

Wayne Upton  
Chairman  
IFRS Interpretations Committee  
30 Cannon Street  
London  
United Kingdom  
EC4M 6XH

20 January 2015

Dear Mr Upton

## **Tentative agenda decisions - IFRS 11 *Joint Arrangements***

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the November IFRIC Update of the tentative decisions not to take onto the Committee's agenda several issues on the application of IFRS 11 *Joint Arrangements*, namely:

- how an assessment of 'other facts and circumstances' should be performed in determining the classification of a joint arrangement;
- the application of that assessment to four specific fact patterns;
- the circumstance in which two joint arrangements would be classified differently when they have similar features apart from the fact that one is structured through a separate vehicle that confers separation between the parties and the separate vehicle and the other is not;
- the recognition of revenue by a joint operator in relation to output purchased from the joint operation by the parties to it;
- the accounting treatment when the joint operator's share of output purchased differs from its share of ownership of the joint operation;
- the accounting in the separate financial statements of a joint operator; and
- the accounting by a joint operation that is a separate vehicle in its own financial statements.

In general, we agree with the Interpretations Committee's decision not to add these items onto its agenda for the reasons set out in the tentative agenda decisions.

In respect of the tentative agenda decision on the accounting treatment when the joint operator's share of output purchased differs from its share of ownership of the joint operation, we agree with the analysis that an approach should be adopted that results in an appropriate reflection of the economic share of each party in the joint operation. However, in the absence of any guidance in IFRS 11 and given the related issues arising (for example, how to address any difference between ownership interest and share of assets and liabilities on acquisition of an interest in a joint operation) we do not agree with a conclusion that sufficient guidance exists. We believe that there is diversity in practice on the accounting for such

arrangements that, therefore, standard-setting activity is required in this area and recommend that the Committee refer the issue to the IASB for further consideration.

In addition, we note the following points on the wording of other tentative agenda decisions.

- Under 'nature of output', the tentative agenda decision on application of the assessment of 'other facts and circumstances' to specific fact patterns refers to the assessment of whether there is an 'obligation for the liabilities' focusing on the existence of cash flows flowing between the parties and the joint operation. We recommend that this wording be modified to acknowledge that such an obligation can also exist when the parties make payments directly to the counterparties of the joint operation's liabilities.
- The tentative agenda decision on the accounting by a joint operation that is a separate vehicle in its own financial statements includes the statement that "it will be important to reflect the effects of the joint operators' rights and obligations in the accounting for the joint operation's assets and liabilities." We believe that a reference to "contractual arrangements with the joint operators" would more clearly illustrate that, for example, a finance lease agreement with a joint operator could lead to derecognition of the leased asset and recognition of a receivable by the joint operation.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely



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