LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA
MALAYSIAN ACCOUNTING STANDARDS BOARD

MASB Standard 16

Financial Reporting of Interests in Joint Ventures

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Financial Reporting of Interests in Joint Ventures

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Financial Reporting of Interests in Joint Ventures

The standards, which have been set in the bold type, should be read in the context of the background material and implementation guidance in this Standard, and in the context of the Foreword to MASB Standards. MASB Standards are not intended to apply to immaterial items.

Objective

The objective of this Standard is to prescribe the appropriate accounting treatments for interests in joint ventures and the reporting of interests in joint ventures in the financial statements of venturers and investors. The Standard also provides guidance on the proper accounting treatment for transactions between a venturer and a joint venture and the fees paid by a joint venture to one or more venturers who may act as the operator or manager.

Scope

1. This Standard should be applied in accounting for interests in joint ventures in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.

2. This Standard supersedes MASB Approved Accounting Standard IAS 31, Financial Reporting of Interests in Joint Ventures.

Definitions

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

Control (for the purpose of this Standard) is the power to govern the financial and operating policies of an economic activity/ enterprise so as to obtain benefits from it.

Equity method is a method of accounting and reporting whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The income statement reflects the venturer's share of the results of operations of the jointly controlled entity.

Investor in a joint venture is a party to the joint venture and does not have joint control over that joint venture.

Joint control is the contractually agreed sharing of control over an economic activity. Joint control over an economic activity exists when two or more parties (venturers) must consent to all major strategic decisions.

Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

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

Venturer is a party to a joint venture and has joint control over that joint venture.

4. The existence and form of control is important in the determination of the appropriate treatment of joint venture investments. Control involves the presence of a non-shared decision-making ability that enables the holder/investor to guide the on-going activities of its investment. Further, control gives the holder the power to increase the benefits that it derives and limit the losses it suffers from the activities of that investment. Joint control exists when no party in a venture is in a position to control unilaterally the economic activity, that is, no single party has the capacity to dominate the financing and operating decisions. Joint control will in fact exist where two or more parties together have the capacity to dominate the major decisions. The right of joint control gives the investor much more than a non-controlling interest, however, it does not give the investor the ability to control the individual assets or activities, nor does it make the investor primarily responsible for any liabilities of the venture. The underlying principles of the above discussion are considered to be consistent with those of MASB 11, Consolidated Financial Statements and Investments in Subsidiaries.

Forms of Joint Venture

5. Joint ventures take many different forms and structures. This Standard identifies three broad types - jointly controlled operations, jointly controlled assets and jointly controlled entities - which 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 contractual arrangement; and

(b) the contractual arrangement establishes joint control.

Contractual Arrangement

6. The existence of a contractual arrangement distinguishes interests which involve joint control from investments in associates in which the investor has significant influence (see MASB 12, Investments in Associates). Activities that have no contractual arrangement to establish joint control are not joint ventures for the purposes of this Standard.

7. The contractual 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 arrangement is incorporated in the articles or other by-laws of the joint venture. Whatever its form, the contractual 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 board of directors or equivalent governing body 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, income, expenses or results of the joint venture.

8. The contractual arrangement establishes joint control over the joint venture. As noted in paragraph 4, such an arrangement ensures that no single venturer is in a position to control unilaterally the activity. The 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.

9. The contractual 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 which have been agreed upon by the venturers in accordance with the contractual

arrangement and delegated to the operator. If the operator has the power to govern the financial and operating policies of the economic activity, it controls the venture and the venture is a subsidiary of the operator and not a joint venture.

Jointly Controlled Operations

10. 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 of the joint product and any expenses incurred in common are shared among the venturers.

11. An example of a jointly controlled operation is when two or more venturers combine their operations, resources and expertise in order to manufacture, market and distribute jointly a particular product, such as an 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 contractual arrangement.

12. In respect of its interests in jointly controlled operations, a venturer should recognise in its separate financial statements and consequently in its consolidated 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 income that it earns from the sale of goods or services by the joint venture.

13. Because the assets, liabilities, income and expenses are already recognised in the separate financial statements of the venturer, and consequently in its consolidated financial statements, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

14. 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

15. 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.

16. In meeting the requirements of paragraph 20, a question may arise as to how to describe the asset in the balance sheet of the venturer as it might be argued that the joint ownership of an asset does not technically meet the definition of an asset on the basis that control is absent. However, there is a distinction between the property/asset and the reporting venturer's rights in it. The reporting venturer's asset is its contractual joint ownership rights which it can determine how to use, for example, it may decide to sell, hold, or pledge them as collateral.

17. In the case of a liability, regardless of whether it is financing joint venture assets, the treatment of a joint liability will be dependent upon whether the liability is the primary responsibility of the venturer. If the liability is the primary responsibility of a separate joint venture enterprise, it should be reported as such. Should the reporting venturer be secondarily liable for the balance (e.g as a guarantor for default), it should appropriately account for and disclose this guarantee. Where the contractual agreement means that the venturer is jointly and severally liable, it would be expected that the venturer would include in its balance sheet the portion for which it has primary responsibility. The portion for which it is secondarily liable should be accounted as a guarantee (contingent liability).

18. 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 through its share in the jointly controlled asset.

19. Many activities in the oil, gas and mineral extraction industries involve jointly controlled assets. For example, a number of oil production companies may jointly control and operate an oil pipeline. Each venturer uses the pipeline to transport its own product in return for which it bears an agreed proportion of the expenses of operating the pipeline. Another example of a jointly controlled asset is when two enterprises jointly control a property, each taking a share of the rents received and bearing a share of the expenses.

20. In respect of its interest in jointly controlled assets, a venturer should recognise in its separate financial statements and consequently in its consolidated financial statements:

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

(b) any liabilities which it has incurred;

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

(d) any income 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 which it has incurred in respect of its interest in the joint venture.

21. In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognises in its separate financial statements and consequently in its consolidated 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 oil pipeline is classified as property, plant and equipment;

(b) any liabilities which 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 income 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 which 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.

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

22. The treatment of jointly controlled assets reflects the substance and economic reality and, usually, the legal form of the joint venture. Therefore, in the case of matters such as an undivided interest in a jointly controlled asset, i.e. an interest in which two or more parties jointly own property in which there is unity of possession, but separate and distinct titles, it should be accounted for as a jointly controlled asset regardless of whether it takes an unincorporated or incorporated form.

23. 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

24. 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 enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

25. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns income. 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 results of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.

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

27. Many jointly controlled entities may be similar 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 an oil pipeline, into a jointly controlled entity, for tax or other reasons. Similarly, the venturers may contribute into a jointly controlled entity 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.

28. A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other enterprises in conformity with the requirements of the Companies Act 1965 (or any other relevant legislation) and MASB Standards.

29. 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.

Consolidated Financial Statements of a Venturer

30. In preparing their consolidated financial statements venturers have adopted a variety of methods to report their interests in jointly controlled entities. Some venturers have reported their interests in jointly controlled entities using the equity method. 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. Alternatively, other venturers have reported their interests in jointly controlled entities using the proportionate consolidation method. This approach has been adopted on the premise that a venturer has control over its share of future economic benefits through its share of the assets and liabilities of the venture.

31. Consistent with the discussion of control and joint control contained in paragraph 4, where it is argued that the venturer is restricted to a situation of joint control, the approach adopted in this Standard is that the application of the proportionate consolidation method to the reporting of interests in joint ventures is inappropriate as, by definition, the individual venturer does not have control over the jointly controlled entity.

32. In reality, the venturer controls only its investment in a joint venture enterprise. It does not control but only shares control over the individual assets of the joint venture. To adopt the proportionate consolidation method for recognising interests would result in the venturer recording items in the consolidated financial statements over which it does not have unilateral control. The investment in a joint venture gives the venturer only joint direction of the venture's assets and any returns made upon them. Similarly, the application of proportionate consolidation could lead to the inclusion of liabilities in an enterprise's balance sheet that were not a present obligation of the venturer.

33. The concept of control is fundamental to determining the consolidated reporting enterprise. The use of proportionate consolidation to recognise an interest in a jointly controlled entity is regarded as being inconsistent with the principles applied in MASB 11, Consolidated Financial Statements and Investments in Subsidiaries, where subsidiaries are consolidated on the basis of control and such control is implied as being unilateral control. A weakened or diluted control may be regarded as significant influence. Therefore, the absence of unilateral control provides grounds for the prohibition of proportionate consolidation to account for the interests in jointly controlled entities.

34. An enterprise that prepares consolidated financial statements should report its interest in a jointly controlled entity using:

(a) the equity method in its consolidated financial statements; and

(b) the cost or revalued amount in its own financial statements.

35. Application of the equity method will mean that the investment in the jointly controlled entity is initially recorded at cost and the carrying amount is subsequently adjusted to recognise the venturer's share of the profits and losses of the jointly controlled entity. The income statement of the venturer should reflect the venturer's share of the results of operations of the jointly controlled entity, as described in MASB 12, Investments in Associates.

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

37. A venturer discontinues the use of the equity method from the date on which it ceases to exert significant influence over or share in the control of a jointly controlled entity respectively. This may happen, for example, when the venturer disposes of its interest or when external restrictions are placed on the jointly controlled entity such that it can no longer achieve its goals.

38. A venturer that does not prepare consolidated financial statements should measure its interest in a jointly controlled entity at cost or revalued amount under the accounting policy for long-term investments (see MASB Approved Accounting Standard IAS 25, Accounting for Investments). The venturer should disclose in the notes to the financial statements the effect had the equity method been applied.

39. A venturer may not issue consolidated financial statements because it does not have any subsidiaries. It is appropriate, however, that the venturer provides the same level of information about its investment in a jointly controlled entity as those enterprises that issue consolidated financial statements.

40. A venturer should account for the following interests as if they are investments in accordance with MASB Approved Accounting Standard IAS 25, Accounting for Investments when:

(a) an interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future; and

(b) an interest in a jointly controlled entity operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer.

41. The use of the equity method is inappropriate when the interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future. An interest held exclusively with a view to its subsequent disposal in the near future implies an interest for which a purchaser has been identified or is being sought and is reasonably expected to be disposed of within approximately one year of its date of acquisition (or beyond that) if, at the date the financial

statements are authorised, the terms of the sale have been agreed and the process of disposing that interest is substantially complete. It is also inappropriate when the jointly controlled entity operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer.

42. **From the date on which a jointly controlled entity becomes a subsidiary of a venturer, the venturer accounts for its interest in accordance with MASB 11, Consolidated Financial Statements and Investments in Subsidiaries.**

43. In such circumstances the application of this Standard is no longer appropriate as the entity is now the subject of individual control by the parent enterprise, not joint control, and should be accounted for in the same manner as any other subsidiary under MASB 11.

Transactions between a Venturer and a Joint Venture

44. **When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction should 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 should recognise only that portion of the gain or loss which is attributable to the interests of the other venturers. The venturer should 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.**

45. In applying paragraph 44 to non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity, a venturer should recognise in the income statement for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

(a) the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the jointly controlled entity;

(b) the gain or loss on the non-monetary contribution cannot be measured reliably; or

(c) the non-monetary assets contributed are similar to those contributed by the other venturers. Non-monetary assets are similar to those contributed by other venturers when they have a similar nature, a similar use in the same line of business and a similar fair value. A contribution meets the similarity test only if all of the significant component assets thereof are similar to those contributed by the other venturers.

Where any of the exceptions (a) through (c) apply, the gain or loss would be considered unrealised and would therefore not be recognised in the income statement unless paragraph 46 also applies.

46. If, in addition to receiving an equity interest in the jointly controlled entity, a venturer receives monetary or non-monetary assets dissimilar to those it contributed, an appropriate portion of gain or loss on the transaction should be recognised by the venturer in the income statement.

47. Unrealised gains or losses on non-monetary assets contributed to jointly controlled entities should be eliminated against the investment under the equity method. Such unrealised gains or losses should not be presented as deferred gains or losses in the venturer's consolidated balance sheet.

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

49. 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 of the asset in accordance with generally accepted accounting principles on impairment of assets. In determining value in use, future cash flows from the asset are estimated based on continuing use of the asset and its ultimate disposal by the joint venture.

Reporting Interests in Joint Ventures in the Financial Statements of an Investor

50. An investor in a joint venture, which does not have joint control, should report its interest in a joint venture in accordance with MASB Approved Accounting Standard IAS 25, Accounting for Investments, or, if it has significant influence in the joint venture, in accordance with MASB 12, Investments in Associates.

51. The requirement that the interest of an investor in a joint venture, which does not have joint control, is reported in accordance with MASB Approved Accounting Standard IAS 25, Accounting for Investments, or, if the investor has significant influence in the joint venture, in accordance with MASB 12, Investments in Associates, enhances the consistency of treatments of investments in the financial statements of investors.

Operators of Joint Ventures

52. Operators or managers of a joint venture should account for any fees in accordance with MASB 9, Revenue.

53. 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.

Accounting Policies and Reporting Dates

54. The financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the financial statements which include interests in a joint venture, that fact should be disclosed together with the proportions of the items in the financial statements to which the different accounting policies have been applied.

55. In many cases, if different accounting policies are used for like transactions and events in similar circumstances, appropriate adjustments are made to the financial statements when preparing the financial statements involving interests in a joint venture.

56. The venturer uses the most recent available financial statements of the joint venture. These are usually drawn up to the same reporting date as the financial statements of the venturer. When the reporting dates of the joint venture and the venturer are different, the joint venture often

prepares, for use of the venturer, statements as at the same date as the financial statements of the venturer. When it is impracticable to do this, financial statements drawn up to a different reporting date may be used. The consistency principle dictates that the length of the reporting periods and any difference in the reporting dates, are consistent from period to period.

57. When the financial statements used in reporting the joint venture interests are prepared on different reporting dates, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the joint venturer's financial statements. In any case, the difference between reporting dates should be no more than three months.

Disclosure

58. A venturer should disclose the aggregate amount of the following contingent liabilities, unless the probability of loss 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 which 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.

59. In accordance with MASB 1, Presentation of Financial Statements, a venturer should 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.

60. A venturer should disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. When reporting its interests in jointly controlled entities a venturer should disclose the aggregate amount of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.

61. When reporting assets and liabilities, income and expenses of joint ventures, it is expected that these amounts will be aggregated and need not be separately disclosed for each individual joint venture.

62. A venturer which does not issue consolidated financial statements, because it does not have subsidiaries, should disclose the information required in paragraphs 58, 59 and 60.

63. It is appropriate that a venturer which does not prepare consolidated financial statements because it does not have subsidiaries provides the same information about its interests in joint ventures as those venturers that issue consolidated financial statements.

Transitional Provision

64. An enterprise should apply the accounting policies required by this Standard as at the beginning of the financial year to which this Standard is first applied.Where an enterprise has previously accounted for any interest in a joint venture as a subsidiary, on adoption of this Standard, the enterprise should cease to consolidate the joint venture and apply the effects of the change retrospectively.

65. The carrying amount of an investment in a joint venture entity must be adjusted as at the beginning of the financial year to which this Standard is first applied, to that amount that would have been the carrying amount had the requirements of this Standard been applicable from the acquisition date of the investment in the joint venture entity. The amount of this adjustment that relates to:

(a) the accumulated share of the operating results (profits or losses) of joint venture entities since acquisition date must be adjusted against retained profits or accumulated profits or accumulated losses of the venturer;

(b) increments or decrements in reserves of joint venture entities other than retained profits or accumulated losses since acquisition date must be adjusted against the reserves of the venturer.

66. Where the carrying amount of an investment in a joint venture entity has been revalued prior to the beginning of the financial year to which this Standard is first applied, the carrying amount of the investment must be adjusted against the asset revaluation reserve attributable to the investment to remove the effects of the revaluation prior to implementing the requirements as explained in paragraph 65. Where the amount of the asset revaluation reserve attributable to the investment has previously been used, the amount of the adjustment must be made against retained profits or accumulated losses at the beginning of the financial year to which this is first applied.

67. The purpose of the adjustment to remove the effects of revaluations is to ensure that amounts attributable to the venturer's share of the post-acquisition profits or losses recognised by the joint venture entity are included in retained profits or accumulated losses of the venturer and not included in other reserves. Adjustments to achieve this outcome are necessary irrespective of the method of accounting previously applied in respect of the investment in a joint venture entity.

68. Where the retrospective application of this Standard is not practicable, the carrying amount of an investment in a joint venture entity at the beginning of the financial year to which this Standard is first applied is deemed to have been determined in accordance with this Standard.

Effective Date

69. This MASB Standard becomes operative for financial statements covering periods beginning on or after 1 July 2000.

Appendix 1

Compliance with International Accounting Standards

As at the date of issue of this Standard, compliance with this Standard will ensure in all material respects conformity with International Accounting Standard IAS 31(revised 1998), Financial Reporting of Interests in Joint Ventures. However, the MASB has confined the method of reporting a venturer's interests in jointly controlled entities to the equity method whereas IAS 31 permits the use of proportionate consolidation and equity method.

In addition, this Standard requires a venturer to recognise any interests in jointly controlled entities at cost or revalued amount in its individual financial statements. Where no consolidated financial statements are prepared a venturer should disclose the effect had the equity method been applied. IAS 31 is silent in respect of these matters.

This Standard requires that an investor should recognise an interest in a joint venture on the basis of MASB Approved Accounting Standard IAS 25, Accounting for Investments whereas IAS 31, Financial Reporting of Interests in Joint Ventures requires application of IAS 39, Financial Instruments: Recognition and Measurement.