GOVERNMENT OF MALAYSIA

Malaysian Public Sector Accounting Standards

MPSAS 8

Interests In Joint Ventures

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Acknowledgment

The Malaysian Public Sector Accounting Standard (MPSAS) is based on International Public Sector Accounting Standard (IPSAS) 8, *Interests In Joint Ventures* from the Handbook of International Public Sector Accounting Pronouncements of the International Public Sector Accounting Standards Board, published by the International Federation of Accountants (IFAC) in June 2013 and is used with permission of IFAC.

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MPSAS 8 - INTERESTS IN JOINT VENTURES

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Malaysian Public Sector Accounting Standard (MPSAS) 8, *Interests in Joint Ventures*, is set out in paragraphs 1–71. All the paragraphs have equal authority. MPSAS 8 should be read in the context of the *Preface to Malaysian Public Sector Accounting Standards*. MPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*, provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Scope

1. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue 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 venturers' interests in jointly controlled entities held by:**

    (a) **Venture capital organizations; or**

    (b) **Mutual funds, unit trusts and similar entities including investment linked insurance funds**

    that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change in accordance with MPSAS 29, *Financial Instruments: Recognition and Measurement*. A venturer holding such an interest shall make the disclosures required by paragraphs 62 and 63.

2. Guidance on recognition and measurement of interests identified in paragraph 1 that are measured at fair value, with changes in fair value recognized in surplus or deficit in the period of the change can be found in MPSAS 29.

3. **A venturer with an interest in a jointly controlled entity is exempted from paragraphs 35 (proportionate consolidation) and 43 (equity method) when it meets the following conditions:**

    (a) **There is evidence that the interest is acquired and held exclusively with a view to its disposal within twelve months from acquisition and that management is actively seeking a buyer;**

    (b) **The exception in paragraph 16 of MPSAS 6, *Consolidated and Separate Financial Statements* allowing a controlling entity that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or**

    (c) **All of the following apply:**

        (i) **The venturer is:**

        - **A wholly-owned controlled entity and users of financial statements prepared by applying proportionate consolidation or the equity method are unlikely to exist or (if they are) their information needs are met by the controlling entity's consolidated financial statements; or**
        - **A partially-owned controlled entity of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;**

        (ii) **The venturer's debt or equity instruments are not traded in a public market (a**

domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);

(iii) **The venturer neither filed, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and**

(iv) **The ultimate or any intermediate controlling entity of the venturer produces consolidated financial statements available for public use that comply with MPSASs.**

4. **This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).**

5. *The Preface to Malaysian Public Sector Accounting Standards* issued by the Accountant General's Department explains that GBEs apply approved accounting standards issued by the Malaysian Accounting Standards Board (MASB). GBEs are defined in MPSAS 1, *Presentation of Financial Statements.*

Definitions

6. **The following terms are used in this Standard with the meanings specified:**

The <u>equity method</u> (for the purpose of this Standard) is a method of accounting whereby an interest in a jointly controlled entity is initially recorded at cost, and adjusted thereafter for the post-acquisition change in the venturer's share of net assets/equity of the jointly controlled entity. The surplus or deficit of the venturer includes the venturer's share of the surplus or deficit of the jointly controlled entity.

<u>Joint control</u> is the agreed sharing of control over an activity by a binding arrangement.

<u>Joint venture</u> is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

<u>Proportionate consolidation</u> is a method of accounting whereby a venturer's share of each of the assets, liabilities, revenue and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.

<u>Significant influence</u> (for the purpose of this Standard) is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.

<u>Venturer</u> is a party to a joint venture and has joint control over that joint venture.

Terms defined in other MPSASs are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Binding Arrangement

7. The existence of a binding arrangement distinguishes interests that involve joint control from investments in associates in which the investor has significant influence (see MPSAS 7, *Investments in Associates*). For the purposes of this Standard, an arrangement includes all binding arrangements between venturers. That is, in substance, the arrangement confers similar rights and obligations on the parties to it as if it were in the form of a contract. For instance, two government departments may enter into a formal arrangement to undertake a joint venture, but the arrangement may not constitute a legal contract because, in that jurisdiction, individual departments may not be separate legal entities with the power to contract. Activities that have no binding arrangement to establish joint control are not joint ventures for the purposes of this Standard.

8. A binding arrangement may be evidenced in a number of ways, for example by a contract between the venturers or minutes of discussions between the venturers. In some cases, the binding arrangement is incorporated in the enabling legislation, articles, or other by-laws of the joint venture. Whatever its form, the arrangement is usually in writing, and deals with such matters as:

   - The activity, duration and reporting obligations of the joint venture;
   - The appointment of the board of directors or equivalent governing body of the joint venture and the voting rights of the venturers;
   - Capital contributions by the venturers; and
   - The sharing by the venturers of the output, revenue, expenses, surpluses or deficits, or cash flows of the joint venture.

9. The binding arrangement establishes joint control over the joint venture. Such a requirement ensures that no single venturer is in a position to control the activity unilaterally. The arrangement identifies:

   (a) those decisions in areas essential to the goals of the joint venture that require the consent of all the venturers, and

   (b) those decisions that may require the consent of a specified majority of the venturers.

10. The binding arrangement may identify one venturer as the operator or manager of the joint venture. The operator does not control the joint venture but acts within the financial and operating policies that have been agreed by the venturers in accordance with the arrangement and delegated to the operator. If the operator has the power to govern the financial and operating policies of the activity, it controls the venture and the venture is a controlled entity of the operator and not a joint venture.

Forms of Joint Venture

11. Many public sector entities establish joint ventures to undertake a variety of activities. The nature of these activities ranges from commercial undertakings to provision of community services at no charge. The terms of a joint venture are set out in a contract or other binding arrangement and usually specify the initial contribution from each joint venturer and the share of revenues or other benefits (if any), and expenses of each of the joint venturers.

12. Joint ventures take many different forms and structures. This Standard identifies three broad types – jointly controlled operations, jointly controlled assets, and jointly controlled entities – that are commonly described as, and meet the definition of, joint ventures. The following characteristics are common to all joint ventures:

    (a) Two or more venturers are bound by a binding arrangement; and

    (b) The binding arrangement establishes joint control.

Joint Control

13. Joint control may be precluded when a joint venture:

    (a) is in legal reorganization or in bankruptcy,

    (b) is subject to an administrative restructuring of government arrangements, or

    (c) operates under severe long-term restrictions on its ability to transfer funds to the venturer.

    If joint control is continuing, these events are not enough in themselves to justify not accounting for joint ventures in accordance with this Standard.

Separate Financial Statements

14. Neither:

    (a) financial statements in which proportionate consolidation or the equity method is applied, nor

    (b) financial statements of an entity that does not have a controlled entity, associate or venturer's interest in a jointly controlled entity

    are separate financial statements.

15. Separate financial statements are:

    (a) those presented in addition to consolidated financial statements,

    (b) financial statements in which investments are accounted for using the equity method, and

    (c) financial statements in which venturers' interests in joint ventures are proportionately consolidated.

    Separate financial statements need not be appended to, or accompany, those statements.

16. Entities that are exempted in accordance with:

    (a) paragraph 16 of MPSAS 6 from consolidation,

    (b) paragraph 19(c) of MPSAS 7 from applying the equity method, or

(c) paragraph 3 of this Standard from applying proportionate consolidation or the equity method

may present separate financial statements as their only financial statements.

Jointly Controlled Operations

17. The operation of some joint ventures involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership, or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant, and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finances, which represent its own obligations. The joint venture activities may be carried out by the venturer's employees alongside the venturer's similar activities. The joint venture agreement usually provides a means by which the revenue from the sale or provision of the joint product or service and any expenses incurred in common are shared among the venturers.

18. An example of a jointly controlled operation is when two or more venturers combine their operations, resources, and expertise to manufacture, market, and distribute jointly a particular product, such as an aircraft. Different parts of the manufacturing process are carried out by each of the venturers. Each venturer bears its own costs and takes a share of the revenue from the sale of the aircraft, such share being determined in accordance with the binding arrangement. A further example is when two entities combine their operations, resources, and expertise to jointly deliver a service, such as aged care where, in accordance with an agreement, a local government offers domestic services and a local hospital offers medical care. Each venturer bears its own costs and takes a share of revenue, such as user charges and government grants, such share being determined in accordance with the binding agreement.

19. **In respect of its interests in jointly controlled operations, a venturer shall recognize in its financial statements:**

    (a) **The assets that it controls and the liabilities that it incurs; and**

    (b) **The expenses that it incurs and its share of the revenue that it earns from the sale or provision of goods or services by the joint venture.**

20. Because the assets, liabilities, revenue (if any) and expenses are already recognized in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

21. Separate accounting records may not be required for the joint venture itself, and financial statements may not be prepared for the joint venture. However, the venturers may prepare management accounts so that they may assess the performance of the joint venture.

Jointly Controlled Assets

22. Some joint ventures involve the joint control of, and often the joint ownership by, the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the

venturers. Each venturer may take a share of the output from the assets, and each bears an agreed share of the expenses incurred.

23. These joint ventures do not involve the establishment of a corporation, partnership, or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits or service potential through its share of the jointly controlled asset.

24. Some activities in the public sector involve jointly controlled assets. For example, a local government may enter into an arrangement with a private sector corporation to construct a toll road. The road provides the citizens with improved access between the local government's industrial estate and its port facilities. The road also provides the private sector corporation with direct access between its manufacturing plant and the port. The agreement between the local authority and the private sector corporation specifies each party's share of revenues and expenses associated with the toll road. Accordingly, each venturer derives economic benefits or service potential from the jointly controlled asset, and bears an agreed proportion of the costs of operating the road. Similarly, many activities in the oil, gas, and mineral extraction industries involve jointly controlled assets. For example, a number of oil production companies may jointly control and operate an oil pipeline. Each venturer uses the pipeline to transport its own product, in return for which it bears an agreed proportion of the expenses of operating the pipeline. Another example of a jointly controlled asset is when two entities jointly control a property, each taking a share of the rents received and bearing a share of the expenses.

25. **In respect of its interest in jointly controlled assets, a venturer shall recognize in its financial statements:**

(a) **Its share of the jointly controlled assets, classified according to the nature of the assets;**

(b) **Any liabilities that it has incurred;**

(c) **Its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;**

(d) **Any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and**

(e) **Any expenses that it has incurred in respect of its interest in the joint venture.**

26. In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognizes in its financial statements:

(a) Its share of the jointly controlled assets, classified according to the nature of the assets rather than as an investment. For example, a share of a jointly controlled road is classified as property, plant, and equipment;

(b) Any liabilities that it has incurred, for example those incurred in financing its share of the assets;

(c) Its share of any liabilities incurred jointly with other venturers in relation to the joint venture;

(d) Any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and

(e) Any expenses that it has incurred in respect of its interest in the joint venture, for example those related to financing the venturer's interest in the assets and selling its share of the output.

27. Because the assets, liabilities, revenue, and expenses are recognized in the financial statements of the venturer, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

28. The treatment of jointly controlled assets reflects the substance and economic reality and, usually, the legal form of the joint venture. Separate accounting records for the joint venture itself may be limited to those expenses incurred in common by the venturers and ultimately borne by the venturers according to their agreed shares. Financial statements may not be prepared for the joint venture, although the venturers may prepare management accounts so that they may assess the performance of the joint venture.

Jointly Controlled Entities

29. 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. The entity operates in the same way as other entities, except that a binding arrangement between the venturers establishes joint control over the activity of the entity.

30. A jointly controlled entity controls the assets of the joint venture, incurs liabilities and expenses and earns revenue. It may enter into contracts in its own name and raise finance for the purposes of the joint venture activity. Each venturer is entitled to a share of the surpluses of the jointly controlled entity, although some jointly controlled entities also involve a sharing of the output of the joint venture.

31. A common example of a jointly controlled entity is when two entities combine their activities in a particular line of service delivery by transferring the relevant assets and liabilities into a jointly controlled entity. Another example arises when an entity commences a business in a foreign country in conjunction with a government or other agency in that country, by establishing a separate entity that is jointly controlled by the entity and the government or agency in the foreign country.

32. Many jointly controlled entities are similar in substance to those joint ventures referred to as jointly controlled operations or jointly controlled assets. For example, the venturers may transfer a jointly controlled asset, such as a road, into a jointly controlled entity, for tax or other reasons. Similarly, the venturers may contribute to a jointly controlled entity assets that will be operated jointly. Some jointly controlled operations also involve the establishment of a jointly controlled entity to deal with particular aspects of the activity, for example, the design, marketing, distribution, or after-sales service of the product.

33. A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other entities in conformity with MPSASs, or other accounting standards if appropriate.

34. 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 recognized in its financial statements as an investment in the jointly controlled entity.

Financial Statements of a Venturer

Proportionate Consolidation

35. **A venturer shall recognize its interest in a jointly controlled entity using proportionate consolidation or the alternative method described in paragraph 43. When proportionate consolidation is used, one of the two reporting formats identified below shall be used.**

36. A venturer recognizes its interest in a jointly controlled entity using one of the two reporting formats for proportionate consolidation, irrespective of:

    (a) whether it also has investments in controlled entities, or

    (b) whether it describes its financial statements as consolidated financial statements.

37. When recognizing an interest in a jointly controlled entity, it is essential that a venturer reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form. In a jointly controlled entity, a venturer has control over its share of future economic benefits or service potential through its share of the assets and liabilities of the venture. This substance and economic reality are reflected in the consolidated financial statements of the venturer when the venturer recognizes its interests in the assets, liabilities, revenue, and expenses of the jointly controlled entity by using one of the two reporting formats for proportionate consolidation described in paragraph 39.

38. The application of proportionate consolidation means that the statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The statement of financial performance of the venturer includes its share of the revenue and expenses of the jointly controlled entity. Many of the procedures appropriate for the application of proportionate consolidation are similar to the procedures for the consolidation of investments in controlled entities, which are set out in MPSAS 6.

39. Different reporting formats may be used to give effect to proportionate consolidation. The venturer may combine its share of each of the assets, liabilities, revenue, and expenses of the jointly controlled entity with the similar items, line by line, in its financial statements. For example, it may combine its share of the jointly controlled entity's inventory with its inventory, and its share of the jointly controlled entity's property, plant, and equipment with its property, plant, and equipment. Alternatively, the venturer may include separate line items for its share of the assets, liabilities, revenue, and expenses of the jointly controlled entity in its financial statements. For example, it may show its share of a current asset of the jointly controlled entity separately as part of its current assets; it may show its share of the property, plant and

equipment of the jointly controlled entity separately as part of its property, plant, and equipment. Both these reporting formats result in the reporting of identical amounts of surplus or deficit and of each major classification of assets, liabilities, revenue, and expenses; both formats are acceptable for the purposes of this Standard.

40. Whichever format is used to give effect to proportionate consolidation, it is inappropriate to offset:

(a) any assets or liabilities by the deduction of other liabilities or assets, or

(b) any revenue or expenses by the deduction of other expenses or revenue

unless a legal right of set-off exists and the offsetting represents the expectation as to the realization of the asset or the settlement of the liability.

41. **A venturer shall discontinue the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.**

42. A venturer discontinues the use of proportionate consolidation from the date on which it ceases to share in the control of a jointly controlled entity. This may happen, for example, when the venturer disposes of its interest, or when such external restrictions are placed on the jointly controlled entity that the venturer no longer has joint control.

Equity Method

43. **As an alternative to proportionate consolidation described in paragraph 35, a venturer shall recognize its interest in a jointly controlled entity using the equity method.**

44. A venturer recognizes its interest in a jointly controlled entity using the equity method irrespective of whether it also has investments in controlled entities or whether it describes its financial statements as consolidated financial statements.

45. Some venturers recognize their interests in jointly controlled entities using the equity method, as described in MPSAS 7. The use of the equity method is supported:

(a) by those who argue that it is inappropriate to combine controlled items with jointly controlled items, and

(b) by those who believe that venturers have significant influence, rather than joint control, in a jointly controlled entity.

This Standard does not recommend the use of the equity method because proportionate consolidation better reflects the substance and economic reality of a venturer's interest in a jointly controlled entity, that is to say, control over the venturer's share of the future economic benefits or service potential. Nevertheless, this Standard permits the use of the equity method, as an alternative treatment, when recognizing interests in jointly controlled entities.

46. **A venturer shall discontinue the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.**

Exceptions to Proportionate Consolidation and Equity Method

47. **Interests in jointly controlled entities for which there is evidence that the interest is acquired and held exclusively with a view to its disposal within twelve months from acquisition, and that management is actively seeking a buyer, as set out in paragraph 3(a), shall be classified as held for trading and accounted for in accordance with MPSAS 29.**

48. Guidance on the recognition and measurement of financial instruments dealt with in paragraph 47 can be found in MPSAS 29.

49. When, in accordance with paragraphs 3(a) and 47, an interest in a jointly controlled entity previously accounted for as a held for trading financial instrument is not disposed of within twelve months, it shall be accounted for using proportionate consolidation or the equity method as from the date of acquisition. (Guidance on the meaning of the date of acquisition can be found in the relevant international or national accounting standard dealing with business combinations.) Financial statements for the periods since acquisition shall be restated.

50. Exceptionally, a venturer may have found a buyer for an interest described in paragraphs 3(a) and 47, but may not have completed the sale within twelve months of acquisition because of the need for approval by regulators or others. The venturer is not required to apply proportionate consolidation or the equity method to an interest in a jointly controlled entity if (a) the sale is in process at the reporting date, and (b) there is no reason to believe that it will not be completed shortly after the reporting date.

51. **From the date on which a jointly controlled entity becomes a controlled entity of a venturer, the venturer shall account for its interest in accordance with MPSAS 6. From the date on which a jointly controlled entity becomes an associate of a venturer, the venturer shall account for its interest in accordance with MPSAS 7.**

Separate Financial Statements of a Venturer

52. **An interest in a jointly controlled entity shall be accounted for in a venturer's separate financial statements in accordance with paragraphs 58–64 of MPSAS 6.**

53. This Standard does not mandate which entities produce separate financial statements available for public use.

Transactions between a Venturer and a Joint Venture

54. **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. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer shall recognize only that portion of the gain or loss that is attributable to the interests of the other venturers. The venturer shall recognize the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realizable value of current assets or an impairment loss.**

55. **When a venturer purchases assets from a joint venture, the venturer shall not recognize its share of the gains of the joint venture from the transaction until it resells the assets to**

an independent party. A venturer shall recognize its share of the losses resulting from these transactions in the same way as gains, except that losses shall be recognized immediately when they represent a reduction in the net realizable value of current assets or an impairment loss.

56. To assess whether a transaction between a venturer and a joint venture provides evidence of impairment of an asset, the venturer determines the recoverable amount or recoverable service amount of the assets in accordance with MPSAS 21, *Impairment of Non-Cash-Generating Assets*, or MPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate. In determining value in use of a cash-generating asset, the venturer estimates future cash flows from the asset on the basis of continuing use of the asset and its ultimate disposal by the joint venture. In determining value in use of a non-cash-generating asset, the venturer estimates the present value of the remaining service potential of the asset using the approaches specified in MPSAS 21.

Reporting Interests in Joint Ventures in the Financial Statements of an Investor

57. **An investor in a joint venture that does not have joint control, but does have significant influence, shall account for its interest in a joint venture in accordance with MPSAS 7.**

58. Guidance on accounting for interests in joint ventures where an investor does not have joint control or significant influence can be found in MPSAS 29.

Operators of Joint Ventures

59. **Operators or managers of a joint venture shall account for any fees in accordance with MPSAS 9, *Revenue from Exchange Transactions*.**

60. One or more venturers may act as the operator or manager of a joint venture. Operators are usually paid a management fee for such duties. The fees are accounted for by the joint venture as an expense.

Disclosure

61. **A venturer shall disclose:**

    (a) **The aggregate amount of the following contingent liabilities, unless the possibility of any outflow in settlement is remote, separately from the amount of other contingent liabilities:**

        (i) **Any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures, and its share in each of the contingent liabilities that have been incurred jointly with other venturers;**

        (ii) **Its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and**

        (iii) **Those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture; and**

(b) **A brief description of the following contingent assets and, where practicable, an estimate of their financial effect, where an inflow of economic benefits or service potential is probable:**

  (i) **Any contingent assets of the venturer arising in relation to its interests in joint ventures and its share in each of the contingent assets that have arisen jointly with other venturers; and**

  (ii) **Its share of the contingent assets of the joint ventures themselves.**

62. **A venturer shall disclose the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments:**

  (a) **Any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; and**

  (b) **Its share of the capital commitments of the joint ventures themselves.**

63. **A venturer shall disclose a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities. A venturer that recognizes its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method shall disclose the aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, revenue, and expenses related to its interest in joint ventures.**

64. **A venturer shall disclose the method it uses to recognize its interests in jointly controlled entities.**

Transitional Provisions

65. **Where the proportionate consolidation treatment set out in this Standard is adopted, venturers are not required to eliminate balances and transactions between themselves, their controlled entities, and entities that they jointly control for reporting periods beginning on a date within three years following the date of first adoption of accrual accounting in accordance with MPSASs.**

66. Entities that adopt accrual accounting for the first time in accordance with MPSASs may have many controlled and jointly controlled entities, with a significant number of transactions between these entities. Accordingly, it may initially be difficult to identify all the transactions and balances that need to be eliminated for the purpose of preparing the financial statements. For this reason, paragraph 65 provides temporary relief from eliminating, in full, balances and transactions between entities and their jointly controlled entities.

67. **Where entities apply the transitional provision in paragraph 65, they shall disclose the fact that not all inter-entity balances and transactions have been eliminated.**

68. *(Deleted).*

Effective Date

69. **An entity shall apply this Standard for annual financial statements covering periods beginning on or after January 1, 2017. Earlier application is encouraged. If an entity applies this Standard for a period beginning before January 1, 2017, it shall disclose that fact.**

69A. *(Deleted).*

70. When an entity adopts the accrual basis of accounting as defined by MPSASs for financial reporting purposes subsequent to this effective date, this Standard applies to the entity's annual financial statements covering periods beginning on or after the date of adoption.

Withdrawal of IPSAS 8 (2000)

71. *(Deleted)*

Comparison with MPSAS 8

MPSAS 8, *Interests In Joint Ventures* is drawn primarily from IPSAS 8. Main difference between MPSAS 8 and IPSAS 8 is as follows:

- In paragraph 5, MPSAS 8 explains that GBEs apply approved accounting standards issued by the MASB whereas IPSAS 8 explains that GBEs apply IFRS issued by IASB.