ASC
ACCOUNTING STANDARDS COUNCIL

24 March 2008

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: iasb@iasb.org)

Dear Sir

RESPONSE TO EXPOSURE DRAFT 9 JOINT ARRANGEMENTS

1. The Accounting Standards Council (ASC) appreciates the opportunity to comment on the Exposure Draft *9 Joint Arrangements* (ED 9) issued by the International Accounting Standards Board (IASB) in September 2007. Please refer to our comments to the following questions raised in ED 9.

Question 1 - Definitions and terminology

The exposure draft proposes that the IFRS should be applied to arrangements in which decisions are shared by the parties to the arrangement. The exposure draft identifies three types of joint arrangement - joint operations, joint assets and joint ventures. A party to an arrangement may have an interest in a joint operation or joint asset, as well as an interest in a joint venture. Joint ventures are subject to joint control (see paragraphs 3 - 6 and 8 - 20 and Appendix A of the draft IFRS and paragraphs BC16 - BC18 of the Basis for Conclusions).

Question 1: Do you agree with the proposal to change the way joint arrangements are described? If not, why?

We agree with the proposal.

Questions 2 and 3 - Accounting for joint arrangements

The exposure draft proposes:

- that the form of the arrangement should not be treated as the most significant factor in determining the accounting.
- that a party to a joint arrangement should recognise its contractual rights and obligations (and the related income and expenses) in accordance with applicable IFRSs.

- that a party should recognise an interest in a joint venture (ie an interest in a share of the outcome generated by the activities of a group of assets and liabilities subject to joint control) using the equity method. Proportionate consolidation would not be permitted.

(See paragraphs 3 - 7 and 21 - 23 of the draft IFRS and paragraphs BC5 - BC15 of the Basis for Conclusions.)

Question 2: Do you agree that a party to a joint arrangement should recognise its contractual rights and obligations relating to the arrangement? If so, do you think that the proposals in the exposure draft are consistent with and meet this objective? If not, why? What would be more appropriate?

We agree that a party to a joint arrangement should recognise its contractual rights and obligations relating to the arrangement. The proposals in the exposure draft are consistent with and meet this objective.

Question 3: Do you agree that proportionate consolidation should be eliminated, bearing in mind that a party would recognise assets, liabilities, income and expenses if it has contractual rights and obligations relating to individual assets and liabilities of a joint arrangement? If not, why?

We agree that proportionate consolidation should be eliminated. However, we note that disclosure of capital commitments is not required by IAS 28 *Investments in Associates* in respect of associates and hence should not be required for joint arrangements.

Questions 4 - 6 - Disclosure

The exposure draft proposes:

- to require an entity to describe the nature of operations it conducts through joint arrangements (see paragraph 36 of the draft IFRS and paragraph BC22 of the Basis for Conclusions).

- to align the disclosures required for joint ventures with those required for associates in IAS 28 *Investments in Associates* (see paragraphs 39 - 41 of the draft IFRS and paragraph BC23 of the Basis for Conclusions).

- to require the disclosure of summarised financial information for each individually material joint venture and in total for all other joint ventures (see paragraph 39(b) of the draft IFRS and paragraph BC13 of the Basis for Conclusions).

- as consequential amendments to IAS 27 *Consolidated and Separate Financial Statements* and IAS 28, to require disclosure of a list and description of significant subsidiaries and associates. Those disclosure requirements were deleted in 2003 as part of the Improvements project. However, the Board understands from users that such disclosures are useful.

- as a consequential amendment to IAS 28, to require disclosure of current and non-current assets and current and non-current liabilities of an entity's associates. The proposed IFRS would require disclosure of current and non-current amounts, whereas IAS 28 currently requires disclosure of total assets and total liabilities.

Question 4: Do you agree with the disclosures proposed for this draft IFRS? If not, why? Are there any additional disclosures relating to joint arrangements that would be useful for users of financial statements?

We agree with the proposed disclosures.

Question 5: Do you agree with the proposal to restore to IAS 27 and IAS 28 the requirements to disclose a list and description of significant subsidiaries and associates? If not, why?

We agree with the proposal.

Question 6: Do you agree that it is more useful to users if an entity discloses current and non-current assets and liabilities of associates than it is if the entity discloses total assets and liabilities? If not, why?

We agree that it is more useful to users if an entity discloses current and non-current assets and liabilities of associates than it is if the entity discloses total assets and liabilities.

Other Comments

We would also like to comment on the following areas:

<u>Draft Illustrative Examples ED 9</u>

a. **For each of the illustrative examples, it would be helpful to users to include the related illustrative disclosures individually by example instead of grouping them under a separate Example 7.**

b. **IE 64 "…The Company's net interest in the joint venture is CU2,000. The Company's share of profit is CU900…" where the disclosure is the Company's net interest in the joint venture appears to contradict the requirements of paragraph 39(b) of ED 9 which states a venturer shall disclose "for each individually material joint venture,…,the venturer's interest in the amount of each (i) current assets, (ii) non-current assets, (iii) current liabilities, (iv) non-current liabilities, (v) revenues, and (vi) profit or loss."**

2. Should you require any further clarification, please kindly contact me.

Thank you.

Yours faithfully,

Dexter Tan
Secretary, Accounting Standards Council