
**INTERPRETATION OF
STATUTORY BOARD
FINANCIAL
REPORTING STANDARD**

INT SB-FRS 13

**Jointly Controlled Entities— Non-Monetary
Contributions by Venturers**

This version of the Interpretation of Statutory Board Financial Reporting Standard does not include amendments that are effective for annual periods beginning after 1 January 2013.

Interpretation of Statutory Board Financial Reporting Standard 13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* (INT SB-FRS 13) is set out in paragraphs 5–7. The scope and authority of Interpretations are set out in the *Preface to the Interpretations of Statutory Board Financial Reporting Standards*.

Interpretation of Statutory Board Financial Reporting Standard 13

Jointly Controlled Entities— Non-Monetary Contributions by Venturers

References

- SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- SB-FRS 16 *Property, Plant and Equipment*
- SB-FRS 18 *Revenue*
- SB-FRS 31 *Interests in Joint Ventures*

Issue

- 1 SB-FRS 31.48 refers to both contributions and sales between a venturer and a joint venture as follows: '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'. In addition, SB-FRS 31.24 says that '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'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').
- 2 Contributions to a JCE are transfers of assets by venturers in exchange for an equity interest in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').
- 3 The issues are:
 - (a) when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an equity interest in the JCE should be recognised by the venturer in profit or loss;
 - (b) how additional consideration should be accounted for by the venturer; and
 - (c) how any unrealised gain or loss should be presented in the consolidated financial statements of the venturer.
- 4 This Interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE that is accounted for using either the equity method or proportionate consolidation.

Consensus

- 5 In applying SB-FRS 31.48 to non-monetary contributions to a JCE in exchange for an equity interest in the JCE, a venturer shall recognise in profit or loss 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 JCE; or
 - (b) the gain or loss on the non-monetary contribution cannot be measured reliably; or
 - (c) the contribution transaction lacks commercial substance, as that term is described in SB-FRS 16.
- If exception (a), (b) or (c) applies, the gain or loss is regarded as unrealised and therefore is not recognised in profit or loss unless paragraph 6 also applies.
- 6 If, in addition to receiving an equity interest in the JCE, a venturer receives monetary or non-monetary assets, an appropriate portion of gain or loss on the transaction shall be recognised by the venturer in profit or loss.
- 7 Unrealised gains or losses on non-monetary assets contributed to JCEs shall be eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. Such unrealised gains or losses shall not be presented as deferred gains or losses in the venturer's consolidated statement of financial position.

Effective date

- 8 This Interpretation becomes effective for annual financial periods beginning on or after 1 January 2006. Changes in accounting policies shall be accounted for in accordance with SB-FRS 8.
- 9 The amendments to the accounting for the non-monetary contribution transactions specified in paragraph 5 shall be applied prospectively to future transactions.