

Financial Reporting of Interest in Joint Ventures

Meaning of Joint Venture :

- * Contractual Arrangement
- * Between 2 or more parties for Economic Activity
- * Which is subject to Joint Control

Sharing Power to govern Financial & operating policies so as to obtain benefits

Forms of Joint Ventures

Jointly Controlled Operations (JCO)

- * No separate entity
- * Use their own assets
- * No separate books of J.V. maintained
(Draft Cons. P&L A/c prepared to ascertain Profit/Loss)
- * Maintain own books & record only his own transactions
- * Venturers met expenses of J.V. business from their funds
- * Any Income earned from J.V. is shared by venturers as per contract.

Jointly Controlled Assets (JCA)

- * No separate entity
- * Common control over joint assets
- * No separate books of J.V.
(Draft Cons. B/S & P&L A/c prepared)
- * Venturer shows only their share of asset & total income earned & expenses incurred by them.
- * Expenses on jointly held assets shared by venturers as per contract

Jointly Controlled Entity (JCE)

- * Separate entity is formed
- * Entity prepares its own books of Accounts & financial statements

Jointly Controlled Entity (JCE)

Entity
(Firm, Company, etc.)

- * Own Books of A/c as per Double Entry System
- * Own Financial statements in normal manner (B/S, P/L A/c)

* Temporary J.V. (Non usage of PCM)

- 1) Investment is acquired & held for disposal in near future
or
- 2) Long Term restrictions which impair ability to transfer funds by J.V. to venturer.

Partner, venturer, etc.

Separate Financial Statements

Inv. in J.V. A/c - Dr
To Bank A/c
(AS-13)

If J.V.
Temporary *

Apply AS-13
Show Inv. in J.V. only

Consolidated Financial Statements

If J.V.
not Temporary

Apply Proportionate Consolidation Method as per AS 27

Assets, Liabilities, Expenses, Income shown on line by line basis for proportionate amount.

(Venturer share)

Share in Asset A/c - Dr
Share in Exp. A/c - Dr

To share in Income
To share in Liability
To Investment in J.V.

Transactions between Venturer & Joint Venture

- * Do not record gain or loss on share of assets transferred to itself.
- * Gain or loss can be recorded on share of assets sold to other venturer
- * If decline in market prices / NRV or impairment loss have been reported, then loss can be recorded on own share of asset also.

Fair value of what we get vs Book value of what we give

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Difference is Gain/Loss