PBE IPSAS 8 Interests in Joint Ventures – Differences to NZ IFRS (PBE)

	NZ IAS 31 (PBE)	PBE IPSAS 8	Difference
1	NZ IAS 31 (PBE) defines a joint venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is defined as the contractually agreed sharing of control over an economic activity, 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). NZ IAS 31.3	PBE IPSAS 8 defines a joint venture as a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is defined as the agreed sharing of control over an activity by a binding arrangement but does not require the additional criterion of unanimous consent with respect to decisions. Consent requirements in relation to strategic, financial and operating decisions will be dictated by the binding arrangement. PBE IPSAS 8.6	In some jurisdictions, the reporting entity cannot formally enter into a contract because it is not a legal entity. Commonly however, such entities are able to enter into binding arrangements which have the characteristics of a contract. As a result, references in IPSAS to contracts usually also refer to binding arrangements. This additional reference is not expected to impact on NZ financial reporting practice. The removal of the requirement for unanimous consent with respect to decisions could imply a broader definition of “joint control” and could mean that more arrangements fall within the scope of PBE IPSAS 8.
2	NZ IAS prescribes how to account for a change in the investment in a jointly controlled entity where the entity becomes a subsidiary or an associate. Where it does not become either of these, NZ IAS 31 (PBE) states that the remaining investment should be accounted for in accordance with NZ IAS 39 (PBE) *Financial Instruments: Recognition and Measurement* NZ IAS 31.45	PBE IPSAS 8 also prescribes how to account for a change in the investment in a jointly controlled entity where the entity becomes a subsidiary or an associate. However, where neither of these outcomes apply, it does not explicitly require that PBE IPSAS 29 *Financial Instruments Recognition and Measurement* is followed. PBE IPSAS 8.51	While the guidance in the PBE standard is less prescriptive we would not expect any change to the current practice under NZ IFRS PBE.