over an entity it shall account for any remaining investment in accordance with GRAP 104 from that date, provided that the former jointly controlled entity does not become a controlled entity or associate. From the date when a jointly controlled entity becomes a controlled entity of an investor, the investor shall account for its interest in accordance with GRAP 6. From the date when a jointly controlled entity becomes an associate of an investor, the investor shall account for its interest in accordance GRAP 7. On the loss of joint control, the investor shall measure at fair value any investment the investor retains in the former jointly controlled entity. The investor shall recognise in surplus or deficit any difference between:***

***(a) the fair value of any retained investment and any proceeds from disposing of the part of interest in the jointly controlled entity; and***

***(b) the carrying amount of the investment at the date when joint control is lost.***

***.49 When an investment ceases to be a jointly controlled entity and is accounted for in accordance with GRAP 104, the fair value of the investment when it***

***ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with GRAP 104.***

.50 If an investor loses joint control of an entity, the investor shall account for all amounts recognised in net assets in relation to that entity on the same basis as would be required if the jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in net assets is required to be reclassified to surplus or deficit on the disposal of the related assets or liabilities, the investor reclassifies the gain or loss from net assets to surplus or deficit (as a reclassification adjustment) when the investor loses joint control of the entity. If an investor's ownership interest in a jointly controlled entity is reduced, but the investment continues to be a jointly controlled entity, the investor shall reclassify to surplus or deficit only a proportionate amount of the gain or loss previously recognised in net assets.

### Separate financial statements of a venturer

***.51 An interest in a jointly controlled entity shall be accounted for in a venturer's separate financial statements in accordance with paragraphs .59 to .64 of GRAP 6.***

.52 This Standard does not mandate which entities produce separate financial statements available for public use.

## Transactions between a venturer and a joint venture

***.53 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. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognise only that portion of the gain or loss that is attributable to the interests of the other venturers. The venturer shall recognise the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.***

***.54 When a venturer purchases assets from a joint venture, the venturer shall not recognise its share of the surpluses of the joint venture from the transaction until it resells the assets to an independent party. A venturer shall recognise its share of the losses resulting from these transactions in the same way as surpluses except that losses shall be recognised immediately when they represent a reduction in the net realisable value of current assets or an impairment loss.***

.55 To assess whether a transaction between a venturer and a joint venture provides evidence of impairment of an asset, the venturer determines the recoverable amount or the recoverable service amount of the assets in accordance with the Standards of GRAP on *Impairment of Cash-generating Assets* or *Impairment of Non-cash-generating Assets* (GRAP 21).

.56 In determining value in use of a cash generating asset, the venturer estimates future cash flows from the asset on the basis of continuing use of the asset and its ultimate disposal by the joint venture.

.57 In determining the value in use of a non-cash-generating asset, the venturer estimates the present value of the remaining service potential of the asset using the approaches specified in GRAP 21.

## Reporting interests in joint ventures in the financial statements of an investor

***.58 An investor in a joint venture that does not have joint control shall account for that investment in accordance with GRAP 104 or, if it has significant influence in the joint venture in accordance with GRAP 7.***

## Operators of joint ventures

***.59 Operators or managers of a joint venture shall account for any fees in accordance with the Standard of GRAP on Revenue from Exchange Transactions.***

.60 One or more venturers may act as the operator or manager of a joint venture. Operators are usually paid a management fee for such duties. The fees are accounted for by the joint venture as an expense.

## Disclosure

***.61 A venturer shall disclose the aggregate amount of the following contingent liabilities, unless the probability of any outflow in settlement is remote, separately from the amount of other contingent liabilities:***

***(a) any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers;***

***(b) its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and***

***(c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.***

***.62 A venturer shall disclose the aggregate amount of the following contingent assets and, where practicable, an estimate of their financial effect, where an inflow of economic benefits or service potential is probable:***

*(a) any contingent assets of the venturer arising in relation to its interests in joint ventures and its share in each of the contingent assets that have arisen jointly with other venturers; and*

*(b) its share of the contingent assets of the joint ventures themselves.*

***.63 A venturer shall disclose the aggregate amount of the following commitments, in respect of its interests in joint ventures, separately from other commitments:***

***(a) any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and***

***(b) its share of the capital commitments of the joint ventures themselves.***

***.64 A venturer shall disclose a listing and description of interests in significant joint ventures, the proportion of ownership interest held in jointly controlled entities together with their reporting dates if the reporting dates are different from that of the venturer. A venturer that recognises its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, revenue and expenses related to its interest in joint ventures.***

***.65 A venturer shall disclose the method it uses to recognise its interests in jointly controlled entities.***

***.66 A venturer shall also disclose the following:***

***(a) the amounts relating to any significant unadjusted transactions or events occurring between the reporting date of the venturer and the reporting date of the joint venture;***

***(b) the period for which the results of operations of the joint venture are included in the statement of financial performance;***

***(c) the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of the joint venture to transfer funds to the investor in the form of cash dividends or similar distributions, or repayment of loans or advances; and***

***(d) a description of any interests in joint ventures that are acquired exclusively with a view to their subsequent disposal, the rationale for such an acquisition, as well as a description of the intended disposal.***

# Transitional provisions

## Initial adoption of the Standards of GRAP

.67 ***The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.***

## Amendments to the Standards of GRAP

.68 ***Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after 1 April 2015. If an entity elects to apply these amendments earlier, it shall disclose this fact.***

.69 ***The Standards of GRAP on Transfer of Functions Between Entities Under Common Control (GRAP 105), Transfer of Functions Between Entities Not Under Common Control (GRAP 106) and Mergers (GRAP 107) added paragraph .48 and amended paragraphs .49 and .50. An entity shall apply these amendments and addition when it applies GRAP 105, GRAP 106 and GRAP 107.***

.70 ***Any other amendments to the Standards of GRAP shall be applied retrospectively in accordance with the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.***

# Effective date

## Initial adoption of the Standards of GRAP

.71 ***An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.***

## Entities already applying Standards of GRAP

.72 ***An entity shall apply amendments to this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2015, it shall disclose that fact.***

# Withdrawal of the Standard of GRAP on *Interests in Joint Ventures* (2005)

.73 This Standard supersedes the Standard of GRAP on *Interests in Joint Ventures* issued in 2005.

# Comparison with the International Public Sector Accounting Standard on *Interests in Joint Ventures* (December 2006)

This Standard is drawn primarily from the International Public Sector Accounting Standard on *Interests in Joint Ventures* (IPSAS 8). The main differences between this Standard and IPSAS 8 are as follows:

- An objective paragraph has been included in this Standard whereas IPSAS 8 does not contain one.
- The definition of separate financial statements is slightly different to the IPSAS in how this definition refers to an interest in the net assets of an entity.
- IPSAS 8 describes the residual of total assets after deducting total liabilities as “net assets/equity” whereas this Standard refers to “net assets”.
- IPSAS 8 excludes those investments from proportionate consolidation or equity accounting where control is temporary and the asset is to be disposed of within the near future. This Standard requires that they be equity accounted and that information about such investments be disclosed in the financial statements.
- This Standard incorporates the changes made to the International Accounting Standard® on *Investments in Associates* (except those related to comprehensive income in the International Accounting Standard® on *Presentation of Financial Statements* (2007)) as a result of changes made by the International Accounting Standards Board® to the International Accounting Standard® on *Consolidated and Separate Financial Statements*.
- Guidance on the treatment of goodwill related to the acquisition of an associate differs from the guidance prescribed in IPSAS 8.
- This Standard includes additional disclosure requirements adopted from the equivalent New Zealand Standard to enhance the reporting of interests in jointly controlled entities.
- Transitional provisions applicable to this Standard are dealt with differently than in IPSAS 8.