Limited Revision to
Accounting Standard (AS) 27 (issued 2002)

Financial Reporting of Interests in Joint Ventures

The following is the text of the limited revision to AS 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.

In view of Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement,* AS 27 (issued 2002) is modified as under (modifications are shown as double-underline/ strike-through):

1. The 'Scope' paragraphs of the Standard are amended as follows:

Scope

1. This Statement should be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturer's interests in jointly controlled entities held by:

> ***(a) venture capital organisations, or***
>
> ***(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds***
>
> ***that upon initial recognition are designated as at fair value through profit or loss and accounted for in accordance with AS 30, Financial Instruments: Recognition and Measurement. Such investments should be measured at fair value in accordance with AS 30, with changes in fair value recognised in the statement of profit and loss in the period of the change.***

2. The requirements relating to accounting for joint ventures in consolidated financial statements, contained in this Statement, are applicable only where consolidated financial statements are prepared and presented by the venturer.

2. Paragraph 27, appearing under the heading 'Separate Financial Statements of a Venturer' is amended. New paragraphs 28A is added. Amended paragraph 27 and new paragraphs 28A are as follows:

Separate Financial Statements of a Venturer

27. In a venturer's separate financial statements, interests in a jointly controlled entityentities, except interests covered under paragraph 29 of this Statement, should be accounted for either:

(a) at cost, or

(b) in accordance with AS 30, Financial Instruments: Recognition and Measurement.

The same accounting should be applied for each category of interest in jointly controlled entities. Interests in jointly controlled entities covered under paragraph 29 of this Statement should be accounted for as an investment in accordance with Accounting Standard (AS) 1330, Accounting for InvestmentsFinancial Instruments: Recognition and Measurement.

28. 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 are recognised in its separate financial statements as an investment in the jointly controlled entity.

28A. To determine whether an interest in a jointly controlled entity accounted for at cost in accordance with paragraph 27 is impaired, an enterprise applies AS 28, *Impairment of Assets*. AS 28 which explains how an enterprise reviews the carrying amount of its assets, how it determines the recoverable amount of an asset, and when it recognises, or reverses the recognition of, an impairment loss is also applicable to impairment of an interest in a jointly controlled entity.

3. Paragraph 29 is amended as follows:

29. In its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using proportionate consolidation except

(a) an interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal in the near future[1]; and

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

[1] See also Accounting Standards Interpretation (ASI) 8.

Interest in such a jointly controlled entity should be accounted for as an investment in accordance with Accounting Standard (AS) 1330, Accounting for InvestmentsFinancial Instruments: Recognition and Measurement.

4.	**Paragraph 40 is amended as follows:**

40. From the date of discontinuing the use of the proportionate consolidation, interest in a jointly controlled entity should be accounted for:

(a) in accordance with Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements, if the venturer acquires unilateral control over the entity and becomes parent within the meaning of that Standard; and

(b) in all other cases, as an investment in accordance with Accounting Standard (AS) 1330, Accounting for InvestmentsFinancial Instruments: Recognition and Measurement, or in accordance with Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, as appropriate. For this purpose, cost of the investment should be determined as under:

(i) the venturer's share in the net assets of the jointly controlled entity as at the date of discontinuance of proportionate consolidation should be ascertained, and

(ii) the amount of net assets so ascertained should be adjusted with the carrying amount of the relevant goodwill/capital reserve (see paragraph 37) as at the date of discontinuance of proportionate consolidation.

5.	**Paragraphs 46 and 47 are amended as follows:**

46. An investor in a joint venture, which does not have joint control, should report its interest in a joint venture in its consolidated financial statements in accordance with Accounting Standard (AS) 1330, Accounting for InvestmentsFinancial Instruments: Recognition and Measurement, Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements or Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements, as appropriate.

47. In the separate financial statements of an investor, the interests in joint ventures should be accounted for in accordance with Accounting Standard (AS) 1330, Financial Instruments: Recognition and MeasurementAccounting for Investments.

6. The name of AS 21, appearing in paragraphs 6 and 31 of the Standard, is changed to reflect the new name of AS 21, viz., the following:

AS 21, Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements

7. The name of AS 23, appearing in paragraph 5 of the Standard, is changed to reflect the new name of AS 23, viz., the following:

AS 23, Accounting for Investments in Associates

The limited revision comes into effect in respect of accounting periods commencing on or after the date on which Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement*, comes into effect.