SPECIFIC ITEMS
SECTION 3056
interests in joint arrangements

Basis for Conclusions

Clarifications to Sections 1591 and 3056 (December 2016)

Joint Arrangements, Sections 3051 and 3056 (March 2015)

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PURPOSE AND SCOPE

.01 This Section establishes standards for investments in arrangements in which the investor has joint control. However, this Section does not deal with accounting by joint arrangements themselves.

.02 This Section applies when economic activities meet the definitions and criteria outlined in paragraphs 3056.03-.15, even though such activities may not be referred to as joint arrangements. However, this Section does not apply when economic activities do not meet the definitions and criteria set out in paragraphs 3056.03-.15 even though they may sometimes be referred to as joint arrangements. Accounting for investments in such activities is governed by the nature of the investments (see SUBSIDIARIES, Section 1591, INVESTMENTS, Section 3051, and FINANCIAL INSTRUMENTS, Section 3856).

DEFINITIONS

.03 The following terms are used in this Section with the meanings specified:

(a) **Fair value** is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

(b) **Joint control** of an economic activity is the contractually agreed sharing of the continuing power to determine its strategic operating, investing and financing policies.

(c) A **joint arrangement** is an economic activity resulting from a contractual arrangement whereby two or more investors jointly control the economic activity.

.04 A distinctive characteristic common to all joint arrangements is that two or more investors are bound by a contractual arrangement that establishes that the investors have joint control over the joint arrangement, regardless of the difference that may exist in their ownership interest. None of the individual investors is in a position to exercise unilateral control over the joint arrangement. Decisions in all areas essential to the accomplishment of the joint arrangement require the consent of the investors in such manner as defined in the terms of the contractual arrangement. This characteristic of joint control distinguishes interests in joint arrangements from investments in other activities over which an investor may exercise control or significant influence (see SUBSIDIARIES, Section 1591, and INVESTMENTS, Section 3051). Activities conducted with no formal contractual arrangements that are jointly controlled in substance are joint arrangements for the purposes of this Section.

.05 Interests in an economic activity as described above may exist without entitling all the investors to share in joint control. In such cases, this would not be considered an interest in a joint arrangement for those investors who do not share in joint control, even though the economic activity may be viewed as a joint arrangement by those investors who do have joint control. The interest of an investor who does not have joint control over the joint arrangement qualifies as an investment and is subject to the requirements of INVESTMENTS, Section 3051, or FINANCIAL INSTRUMENTS, Section 3856.

.06 An investor that has joint control over a joint arrangement has the right and ability to obtain future economic benefits from the resources of the joint arrangement and is exposed to related risks. Future economic benefits normally include cash flows or other form of output generated by the joint arrangement, and related risks normally include exposure to losses of the joint arrangement or the direct exposure of the investor to loss. An investor who has made a loan to a joint arrangement does not have similar exposure to the benefits and related risks of the joint arrangement. For example, an arrangement whereby an investor is not entitled to share in the net income of the joint arrangement and has recourse to assets of the other investors would suggest that the risks and rewards of the investor are similar to those associated with a loan. Accordingly, the investor would account for the arrangement as a loan.

.07 The contractual arrangement that binds the investors may take different forms. For example, it may be evidenced by a contract between the investors or, in some cases, the arrangement may be incorporated in the articles or other by-laws of the joint arrangement. Whatever its form, the contractual arrangement is usually in writing and covers matters such as the purpose, activities, duration, policies and procedures of the joint arrangement, the allocation of ownership, the decision-making process, the capital contributions by the investors, and the sharing by the investors of the output, revenue, expenses or results of the joint arrangement.

.08 The contractual arrangement may designate an investor as the manager or the operator of the joint arrangement. The operator does not control the joint arrangement but acts within the financing and operating policies that have been agreed to by the investors in accordance with the contractual arrangement and delegated to the operator. If the operator has the continuing power to determine the strategic operating, investing and financing policies of the enterprise without the co-operation of the other investors, it controls the arrangement and the arrangement is a subsidiary of the operator and not a joint arrangement (see SUBSIDIARIES, Section 1591).

.09 Often, the activities of a joint arrangement are an extension of, or complementary to, those of the investors. For example, joint arrangements are often formed to access new markets, to gain economies of scale or to access new skills and resources. Joint arrangements may take various forms and structures such as partnerships, co-tenancies, corporate or unincorporated enterprises or undivided interests. Whatever the form, joint arrangements may fall into one of the following broad categories, which are commonly described as, and meet the definition of, joint arrangements: jointly controlled operations, jointly controlled assets and jointly controlled enterprises.

Jointly controlled operations

.10 The operations of some joint arrangements involve the use of the assets and other resources of the investors, rather than the establishment of a corporation, partnership or other enterprise, or a financial structure that is separate from the investors themselves. Each investor uses its own property, plant and equipment and carries its own inventories for the purposes of the joint arrangement activities. The assets remain under the ownership and control of each investor. Each investor also incurs its own expenses and liabilities and raises its own financing, which represents its own obligations. The joint arrangement activities may be carried out by the investor's employees alongside the investor's similar activities. The contractual arrangement usually provides a means by which the revenue from the sale of goods or services by the joint arrangement and any expenses incurred in common are shared among the investors.

.11 An example of jointly controlled operations is when two or more investors combine their operations, resources and expertise in order to manufacture, market and distribute jointly a particular product. Different parts of the manufacturing process are carried out by each of the investors using their own assets and other resources. Each investor bears its own costs and takes a share of the revenue from the sale of the product, such share being determined in accordance with the contractual arrangement.

Jointly controlled assets

.12 Some joint arrangements involve the joint control, and often the joint ownership, by the investors of one or more assets contributed to, or acquired for the purpose of, the joint arrangement and dedicated to the purposes of the joint arrangement. Jointly controlled assets are used to obtain benefits for the investors. Each investor may take a share of the output from the assets and each bears an agreed share of the expenses incurred. Such a joint arrangement does not involve the establishment of a corporation, partnership or other enterprise, or a financial structure that is separate from the investors themselves.

.13 Some business activities that commonly involve jointly controlled assets include the following:

(a) A number of oil and gas producing companies are involved in working interest arrangements.

(b) An oil producing company may jointly control and operate an oil pipeline. Each investor uses the pipeline to transport its own product, in return for which it bears an agreed proportion of the expenses of operating the pipeline.

(c) Two enterprises may jointly control rental property, each taking a share of the rents received and bearing a share of the expenses.

Jointly controlled enterprises

.14 A jointly controlled enterprise is a joint arrangement that involves the establishment of a corporation, partnership or other enterprise in which each investor has an interest. The enterprise operates in the same way as other enterprises, except that a contractual arrangement between the investors establishes joint control over the economic activity of the enterprise.

.15 In a jointly controlled enterprise, each investor usually contributes cash or other resources to the joint arrangement. The jointly controlled enterprise owns the assets of the joint arrangement, incurs liabilities and expenses and earns revenue. It may enter into contracts in its own name and raise financing for the purposes of the joint arrangement activity. Each investor is entitled to a share of the income of the jointly controlled enterprise, although some jointly controlled enterprises also involve a sharing of the output of the joint arrangement. An example of a jointly controlled enterprise is when two or more enterprises combine their activities in a particular line of business by transferring the relevant assets and liabilities into a jointly controlled enterprise.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

.16 An investor in jointly controlled operations or jointly controlled assets has rights to the individual assets and obligations for the individual liabilities relating to the joint arrangement.

Recognition

.17 *An investor in a jointly controlled operation in which the investor has joint control shall recognize:*

(a) in its balance sheet, the assets that it controls and the liabilities that it incurs; and

(b) in its income statement, its share of the revenue of the joint arrangement and its share of the expenses incurred by the joint arrangement.

.18 *An investor in jointly controlled assets in which the investor has joint control shall recognize:*

(a) in its balance sheet, its share of the jointly controlled assets and its share of any liabilities incurred jointly with the other investors in relation to the joint arrangement; and

(b) in its income statement, any revenue from the sale or use of its share of the output of the joint arrangement, and its share of any expenses incurred by the joint arrangement.

Contributions and transactions

.19 *When an investor transfers assets to a joint arrangement that consists of jointly controlled operations or jointly controlled assets and receives in exchange an interest in the joint arrangement that includes joint control, or sells assets in the normal course of operations to such a joint arrangement in which the investor has joint control, any gain or loss that occurs shall be recognized in income at the time of the transfer or sale to the extent of the interests of the other non-related investors. When such a transaction provides evidence of a reduction in the net realizable value or a decline in the carrying amount of the relevant assets, the investor shall recognize this decline by writing down that portion of the assets retained through its interest in the joint arrangement and recognize the full amount of any loss in income.*

.20 When an investor transfers assets such as property, plant or equipment in the normal course of operations to a joint arrangement that consists of jointly controlled operations or jointly controlled assets in place of, or in addition to, any other contribution in exchange for an interest in the joint arrangement that includes joint control, and perhaps other assets, the investor gives up control over the assets transferred and acquires joint control over these assets. The joint control arrangement binding the investors is an arm's length arrangement between the investors that establishes the sharing of control over the joint arrangement. Accordingly, the contributing investor is considered to be dealing at arm's length with the other non-related investors. On this basis, an investor's contribution to such a joint arrangement is an arm's length transaction measured at fair value between the investor and the other non-related investors. On these grounds, the contributing investor shall recognize that portion of the gain or loss attributable to the interest of the other non-related investors. That portion of the gain or loss recognized is accounted for in accordance with paragraph 3056.19. However, the existence of a loss at the time of the transfer would usually provide evidence of an impairment loss in the portion of the relevant assets retained by the investor through its interest in the joint arrangement and this decline in value is recognized by writing down that portion of the assets retained. For example, when a loss occurs at the time of the transfer of capital assets to a joint arrangement that consists of jointly controlled operations or jointly controlled assets, any write-down of the portion of the capital assets retained by the investor through its interest in the joint arrangement shall be determined in accordance with GOODWILL AND INTANGIBLE ASSETS, Section 3064, and IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063.

.21 Except as required in paragraph 3056.19, the portion of the gain or loss attributable to the investor's interest in the arrangement or to the interest of other related investors is recognized by the investor when the asset is sold by the joint arrangement to a third party or realized through the operations of the joint arrangement.

.22 When a new investor and existing investors are not related parties (see RELATED PARTY TRANSACTIONS, Section 3840) prior to the contribution to a joint arrangement of non-monetary assets, other than product or property held for sale in the normal course of operations to facilitate sales to customers, the change in control of the assets generally constitutes a change in the risk of the cash flows the investors expect to receive. Accordingly, the contribution has commercial substance and is measured at fair value provided the fair value is reliably measurable (see NON-MONETARY TRANSACTIONS, Section 3831). When the investors are related parties, the contribution is accounted for as a non-monetary transaction in accordance with Section 3840 or FINANCIAL INSTRUMENTS, Section 3856.

.23 The substance of a transaction in the normal course of operations between an investor and a joint arrangement that consists of jointly controlled operations or jointly controlled assets and in which it has joint control would be examined to determine if the criteria for revenue recognition have been satisfied, such as the transfer of the significant risks and rewards of ownership (see REVENUE, Section 3400).

.24 An investor may sell assets in the normal course of operations to a joint arrangement that consists of jointly controlled operations or jointly controlled assets and in which the investor has joint control. If a gain or loss results to the investor, the gain or loss is considered to have been realized to the extent of the interest of the other non-related investors and recognition of that proportion is appropriate. The portion of the gain or loss attributable to the investor's interest in the arrangement or to the interest of other related investors is recognized when the asset is sold to a third party. However, when a sale of an asset to a joint arrangement has given rise to a loss, the investor recognizes the full loss in income immediately when the transaction provides evidence of a reduction in the net realizable value, or a decline in the value, of the relevant assets.

.25 *When an investor purchases assets in the normal course of operations from a joint arrangement that consists of jointly controlled operations or jointly controlled assets and in which it has joint control, the investor shall not recognize its share of the profit or loss of the joint arrangement on the transaction until the assets are sold to a third party. However, when the transaction provides evidence of a reduction in the net realizable value, or a decline in the value of the relevant assets, the investor shall recognize its share of the loss in income immediately.*

.26 When an investor purchases assets in the normal course of operations from a joint arrangement that consists of jointly controlled operations or jointly controlled assets and in which it has joint control, the investor cannot recognize a profit on a transaction with itself. Therefore, the investor does not recognize the portion of the joint arrangement profit that relates to its interest in the joint arrangement until the assets are sold to a third party. When a transaction has given rise to a loss, the investor recognizes its share of the loss in the same way as profits, except that losses are recognized in income immediately when the transaction provides evidence of a reduction in the net realizable value, or a decline in the value, of the relevant assets.

JOINTLY CONTROLLED ENTERPRISES

.27 An investor in a jointly controlled enterprise generally has rights to the net assets of the joint arrangement rather than rights to the individual assets and obligations for the individual liabilities.

.28 Some jointly controlled enterprises are similar in substance to those joint arrangements referred to as jointly controlled operations or jointly controlled assets. For example, the investors may transfer a jointly controlled asset, such as an oil pipeline, into a jointly controlled enterprise, for tax or other reasons. Similarly, the investors may transfer into a jointly controlled enterprise assets that will be operated jointly. Some jointly controlled operations also involve the establishment of a jointly controlled enterprise to deal with particular aspects of the activity (for example, the design, marketing, distribution or after-sales service of the product).

Recognition

.29 *An investor with an interest in a jointly controlled enterprise shall make an accounting policy choice to:*

- *(a) account for all such interests using the equity method (as defined in INVESTMENTS, Section* 3051*);*
- *(b) account for all such interests using the cost method (as defined in INVESTMENTS, Section* 3051*);or*
- *(c) perform an analysis of each such interest and determine whether it represents a right to the net assets or to the individual assets and obligations for the individual liabilities relating to the joint arrangement and:*
  - *(i) account for all interests in the net assets of a jointly controlled enterprise in accordance with either paragraph* 3056.29*(a) or (b); and*
  - *(ii) account for all interests representing rights to the individual assets and obligations for the individual liabilities relating to a joint arrangement in accordance with paragraphs* 3056.17-*.18.*

An investor shall account for all interests in jointly controlled enterprises using the same method (i.e., in accordance with paragraph 3056.29*(a), (b) or (c)). In making this accounting policy choice, the investor need not meet the criterion in ACCOUNTING CHANGES, paragraph* 1506.06*(b).*

.30 When a jointly controlled enterprise becomes a subsidiary of the investor because the investor has acquired control over the enterprise, the requirements of SUBSIDIARIES, Section 1591, apply.

.31 When an investor ceases to have joint control over a jointly controlled enterprise (for example, when severe long-term restrictions are imposed on the ability of the jointly controlled enterprise to distribute its earnings to the investors), the investor accounts for its interest in accordance with INVESTMENTS, Section 3051, or FINANCIAL INSTRUMENTS, Section 3856, as appropriate.

.32 An interest in a jointly controlled enterprise that is intended for disposal would continue to be recognized in the financial statements of the investor in accordance with paragraph 3056.29 until such time as the investor ceases to have joint control over the jointly controlled enterprise. The provisions of DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS, Section 3475, would apply if the interest to be disposed of meets the criteria in that Section to be classified as held for sale.

Contributions and transactions

.33 *An investor with an interest in a jointly controlled enterprise shall account for its contributions to, and transactions with, the joint arrangement:*

- *(a) in accordance with INVESTMENTS, Section* 3051*, if the investor has applied paragraphs* 3056.29*(a), (b) or (c)(i); or*
- *(b) in accordance with paragraphs* 3056.19-*.26, if the investor has applied paragraph* 3056.29*(c)(ii).*

PRESENTATION

.34 *The following shall be presented separately in the balance sheet:*

- *(a) subsidiaries and interests in joint arrangements accounted for using the equity method;*
- *(b) subsidiaries and interests in joint arrangements accounted for at cost;*
- *(c) investments in companies subject to significant influence; and*
- *(d) other investments accounted for at cost.*

.35 *Income from investments in the following shall be presented separately in the income statement:*

- *(a) subsidiaries and interests in joint arrangements accounted for using the equity method;*
- *(b) subsidiaries and interests in joint arrangements accounted for at cost;*
- *(c) investments in companies subject to significant influence; and*
- *(d) other investments accounted for at cost.*

.36 A significant factor in evaluating the investment income is the relationship of the income reported to the investments from which such income is derived. For this reason, investments reported in the balance sheet and investment income reported in the income statement are grouped in the same way.

DISCLOSURE

.37 *The basis used to account for an investor's interest in a jointly controlled enterprise shall be disclosed.*

.38 *An investor shall provide a listing and description of interests in significant joint arrangements including the names, carrying values and proportion of ownership interests held in each joint arrangement.*

.39 *An investor shall disclose its share of any contingencies and commitments of joint arrangements and those contingencies that exist when the investor is contingently liable for the liabilities of the other investors of the joint arrangements.*

.40 Separate disclosure of the investor's share of any contingencies and commitments of joint arrangements would include, as appropriate, the investor's share of any contingencies and commitments of joint arrangements and the investor's responsibility for the other investors' share of the contingencies of joint arrangements. If an investor guarantees more than its share of a joint arrangement's liabilities, such a guarantee would be disclosed (see CONTRACTUAL OBLIGATIONS, Section 3280, and CONTINGENCIES, Section 3290).

.41 *For joint arrangements accounted for using the cost or equity method, an investor shall also provide the disclosures required by INVESTMENTS, Section* 3051*.*

.42 Other disclosure requirements are contained in other Sections, such as RELATED PARTY TRANSACTIONS, Section 3840.

EFFECTIVE DATE AND TRANSITION

.43 Except as specified in paragraphs 3056.43A and 3056.43C, this Section applies to annual financial statements for fiscal years beginning on or after January 1, 2016. Earlier application is permitted. If an investor applies this Section before January 1, 2016, it discloses that fact and applies paragraphs 3051.14-.17 at the same time.

.43A New paragraph 3056.43B, issued in December 2016, applies to annual financial statements relating to fiscal years beginning on or after January 1, 2017. Earlier application is permitted.

.43B An enterprise can only apply paragraphs 3056.44-.49 when preparing its annual financial statements relating to the first fiscal year in which Section 3056 is effective.

.43C Amendments to paragraph 3056.22, issued in December 2018, apply to annual financial statements related to periods beginning on or after January 1, 2021. Earlier application is permitted.

Transition from proportionate consolidation to the cost or equity method

.44 When changing from proportionate consolidation to the cost or equity method, an investor recognizes its investment in the joint arrangement as at the beginning of the earliest period presented. That initial investment is measured as the aggregate of the carrying amounts of the assets and liabilities that the investor had previously proportionately consolidated, including any goodwill arising from acquisition. The investor allocates any goodwill to the joint arrangement on the basis of the relative carrying amounts of the joint arrangement and the reporting unit to which it belonged. This approach is consistent with that for the allocation of goodwill on the disposal of a portion of a reporting unit in GOODWILL AND INTANGIBLE ASSETS, Section 3064.

.45 An investor assesses whether the opening balance of the investment is impaired in accordance with the impairment provisions in INVESTMENTS, Section 3051. Any impairment loss is recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented.

.46 If aggregating all previously proportionately consolidated assets and liabilities results in negative net assets, an investor assesses whether it has legal or constructive obligations in relation to the negative net assets and, if so, the investor recognizes the corresponding liability. If the investor concludes that it does not have legal or constructive obligations in relation to the negative net assets, it does not recognize the corresponding liability but it adjusts opening retained earnings at the beginning of the earliest period presented.

.47 After initial recognition, an investor accounts for its investment in the joint arrangement using the cost or equity method in accordance with INVESTMENTS, Section 3051.

.48 An investor discloses a breakdown of the assets and liabilities that have been aggregated into the single line investment balance as at the beginning of the earliest period presented, together with any adjustment to opening retained earnings made in accordance with paragraphs 3056.45-.46. That disclosure is prepared in an aggregated manner for all joint arrangements for which an investor applies the transition requirements referred to in paragraphs 3056.44-.47.

Transition from the cost or equity method to accounting for the investor's interests in the individual assets and liabilities of a joint arrangement

.49 When changing from the cost or equity methods to accounting for the investor's interests in the individual assets and liabilities of a joint arrangement, an investor measures the assets and liabilities of that joint arrangement using one of the following methods:

(a) The investor applies this Section retrospectively in accordance with ACCOUNTING CHANGES, Section 1506.

(b) The investor uses the carrying amounts of the assets and liabilities in the financial statements of the joint arrangement at the beginning of the fiscal year immediately preceding the date at which this Section is applied for the first time. In addition, the investor recognizes, as an adjustment to opening retained earnings, any difference between the net amount of the assets and liabilities of the joint arrangement included in its balance sheet and the amount of any previously recognized interest in the joint arrangement.

(c) The investor uses the fair values of the assets and liabilities of the joint arrangement at the beginning of the fiscal year immediately preceding the date at which this Section is first applied. In addition, the investor recognizes, as an adjustment to opening retained earnings, any difference between the net amount of the assets and liabilities of the joint arrangement included in its balance sheet and the amount of any previously recognized interest in the joint arrangement.

APPENDIX
APPLICATION GUIDANCE

This Appendix is an integral part of this Section.

This Appendix provides additional guidance for applying paragraph 3056.29(c) to determine whether an investor has rights to the net assets or to the individual assets and obligations for the individual liabilities in a jointly controlled enterprise.

TABLE OF CONTENTS **Paragraph**

Purpose and scope

A1 Paragraph 3056.29(c) provides an investor that has an interest in a jointly controlled enterprise an accounting policy choice to perform an analysis to determine whether its interest represents:

(a) a right to the net assets, which is accounted for in accordance with paragraphs 3056.29(a) or (b); or

(b) a right to the individual assets and obligations for the individual liabilities, which is accounted for in accordance with paragraphs 3056.17-.18 and is consistent with the accounting for a jointly controlled operation or jointly controlled asset.

A2 A jointly controlled enterprise generally confers separation between the investors and the assets and obligations of the joint arrangement, so that the investors have rights to the net assets of the jointly controlled enterprise rather than rights to the individual assets and obligations for the liabilities of the joint arrangement. The legal form of the enterprise is relevant when assessing the investors' rights to the assets and obligations for the liabilities of the joint arrangement. However, the terms agreed to by the investors in their contractual arrangement (see paragraphs 3056.A3-.A6) and, when relevant, other facts and circumstances (see paragraphs 3056.A7-.A11) can override the assessment of the rights and obligations conferred upon the investors by the legal form of the jointly controlled enterprise.

Assessing the terms of the contractual arrangement

A3 In many cases, the rights and obligations agreed to by the investors in their contractual arrangements are consistent, or do not conflict, with the rights and obligations conferred on the investors by the legal form of the jointly controlled enterprise in which the arrangement has been structured.

A4 In other cases, the investors use the contractual arrangement to override or modify the rights and obligations conferred by the legal form of the jointly controlled enterprise in which the arrangement has been structured.

A5 The following table compares common terms in contractual arrangements that provide investors with rights to the net assets of jointly controlled enterprises and those that provide rights to the individual assets and obligations for the individual liabilities of jointly controlled enterprises. The examples of the contractual terms provided in the following table are not exhaustive.

Assessing the terms of the contractual arrangement		
	Investor has rights to the individual assets and obligations for the individual liabilities of a jointly controlled enterprise	**Investor has rights to the net assets of a jointly controlled enterprise**
The terms of the contractual arrangement	The contractual arrangement provides investors in the jointly controlled enterprise with rights to the assets, and obligations for the liabilities, relating to the jointly controlled enterprise.	The contractual arrangement provides investors in the jointly controlled enterprise with rights to the net assets of the jointly controlled enterprise (i.e., it is the jointly controlled enterprise, not the investors, that has rights to the assets, and obligations for the liabilities, relating to the jointly controlled enterprise).
Rights to assets	The contractual arrangement establishes that the investors in the jointly controlled enterprise share all interests (for example, rights, title or ownership) in the assets relating to the jointly controlled enterprise in a specified proportion (for example, in proportion to the investors' ownership interest in the jointly controlled enterprise or in proportion to the activity carried out through the jointly controlled enterprise that is directly attributed to them).	The contractual arrangement establishes that the assets brought into the jointly controlled enterprise or subsequently acquired by the jointly controlled enterprise are the jointly controlled enterprise's assets. The investors have no interests (i.e., no rights, title or ownership) in the assets of the jointly controlled enterprise.
Obligations for liabilities	The contractual arrangement establishes that the investors in the jointly controlled enterprise share all liabilities, obligations, costs and expenses in a specified proportion (for example, in proportion to the investors' ownership interest in the jointly controlled enterprise or in proportion to the activity carried out through the jointly controlled enterprise that is directly attributed to them).	The contractual arrangement establishes that the jointly controlled enterprise is liable for its own debts and obligations. The contractual arrangement establishes that the investors in the jointly controlled enterprise are liable to the jointly controlled enterprise only to the extent of their respective investments in the jointly controlled enterprise or to their respective obligations to contribute any unpaid or additional capital to the jointly controlled enterprise, or both.
	The contractual arrangement establishes that the investors in the jointly controlled enterprise are liable for claims raised by third parties.	The contractual arrangement states that creditors of the jointly controlled enterprise do not have rights of recourse against any investor with respect to debts or obligations of the jointly controlled enterprise.
Revenues, expenses, profit or loss	The contractual arrangement establishes the allocation of revenues and expenses on the basis of the relative performance of each investor in the jointly controlled enterprise. For example, the contractual arrangement might establish that revenues and expenses are allocated on the basis of the capacity that each investor uses in a plant operated jointly, which could differ from their ownership interest in the jointly controlled enterprise. In other instances, the investors might have agreed to share the profit or loss relating to the arrangement on the basis of a specified proportion	The contractual arrangement establishes each investor's share in the profit or loss relating to the activities of the jointly controlled enterprise.

	such as the investors' ownership interest in the arrangement. This would not change an investor's assessment of its rights to the assets, and obligations for the liabilities, relating to the jointly controlled enterprise.	
Guarantees	The investors in jointly controlled enterprises are often required to provide guarantees to third parties that, for example, receive a service from, or provide financing to, the jointly controlled enterprise. The provision of such guarantees, or the commitment by the investors to provide them, does not, by itself, determine that the investor has obligations for the liabilities relating to the jointly controlled enterprise.	

A6 When the contractual arrangement specifies that the investors have rights to the assets, and obligations for the liabilities, relating to the jointly controlled enterprise, they account for their interests in accordance with paragraphs 3056.17-.18 and do not need to consider other facts and circumstances (see paragraphs 3056.A7-.A11) for the purposes of determining their rights in the jointly controlled enterprise.

Assessing other facts and circumstances

A7 When the terms of the contractual arrangement do not specify that the investors have rights to the assets, and obligations for the liabilities, relating to the jointly controlled enterprise, the investors should consider other facts and circumstances to assess their rights in the jointly controlled enterprise.

A8 The contractual terms agreed among the investors might not specify the investors' rights to the assets and obligations for the liabilities, yet consideration of other facts and circumstances can lead to such investors having rights to the assets, and obligations for the liabilities, relating to the arrangement.

A9 When the activities of a jointly controlled enterprise are primarily designed for the provision of output to the investors, this indicates that the investors have rights to substantially all the economic benefits of the assets of the jointly controlled enterprise. The investors to such arrangements often ensure their access to the outputs provided by the jointly controlled enterprise by preventing the arrangement from selling output to third parties.

A10 The effect of a jointly controlled enterprise with such a design and purpose is that the liabilities incurred by the jointly controlled enterprise are, in substance, satisfied by the cash flows received from the investors through their purchases of the output. When the investors are substantially the only source of cash flows contributing to the continuity of the operations of the jointly controlled enterprise, this indicates that the investors have an obligation for the liabilities relating to the jointly controlled enterprise.

A11 The following decision tree reflects the assessment an investor follows to determine the type of interest it has in a jointly controlled enterprise:

Decision tree – Classification of an investor's interest in a jointly controlled enterprise