United Nations

Corporate Guidance

for

International Public Sector Accounting Standards

Interests in Other Entities and Joint Arrangements

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1 INTRODUCTION

This corporate guidance paper focuses on the issue of how to account for interests in other entities and joint arrangements when a reporting entity prepares IPSAS-compliant financial statements. The paper analyses facts of real and hypothetical arrangements identified by the United Nations IPSAS Team so that informed accounting judgements can be made.

1.1 Summary of applicable accounting guidance

The following IPSASB accounting standards are considered in this corporate guidance:

- IPSAS 34: Separate Financial Statements – prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.
- IPSAS 35: Consolidated Financial Statements – provides guidance on whether control exists and therefore accounting requirements for the preparation of the consolidated financial statements.
- IPSAS 36: Investments in Associates and Joint Ventures – provides guidance on whether significant influence exists and how to account for ownership interests in associates and joint ventures using the equity method.
- IPSAS 37: Joint arrangements – provides guidance on whether joint control exists and the recognition, classification and accounting of interests in joint arrangements which are either classified as joint operations or joint ventures.
- IPSAS 38: Disclosure of Interests in Other Entities – provides the disclosures required in order to enable users of a reporting entity's financial statements to evaluate:
    - the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
    - the effects of those interests on its financial position, financial performance and cash flows.

The following table summarizes applicable accounting method in financial statements of a reporting entity:

Classification	Accounting method	IPSAS
Controlling interest in an entity:		
Controlled entity	Consolidate	35
Quantifiable ownership interest:		
Associate	Equity method	36
Joint venture	Equity method	36
Joint arrangement:		
RIGHTS TO NET ASSETS:		
Joint venture (joint venturer)	Equity method	37
Joint venture (participant with significant influence)	Equity method	37
Joint venture (participant without significant influence)	Financial instrument	37
RIGHTS TO ASSETS AND OBLIGATIONS FOR LIABILITIES:		
Joint operation (joint operator)	Account for assets, liabilities, revenues and expenses relating to interest in accordance with IPSASs applicable to the particular assets, liabilities, revenues and expenses	37
Joint operation (participant)		37
Joint arrangement – no rights:		
Account for interest in accordance with IPSAS applicable to that interest	For example for a one-off jointly financed project with no assets, recognize expense.	

The accounting methods in the table above are detailed in an IPSAS 34-38 decision tree at section 3.1.2 below. The decision tree tool displays decisions from each of those IPSASs in a simplified format in order to aid the decision-making process when classifying and determining how to account for interests in other entities or joint arrangements.

1.2 Facts and circumstances

There are key aspects in the application of these IPSAS standards which require professional judgement based on the **facts** and **circumstances** of each arrangement:

- the determination of whether the reporting entity has control, joint control or significant influence over an entity / arrangement; and
- the rights the reporting entity has over a joint arrangement – for example, rights to assets and obligations for liabilities versus rights to net assets.

Circumstances can be inferred by understanding the governance structure for each arrangement. It is important that a consensus should be sought between various stakeholders of an arrangement including Board of Auditors before reaching any accounting conclusion.

Facts must be established as far as possible based on all available information; however, there are still circumstances where the ability to classify arrangements will be inhibited by lack of clarity of arrangements, for example in cases where it is unclear what rights the reporting entity has.

2 DEFINITIONS

The following terms from IPSAS 34 to 38 are used in this corporate guidance with the meanings specified:

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non-financial. The actual impact of an entity's involvement with another entity can have positive or negative aspects.

Binding arrangement: a binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. It includes rights from contracts or other legal rights. Binding arrangements can be evidenced in several ways. A binding arrangement is often, but not always, in writing, in the form of a contract or documented discussions between the parties. Statutory mechanisms such as legislative or executive authority can also create enforceable arrangements, similar to contractual arrangements, either on their own, or in conjunction with contracts between the parties.

Consolidated financial statements are the financial statements of an economic entity in which assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

Control: An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A **controlled entity** is an entity that is controlled by another entity.

A **controlling entity** is an entity that controls one or more entities.

A **decision-maker** is an entity with decision-making rights that is either a principal or an agent for other parties.

An **economic entity** is a controlling entity and its controlled entities.

The **equity method** is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets/equity of the associate or joint venture. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets/equity includes its share of changes in the investee's net assets/equity that have not been recognized in the investee's surplus or deficit.

An **interest in another entity**, refers to involvement by way of binding arrangements or otherwise that exposes an entity to variability of benefits from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence

over, another entity. An entity does not necessarily have an interest in another entity solely because of a typical funder/recipient or customer/supplier relationship.

An **investment entity** is an entity that:

(a) Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(b) Has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both; and
(c) Measures and evaluates the performance of substantially all of its investments on a fair value basis.

A **joint arrangement** is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A party with joint control of an arrangement can prevent any of the other parties, or a group of the parties, from controlling the arrangement.

A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

A **joint operator** is a party to a joint operation that has joint control of that joint operation.

A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A **joint venturer** is a party to a joint venture that has joint control of that joint venture.

A **non-controlling interest** is the net assets/equity in a controlled entity not attributable, directly or indirectly, to a controlling entity.

A **party to a joint arrangement** is an entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.

Power consists of existing rights that give the current ability to direct the relevant activities of another entity.

Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Quantifiable ownership interests relate to those ownership interests that can be **measured reliably**. This includes ownership interests arising from investments in the formal equity structure of another entity (e.g. share capital or an equivalent form of capital such as units in a property trust; or investments in non-formal structures such as partnership).

Relevant activities: relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision-making authority.

Revenue from a structured entity, includes, but is not limited to, recurring and non-recurring fees, interest, dividends or similar distributions, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.

A **separate vehicle** is a separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

A **structured entity** is:

(a) In the case of entities where administrative arrangements or legislation are normally the dominant factors in deciding who has control of an entity, an entity that has been designed so that administrative arrangements or legislation are not the dominant factors in deciding who controls the entity, such as when binding arrangements are significant to determining control of the entity and relevant activities are directed by means of binding arrangements; or
(b) In the case of entities where voting or similar rights are normally the dominant factor in deciding who has control of an entity, an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of binding arrangements.

Unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or group of the parties, from making unilateral decisions (about the relevant activities) without its consent. No single controls the arrangement on its own.

3 SUMMARY OF IPSAS 34 TO 38

3.1 IPSAS 34 to 38 background

3.1.1 EFFECTIVE DATE

IPSASs 34 to 38 were published in January 2015 and must all be adopted for periods beginning on or after 1 January 2017. Early adoption is permitted as long as all these standards are adopted at the same time.

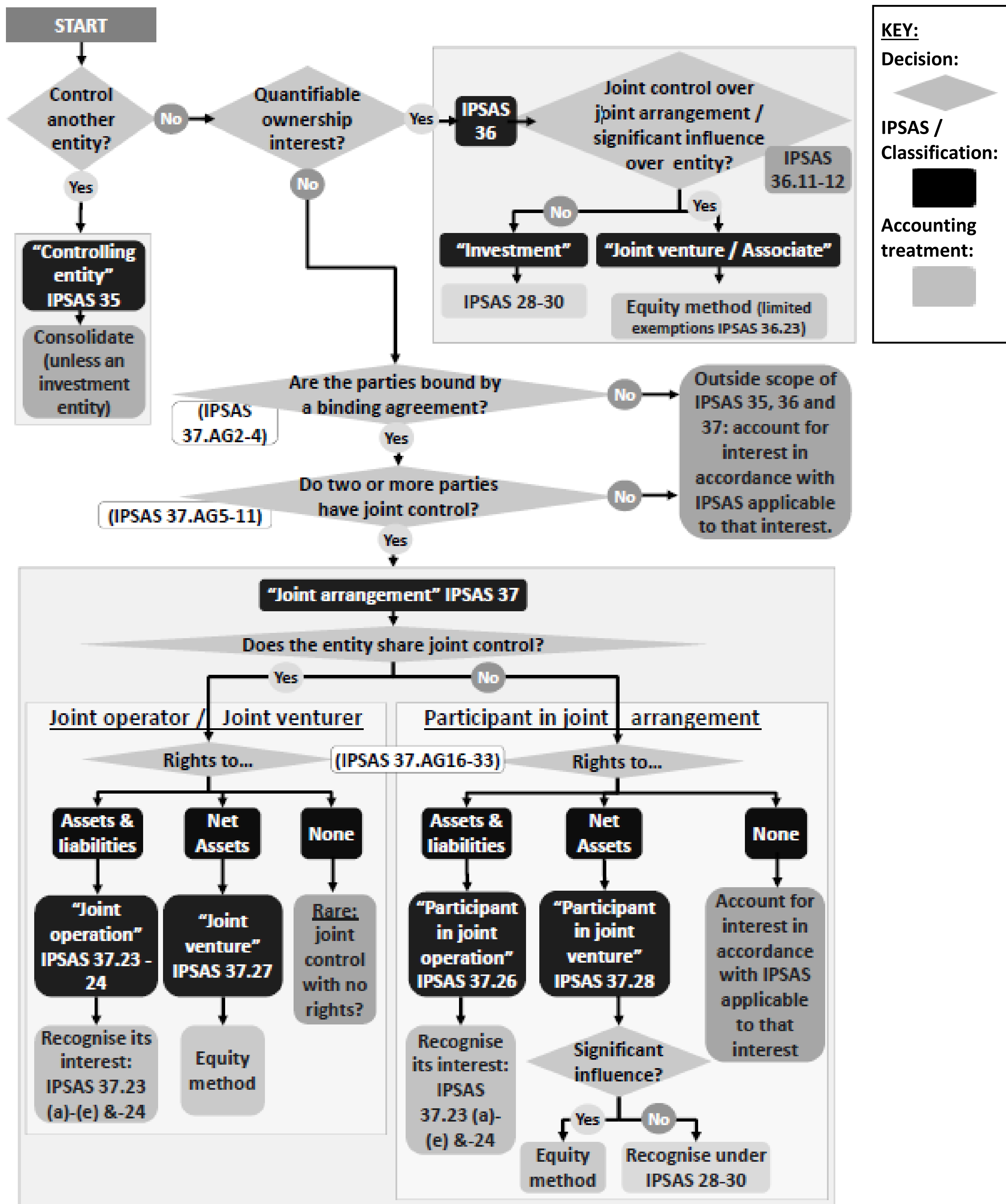
3.1.2 IPSAS 35 TO 37 DECISION TREE

The objective of the decision tree is to assist users in determining what the classification of an interest in another entity or joint arrangement is which therefore determines how the interest should be accounted for.

The decision tree demonstrates and illustrates the different IPSAS 35 to 37 classifications, and the decisions and accounting options in relation to these classifications. The subsequent sections draw out the key concepts and accounting implications from IPSAS 34 to 38.

The decision tree does not go into detail on how to make the assessments in decisions. For these readers should consult the case study examples at Section 4 Specific topics. Case studies are included as follows:

- **Section 4.1 Controlling entities:**
  - 4.1.1 UNESCO and the International Centre of Theoretical Physics.
- **Section 4.2 Associates:**
  - 4.2.1 United Nations and an Example Associate: ABC Partnership.
- **Section 4.3 Joint arrangements:**
  - 4.3.1 Joint Ventures: International Trade Centre.
  - 4.3.2 Joint Operations: XYZ Example Joint Arrangement.


START
Control another entity?
No
Yes
"Controlling entity" IPSAS 35
Consolidate (unless an investment entity)
Quantifiable ownership interest?
Yes
No
IPSAS 36
Joint control over joint arrangement / significant influence over entity?
IPSAS 36.11-12
No
Yes
"Investment"
"Joint venture / Associate"
IPSAS 28-30
Equity method (limited exemptions IPSAS 36.23)
Are the parties bound by a binding agreement?
(IPSAS 37.AG2-4)
No
Yes
Outside scope of IPSAS 35, 36 and 37: account for interest in accordance with IPSAS applicable to that interest.
Do two or more parties have joint control?
(IPSAS 37.AG5-11)
No
Yes
"Joint arrangement" IPSAS 37
Does the entity share joint control?
Yes
No
Joint operator / Joint venturer
Participant in joint arrangement
Rights to...
(IPSAS 37.AG16-33)
Rights to...
Assets & liabilities
Net Assets
None
Assets & liabilities
Net Assets
None
"Joint operation" IPSAS 37.23 - 24
"Joint venture" IPSAS 37.27
Rare: joint control with no rights?
"Participant in joint operation" IPSAS 37.26
"Participant in joint venture" IPSAS 37.28
Account for interest in accordance with IPSAS applicable to that interest
Recognise its interest: IPSAS 37.23 (a)-(e) &-24
Equity method
Recognise its interest: IPSAS 37.23 (a)-(e) &-24
Significant influence?
Yes
No
Equity method
Recognise under IPSAS 28-30
KEY:
Decision:
IPSAS / Classification:
Accounting treatment:

3.1.2.1 Accounting options

The decision tree demonstrates that while there are key concepts to understand and classifications to be made, IPSAS 35 to 38 have a limited number of accounting options:

1) Consolidate;
2) Equity method;
3) Recognise interest in joint operation under IPSAS 37.23-24 (Account for assets, liabilities, revenues and expenses relating to interest in accordance with IPSASs applicable to the particular assets, liabilities, revenues and expenses);
4) Financial instrument; or
5) Account for interest in accordance with the IPSAS applicable to that interest, e.g. a grant may be treated as an expense or plant and equipment is subject to IPSAS: 17 Property, Plant and Equipment.

3.1.2.2 Key decisions

Key decisions require professional judgement, are often complex and consideration of the facts and circumstances may not be clear, for example:

- Arrangements may not be well-defined;
- The assessment of control is frequently challenging; and
- Arrangements may not clearly articulate rights and obligations.

Nevertheless, the IPSAS 35, 36 and 37 decision tree is a useful tool in this process and it is utilised in the examples in section 4 Specific topics.

3.2 IPSAS 34: Separate Financial Statements

3.2.1 Objective and Scope

3.2.1.1 Objective

The objective of IPSAS 34 is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates **when an entity prepares separate financial statements**.

3.2.1.2 Scope

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 34 in accounting for investments in controlled entities, joint ventures and associates **when it elects, or is required by regulations**, to present separate financial statements.

3.2.2 Key Concepts: Preparation of Separate Financial Statements

3.2.2.1 What are separate financial statements?

Separate financial statements **are those presented in addition to consolidated financial statements** (i.e. the financial statements of an economic entity) or **in addition to the financial statements of an investor** that does not have controlled entities but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IPSAS 36 to be accounted for using the equity method. The financial statements of an entity that does not have a controlled entity, associate or joint venturer's interest in a joint venture are **not** separate financial statements.

An entity that is exempted in accordance with paragraph 5 of IPSAS 35, from consolidation or paragraph 23 of IPSAS 36, from applying the equity method may present separate financial statements as its only financial statements.

3.2.2.2 Separate financial statements in the United Nations system

Separate financial statements are not required to be prepared by United Nations system reporting entities through regulations. At the date of this corporate guidance, it has not elected to present separate financial statements. Such a decision is based on management judgement around **how a reporting entity's economic situation is best presented**; considerations include that consolidation may distort the underlying results of the reporting entity, alignment to budgetary framework or the interrelationship with segment reporting. This corporate guidance therefore briefly covers IPSAS 34 requirements.

3.2.3 Preparation of Separate Financial Statements

Separate financial statements are prepared in accordance with **all applicable IPSASs** with limited exemptions. These exemptions include requiring similar investments in controlled entities, joint ventures and associates to be accounted for using the same method, e.g. at cost, using the equity method or as a financial instrument.

3.2.4 Disclosure

When preparing separate financial statements an entity shall do so in accordance with all applicable IPSASs. IPSAS 34 includes specific requirements for both controlled and controlling investment entities. The additional disclosures are presented in **four-column financial statements**:

1) Current period economic entity;
2) Current period separate financial statements;
3) Prior period economic entity; and
4) Prior period separate financial statements.

Separate financial statements therefore require additional disclosures on the face of the financial statements as well as the notes to the financial statements.

3.3 IPSAS 35: Consolidated Financial Statements

3.3.1 Objective and Scope

3.3.1.1 Objective

The objective of IPSAS 35 is to establish principles for the presentation and **preparation of consolidated financial statements** when an **entity controls** one or more other entities. In order to meet this objective, the standard:

a) Requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
b) Defines the principle of control, and establishes control as the basis for consolidation;
c) Sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
d) Sets out the accounting requirements for the preparation of consolidated financial statements; and
e) Defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

3.3.1.2 Scope

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 35 in the preparation and presentation of **consolidated financial statements** for the economic entity.

3.3.2 Key concepts: Control

An entity controls another entity when the entity is **exposed, or has rights, to variable benefits** from its involvement with the other entity and has the **ability to affect** the nature or amount of those **benefits** through its **power** over the entity. An entity therefore controls another entity where the entity has **all** of the following:

- Power over the other entity;
- Exposure, or rights, to variable benefits from its involvement with the other entity; **and**
- The ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

These three elements are considered in sections 3.3.2.1 to 3.3.2.3.

3.3.2.1 Power over the other entity

An entity has power over another entity when it has **existing rights** that give it the **current ability** to direct the **relevant activities**, i.e., the activities that significantly affect the nature or amount of the benefits from its involvement with the other entity.

The assessment of rights can be straightforward such as existing rights being present through **board or equity voting rights**.

In the public sector, rights may be present through other means. **Binding arrangements** or statutory rights, for example in an entity's statute, may make the assessment relatively straightforward. These rights may give an entity power to require the other entity to deploy assets or incur liabilities in a way that affects the nature or amount of benefits received. The **right to direct the financial and operating policies** of another entity indicates that an entity has the ability to direct the relevant activities of another entity and is frequently the way in which power is demonstrated in the public sector.

Management's assessment of whether such rights give rise to power over another entity may be complex and require consideration of the various factors collectively.

Economic dependence does not give rise to power (e.g. a United Nations System entity may be predominantly funded from grants from another United Nations System entity); all facts and circumstances must be considered.

Legislation may give statutory bodies or statutory officers, powers to carry out their functions independently of government. The existence of statutory powers to operate independently does not, of itself, preclude an entity having the ability to direct the operating and financial policies of another entity with statutory powers so as to obtain benefits. For example, the independence of a central bank in relation to monetary policy does not preclude the possibility of the central bank being controlled.

Similarly, regulatory control alone does not necessarily give rise to power. For example, governments may enact regulations to protect the health and safety of the community by restricting the sale or use of dangerous goods, but such conditions would not typically give rise to power under IPSAS 35.

3.3.2.2 Exposure or rights to variable benefits

An entity is exposed, or has rights, to **variable benefits** from its involvement with an entity being assessed for control when the benefits that it seeks from its involvement have the potential to vary as a result of the other entity's performance. Benefits can be financial, or more commonly in the public sector; non-financial. IPSAS 35 provides examples of financial benefits:

- Dividends, variable interest on debt securities, other distributions or economic benefits;
- Exposure to increases or decreases in the value of an investment in another entity;
- Exposure to loss from agreements to provide financial support, including financial support for major projects;

- Cost savings (for example, if an entity would achieve economies of scale or synergies by combining the operations or assets of the other entity with its own operations or assets);
- Residual interests in the other entity's assets and liabilities on liquidation of that other entity; and
- Other exposures to variable benefits that are not available to other entities.

Examples of non-financial benefits in IPSAS 35 are:

- The ability to benefit from the specialized knowledge of another entity;
- The value to the entity of the other entity undertaking activities that assist the entity in achieving its objectives;
- Improved outcomes;
- More efficient delivery of outcomes;
- More efficient or effective production and delivery of goods and services;
- Having an asset and related services available earlier than would otherwise be the case; and
- Having a higher level of service quality than would otherwise be the case.

In the public sector context, the assessment of variable nonfinancial benefits could be challenging as non-financial benefits may be difficult to identify. An entity needs to consider the substance of the arrangement with the other entity, regardless of the legal form of the benefits.

3.3.2.3 Link between power and benefits

An entity controls another entity if it not only has power over the other entity being assessed for control and exposure or rights to variable benefits from its involvement with the other entity, but also has the ability to use its power to affect the nature or amount of the benefits from its involvement with the other entity being assessed for control.

The existence of congruent objectives alone is insufficient for an entity to conclude that it controls another entity. In order to have control the entity would also need to have the ability to use its power over the entity being assessed for control to direct that other entity to work with it to further its objectives.

An entity with decision-making rights shall determine whether it is a **principal** or an **agent**. An entity shall also determine whether another entity with decision-making rights is acting as an agent for the entity. An **agent** is a party primarily engaged to **act on behalf** and for the benefit of another party or parties (the **principal**(s)) and therefore **does not control** the other entity when it exercises its decision-making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

Measurement

An entity includes the revenue and expenses of a controlled entity in the consolidated financial statements from the date it gains control until the date when the entity ceases to control the controlled entity. Revenue and expenses of the controlled entity are based on the amounts of the assets and liabilities recognized in the

consolidated financial statements at the acquisition date. For example, depreciation expense recognized in the consolidated statement of financial performance after the acquisition date is based on the values of the related depreciable assets recognized in the consolidated financial statements at the acquisition date.

3.3.3 ACCOUNTING REQUIREMENTS: CONSOLIDATION

Consolidated financial statements:

- Combine like items of assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.
- Offset (eliminate) the carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets/equity of each controlled entity (the relevant international or national accounting standards explain how to account for any related goodwill).
- Eliminate in full intra-economic entity assets, liabilities, net assets/equity, revenue, expenses and cash flows relating to transactions between entities of the economic entity (surpluses or deficits resulting from intra-economic entity transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intra-economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

3.3.3.1 Uniform accounting policies

If a member of the economic entity uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, ap**propriate adjustments are made** to that member's financial statements in preparing the consolidated financial statements to ensure conformity with the economic entity's accounting policies.

3.3.3.2 Reporting dates

The financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements shall be prepared as at the **same reporting date**. When the end of the reporting period of the controlling entity is different from that of a controlled entity, the controlling entity either:

a) Obtains, for consolidation purposes, **additional financial information** as of the same date as the financial statements of the controlling entity; or
b) Uses the most recent financial statements of the controlled entity adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

3.3.3.3 Non-controlling interests

A controlling entity shall present non-controlling interests in the consolidated statement of financial position within net assets/equity, separately from the net assets/equity of the owners of the controlling entity. An entity shall attribute the surplus or deficit and each gain or loss recognized directly in net assets/equity to the owners of the controlling entity and to the non-controlling interests. The entity shall also attribute the total amount recognized in the statement of changes in net assets/equity to the owners of the controlling entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3.3.3.4 Investment entities

An entity shall consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. An investment entity shall not consolidate its controlled entities. Instead, an investment entity shall measure an investment in a controlled entity at fair value through surplus or deficit in accordance with IPSAS 29. IPSAS 35 paragraphs 56 to 64 have additional considerations for investment entities.

3.3.4 Disclosure

Disclosures in relation to consolidations are considered in Section 3.6, IPSAS 38: *Disclosure of Interests in Other Entities*.

3.3.5 Transitional provisions

An entity applies IPSAS 35 retrospectively in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors except as per below.

Notwithstanding the requirements of paragraph 33 of IPSAS 3, when IPSAS 35 is first applied an entity need only present the quantitative information required by paragraph 33(f) of IPSAS 3 for the annual period immediately preceding the date of initial application of IPSAS 35 (the "immediately preceding period"). An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.

For the purposes of IPSAS 35, the **date of initial application** is the beginning of the annual reporting period for which this standard is applied for the first time.

If, at the date of initial application, an entity concludes that it shall consolidate another entity that was not consolidated in accordance with IPSAS 6, the entity shall measure the assets, liabilities and non-controlling interests in that previously unconsolidated entity as if that other entity had been consolidated from the date when the entity obtained control of that other entity on the basis of the requirements of IPSAS 35. The entity

shall adjust retrospectively the annual period immediately preceding the date of initial application. When the date that control was obtained is earlier than the beginning of the immediately preceding period, the entity shall recognize, as an adjustment to net assets/equity at the beginning of the immediately preceding period, any difference between:

a) The amount of assets, liabilities and non-controlling interests recognized; and
b) The previous carrying amount of the entity's involvement with the other entity.

If, at the date of initial application, an entity concludes that it will no longer consolidate an entity that was consolidated in accordance with IPSAS 6, the entity shall measure its interest in the other entity at the amount at which it would have been measured if the requirements of IPSAS 35 had been effective when the entity became involved with, or lost control of, the other entity. The entity shall adjust retrospectively the annual period immediately preceding the date of initial application. When the date that the entity became involved with (but did not obtain control in accordance with IPSAS 35), or lost control of, the other entity is earlier than the beginning of the immediately preceding period, the entity shall recognize, as an adjustment to net assets/equity at the beginning of the immediately preceding period, any difference between:

a) The previous carrying amount of the assets, liabilities and non-controlling interests; and
b) The recognized amount of the entity's interest in the other entity.

3.4 IPSAS 36: Investments in Associates and Joint Ventures

3.4.1 Objective and Scope

3.4.1.1 Objective

The objective of IPSAS 36 is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

3.4.1.2 Scope

IPSAS 36 shall be applied by all entities that are investors with **significant influence** over, or **joint control** of, an investee where the investment leads to the holding of a **quantifiable ownership interest**. It provides the basis for accounting for **ownership interests** in associates and joint ventures. That is, the investment in the other entity confers on the entity the risks and rewards **incidental to an ownership interest**. This includes ownership interests arising from investments in the formal equity structure of another entity. Quantifiable ownership interests may also include ownership interests arising from other investments in which the entity's ownership interest can be **measured reliably** (for example, interests in a partnership).

Where the equity structure of the other entity is **poorly defined**, it may not be possible to obtain a reliable measure of the ownership interest and IPSAS 36 would not be directly applicable.

3.4.2 KEY CONCEPTS: SIGNIFICANT INFLUENCE

Whether an investor has significant influence over the investee is a matter of **judgment** based on the nature of the relationship between the investor and the investee, and on the definition of significant influence. IPSAS 36 **applies only** to those associates in which an entity holds a quantifiable ownership interest either in the form of a shareholding or other formal equity structure or in another form in which the entity's interest can be **measured reliably**.

3.4.2.1 20% rebuttable presumption

If an entity holds a quantifiable ownership interest **and** it holds, **directly or indirectly** (e.g., through controlled entities), **20 per cent or more** of the voting power of the investee, it is **presumed** that the entity **has significant influence, unless it can be clearly demonstrated** that this is not the case. Conversely, if the entity holds, directly or indirectly (e.g., through controlled entities), **less than 20 per cent** of the voting power of the investee, it is presumed that the entity **does not have significant influence, unless such influence can be clearly demons**trated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence and effect of potential voting rights that are **currently exercisable or convertible**, such as debt or equity instruments that are convertible into ordinary shares, are considered when assessing whether an entity has significant influence.

In assessing whether potential voting rights contribute to significant influence, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other binding arrangements whether considered individually or in combination) that affect potential rights, **except the intentions of management** and the **financial ability** to exercise or convert those potential rights.

3.4.2.2 Other evidence of significant influence

The existence of significant influence by an entity is usually evidenced in **one or more** of the following ways:

a) Representation on the board of directors or equivalent governing body of the investee;
b) Participation in policy-making processes, including participation in decisions about dividends or similar distributions;
c) Material transactions between the entity and its investee;
d) Interchange of managerial personnel; and
e) Provision of essential technical information.

3.4.2.3 Loss of significant influence

An entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. It could occur, for example, when an associate becomes subject to the control of another government, a court or an administrator. It could also occur as a result of a binding arrangement.

3.4.3 ACCOUNTING REQUIREMENTS: EQUITY METHOD

An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption under IPSAS 36 paragraphs 23–25. In the event that the United Nations Secretariat has a quantifiable ownership interest with significant influence over the investee, these exemptions are unlikely to be applicable as they related to very specific circumstances.

3.4.3.1 The equity method

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the surplus or deficit of the investee after the date of acquisition. The investor's share of the investee's surplus or deficit is recognized in the investor's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's surplus or deficit. Such changes include those arising from the revaluation of property plant and equipment, actuarial gains or losses on employee benefits liabilities and from foreign exchange translation differences. The investor's share of those changes is recognized in its net assets through the statement of changes in net assets.

An investment in an associate or a joint venture accounted for using the equity method shall be classified as a non-current asset. Where the investee is in a net liability position, the investment shall be classified as a non-current liability.

Where necessary, an entity will discontinue the use of the equity method from the date when its investment ceases to be an associate or joint venture in accordance with IPSAS 36 paragraph 26.

Most recent financial statements

The most recent available financial statements of the associate or joint venture are used by the entity in applying the equity method. When the end of the reporting period of the entity is different from that of an associate or a joint venture the entity either:

- Obtains, for the purpose of applying the equity method, additional financial information as of the same date as the financial statements of the entity; or
- Uses the most recent financial statements of the associate or joint venture adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the entity's financial statements

Uniform accounting policies

The entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances. If an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the entity when the associate's or joint venture's financial statements are used by the entity in applying the equity method.

3.4.4 Disclosure

Disclosures in relation to interests in associates and joint ventures are considered in Section 3.6, IPSAS 38: *Disclosure of Interests in Other Entities*.

3.4.5 Transitional provisions

The transitional provisions for changing from proportionate consolidation to the equity method, or from the equity method to accounting for assets and liabilities in respect of a joint operation are set out in IPSAS 37.

3.5 IPSAS 37: Joint Arrangements

3.5.1 Objective and scope

3.5.1.1 Objective

The objective of IPSAS 37 is to establish principles for financial reporting by entities that have an **interest in arrangements that are controlled jointly** (i.e., **joint arrangements**).

3.5.1.2 Scope

IPSAS 37 shall be applied by all entities that are a party to a joint arrangement in **determining the type of joint arrangement** in which it is involved and in **accounting for the rights and obligations of the joint arrangement**.

3.5.2 Key concepts: joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control and it has the following characteristics:

a) The parties are bound by a **binding arrangement**; **and**
b) The binding arrangement gives **two or more of those parties joint control** of the arrangement.

A joint arrangement is either a joint operation or a joint venture

3.5.2.1 Joint control

Joint control is the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the **unanimous consent** of the parties sharing control.

An entity that is a party to an arrangement shall assess whether the binding arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the benefits from the arrangement (i.e. the relevant activities).

In a joint arrangement, **no single party controls** the arrangement **on its own**. A party with joint control of an arrangement **can prevent any of the other parties**, or a group of the parties, from controlling the arrangement.

IPSAS 37 distinguishes between parties that have joint control (**either a joint operator or joint venturer**) and parties that participate in, but do not have joint control of (**participants in a joint arrangement**), a joint arrangement.

3.5.2.2 Types of joint arrangement

The classification of a joint arrangement as a joint operation or a joint venture requires professional judgement and depends upon the rights and obligations of the parties to the arrangement. The assessment of rights and obligations considers:

- the structure and legal form of the arrangement;
- the terms agreed by the parties or established by legislative or executive authority; and
- when relevant, other facts and circumstances.

Joint operations: rights to the assets and obligations for the liabilities

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, which may or may not include the reporting entity, have **rights to the assets, and obligations for the liabilities**, relating to the arrangement.

Joint ventures: rights to the net assets

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, which may or may not include the reporting entity, have **rights to the net assets** of the arrangement.

3.5.3 Accounting Requirements: Financial Statements of Parties to a Joint Arrangement

3.5.3.1 Joint operations

Joint operator

A **joint operator** shall recognize in relation to its interest in a joint operation:

a) Its assets, including its share of any assets held jointly;
b) Its liabilities, including its share of any liabilities incurred jointly;
c) Its revenue from the sale of its share of the output arising from the joint operation;
d) Its share of the revenue from the sale of the output by the joint operation; and
e) Its expenses, including its share of any expenses incurred jointly.

A **joint operator** shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPS**ASs applicable to the particular assets, liabilities, revenues and expenses**. The IPSAS 37 application guidance paragraphs 34 to 37 discuss how to account for transactions between the joint operator and joint operation.

Non-joint controlling participant in a joint operation

A party that participates in, but **does not have joint control** of, a joint operation shall also account for its interest in the arrangement as per a joint operator accounting **if that party has rights to the assets, and obligations for the liabilities**, relating to the joint operation.

If a party that participates in, but **does not have joint control** of, a joint operation **does not have rights to the assets, and obligations for the liabilities**, relating to that joint operation, it shall account for its interest in the joint operation in accordance with the **IPSASs applicable to that interest**.

3.5.3.2 Joint ventures

Joint venturer

A joint venturer shall recognize its **interest in a joint venture as an investment** and shall account for that investment using the **equity method** in accordance with IPSAS 36, unless the entity is exempted from applying the equity method as specified in that standard.

Non-joint controlling participant in a joint venture

A party that participates in, but **does not have joint control** of, a joint venture shall account for its interest in the arrangement in accordance with **IPSAS 36 if it has significant influence** over the joint venture.

Otherwise, a party that participates in, but **does not have joint control or significant influence** of, a joint venture shall account for its interest in the arrangement in accordance with the **IPSASs dealing with financial instruments**, being IPSAS 28, Financial instruments: presentation, IPSAS 29, Financial instruments: recognition and measurement, and IPSAS 30, Financial instruments: disclosures.

3.5.4 Disclosure

Disclosures in relation to interests in joint arrangements are considered in Section 3.6, IPSAS 38: Disclosure of Interests in Other Entities.

3.5.5 Transitional provisions

Notwithstanding the requirements of paragraph 33 of IPSAS 3, when IPSAS 37 is first applied, an entity need only present the quantitative information required by paragraph 33(f) of IPSAS 3, for the annual period immediately preceding the first annual period for which IPSAS 37 is applied (the 'immediately preceding period'). An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.

3.5.5.1 Joint ventures—transition from proportionate consolidation to the equity method

When changing from proportionate consolidation to the equity method, an entity shall recognize its investment in the joint venture as at the **beginning of the immediately preceding period**. That initial investment shall be measured as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any purchased goodwill arising from acquisition transactions (guidance on accounting for the acquisition of an entity and the allocation of goodwill to joint ventures can be found in the relevant international or national standards on entity combinations and joint arrangements).

The opening balance of the investment determined in accordance with the first paragraph of 3.5.5.1 is regarded as the deemed cost of the investment at initial recognition. An entity shall apply paragraphs 43-48 of IPSAS 36 to the opening balance of the investment to assess whether the investment is impaired and shall recognize any impairment loss as an adjustment to accumulated surplus or deficit at the beginning of the immediately preceding period.

An entity shall disclose a breakdown of the assets and liabilities that have been aggregated into the single line investment balance as at the beginning of the immediately preceding period. That disclosure shall be

prepared in an aggregated manner for all joint ventures for which an entity applies the transition requirements.

After initial recognition, an entity shall account for its investment in the joint venture using the equity method in accordance with IPSAS 36.

3.5.5.2 Joint operations—transition from the equity method to accounting for assets and liabilities

When changing from the equity method to accounting for assets and liabilities in respect of its interest in a joint operation, an entity shall, at the **beginning of the immediately preceding period**, **derecognize the investment that was previously accounted for using the equity method** and any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph 41 of IPSAS 36 and **recognize its share of each of the assets and the liabilities in respect of its interest in the joint operation**, including any goodwill that might have formed part of the carrying amount of the investment.

An entity shall determine its interest in the **assets** and **liabilities** relating to the joint operation on the basis of its **rights** and **obligations** in a specified proportion in **accordance with the binding arrangement**. An entity measures the initial carrying amounts of the assets and liabilities by disaggregating them from the carrying amount of the investment **at the beginning of the immediately preceding period** on the basis of the information used by the entity in applying the equity method.

Any difference arising from the investment previously accounted for using the equity method together with any other items that formed part of the entity's net investment in the arrangement in accordance with paragraph 41 of IPSAS 36 and the net amount of the assets and liabilities, including any goodwill, recognized shall be accounted for as follows:

If the net amount of the assets and liabilities, including any goodwill, recognized is:	*Treatment of difference:*
Higher than the investment derecognized [a\]	Offset against any goodwill relating to the investment with any **remaining difference adjusted against accumulated surplus or deficit at the beginning of the immediately preceding period**.
Lower than the investment derecognized [a\]	**Adjusted against accumulated surplus or deficit at the beginning of the immediately preceding period**

[a\] and any other items that formed part of the entity's net investment) derecognized

An entity changing from the equity method to accounting for assets and liabilities shall provide a reconciliation between the investment derecognized, and the assets and liabilities recognized, together with any remaining difference adjusted against accumulated surplus or deficit, at the beginning of the immediately preceding period.

3.6 IPSAS 38: Disclosure of Interests in Other Entities

3.6.1 OBJECTIVE AND SCOPE

3.6.1.1 Objective

The objective of IPSAS 38 is to require an entity to disclose information that enables users of its financial statements to evaluate:

a) The **nature** of, and **risks** associated with, its interests in **controlled entities**, **unconsolidated controlled entities**, **joint arrangements** and **associates**, and **structured entities that are not consolidated**; and
b) The effects of those interests on its **financial position**, **financial performance** and **cash flows**.

3.6.1.2 Scope

This Standard shall be applied by an entity that has an interest in any of the following:

a) Controlled entities;
b) Joint arrangements (i.e., joint operations or joint ventures);
c) Associates; or
d) Structured entities that are not consolidated.

IPSAS 38 **does not apply** to an interest held by an entity that participates in, but **does not have joint control** of, a **joint arrangement unless that interest results in significant influence** over the arrangement or is an interest in a structured entity.

IPSAS 38 **does not apply** to an interest in another entity that is accounted for in accordance with **IPSAS 29, Financial Instruments: Recognition and Measurement**. However, an entity **shall apply** IPSAS 38:

(i) When that interest is an interest in an **associate** or a **joint venture** that, in accordance with IPSAS 36, Investments in Associates and Joint Ventures, is measured at **fair value through surplus or deficit**; or
(ii) When that interest is an interest in a **structured entity that is not consolidated.**

3.6.2 DISCLOSING INFORMATION ABOUT INTERESTS IN OTHER ENTITIES

To meet the objective of IPSAS 38 above, an entity shall disclose:

a) The **significant judgments** and **assumptions** it has made in **determining**:
   (i) The nature of its interest in another entity or arrangement;
   (ii) The type of joint arrangement in which it has an interest (IPSAS 38 paragraphs 12–14); and
   (iii) That it meets the definition of an investment entity, if applicable (IPSAS 38 paragraph 15); and

b) **Information** about its interests in:

(i) Controlled entities (IPSAS 38 paragraphs 17–26);
(ii) Joint arrangements and associates (IPSAS 38 paragraphs 35–39);
(iii) Structured entities that are not consolidated (IPSAS 38 paragraphs 40–48);
(iv) Non-quantifiable ownership interests (IPSAS 38 paragraphs 49–50); and
(v) Controlling interests acquired with the intention of disposal (IPSAS 38 paragraphs 51–57).

3.6.2.1 Level of detail required to meet the objectives

If the disclosures required by IPSAS 38, together with disclosures required by other IPSASs, do not meet the objective, an entity shall disclose **whatever additional information is necessary** to meet that objective.

An entity shall consider the level of detail necessary to satisfy the disclosure objective in paragraph 1 and how much emphasis to place on each of the requirements in this Standard. It shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics (see IPSAS 38 paragraphs AG2–AG6.

3.6.3 Significant Judgements and Assumptions

An entity shall disclose the **methodology** used to determine:

a) That it has **control** of another entity as described in IPSAS 35 paragraphs 18 and 20;
b) That it has **joint control** of an arrangement or **significant influence** over another entity; and
c) The **type of joint arrangement** (i.e., joint operation or joint venture) when the arrangement has been structured through a **separate vehicle**.

These disclosures shall be **either:**

- given **in the financial statements**; or
- **incorporated by cross-reference** from the financial statements to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete. The use of such cross-referencing may be subject to jurisdictional restrictions.

For example, the cross-reference option could[1] be achieved through reference to the United Nations IPSAS Policy Framework.

[1] The cross-reference option should be "some other statement available to users of the financial statements on the same terms as the financial statements and at the same time". The standard is silent on whether or not a standing document such as the United Nations IPSAS Policy Framework meets this requirement or whether it refers to a periodic statement in the same vein as financial statements, financial statement discussion and analysis or management commentary.

3.6.3.1 Examples of significant judgements and assumptions

IPSAS 38 provides **examples** of the types of information which could be disclosed:

- It controls a specific entity (or similar category of entities) where the interest in the other entity is not evidenced by the holding of equity or debt instruments;
- It does not control another entity (or category of entities) even though it holds more than half of the voting rights of the other entity (or entities);
- It controls another entity (or category of entities) even though it holds less than half of the voting rights of the other entity (or entities);
- It is an agent or a principal (see IPSAS 38 paragraphs AG60–AG74 of IPSAS 35);
- It does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity; and
- It has significant influence even though it holds less than 20 per cent of the voting rights of another entity.

3.6.4 Interests in Controlled Entities

An entity shall disclose information that enables users of its consolidated financial statements:

a) To understand:
   (i) The **composition of the economic entity**; and
   (ii) The **interest that non-controlling** interests have in the economic entity's activities and cash flows (IPSAS 38 paragraph 19); and

b) To evaluate:
   (i) The nature and extent of significant **restrictions** on its ability to access or use assets, and settle liabilities, of the economic entity (IPSAS 38 paragraph 20);
   (ii) The nature of, and changes in, the **risks** associated with its interests in consolidated structured entities (IPSAS 38 paragraphs 21–24);
   (iii) The consequences of **changes in its ownership interest** in a controlled entity that do not result in a loss of control (IPSAS 38 paragraph 25); and
   (iv) The consequences of **losing control** of a controlled entity during the reporting period (IPSAS 38 paragraph 26).

When the financial statements of a controlled entity used in the preparation of consolidated financial statements are as of a date or for a **period that is different** from that of the consolidated financial statements (see paragraph 46 of IPSAS 35) an entity shall disclose:

a) The date of the end of the reporting period of the financial statements of that controlled entity; and
b) The reason for using a different date or period.

3.6.4.1 The interest that non-controlling interests have in the economic entity's activities & cash flows

A reporting entity shall disclose for each of its **controlled entities that have material** (to the reporting entity) **non-controlling interests**:

a) The name of the controlled entity;
b) The domicile and legal form of the controlled entity and the jurisdiction in which it operates;
c) The proportion of ownership interests held by non-controlling interests
d) The proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held;
e) The surplus or deficit allocated to non-controlling interests of the controlled entity during the reporting period;
f) Accumulated non-controlling interests of the controlled entity at the end of the reporting period; and
g) Summarized financial information about the controlled entity (see IPSAS 38 paragraph AG10).

3.6.4.2 The nature and extent of significant restrictions

An entity shall disclose:

a) Significant **restrictions** in binding arrangements (e.g., statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the economic entity, such as:
   (i) Those that restrict the ability of a controlling entity or its controlled entities to transfer cash or other assets to (or from) other entities within the economic entity.
   (ii) Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the economic entity.
b) The nature and extent to which **protective rights of non-controlling interests** can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the economic entity (such as when a controlling entity is obliged to settle liabilities of a controlled entity before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a controlled entity).
c) The **carrying amounts** in the consolidated financial statements of the assets and liabilities to which those **restrictions** apply.

3.6.4.3 Nature of the Risks Associated with an Entity's Interests in Consolidated Structured Entities

An entity shall disclose the terms of any binding arrangements that could require the controlling entity or its controlled entities to provide **financial support to a consolidated structured entity**, including events or circumstances that could expose the reporting entity to a loss (e.g., liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).

If during the reporting period a controlling entity or any of its controlled entities has, without having an obligation under a binding arrangement to do so, **provided financial or other support to a consolidated**

structured entity (e.g., purchasing assets of, or instruments issued by, the structured entity), the entity shall disclose:

a) The type and amount of support provided, including situations in which the controlling entity or its controlled entities assisted the structured entity in obtaining financial support; and
b) The reasons for providing the support.

If during the reporting period a controlling entity or any of its controlled entities has, without having an obligation under a binding arrangement to do so, provi**ded financial or other support to a previously unconsolidated structured entity** and that provision of support **resulted in the entity controlling** the structured entity, the entity shall disclose an explanation of the relevant factors in reaching that decision.

An entity shall disclose any curr**ent intentions to provide financial or other support to a consolidated structured entity**, including intentions to assist the structured entity in obtaining financial support.

3.6.4.4 Changes in a controlling entity's ownership interest

Where there is **no loss of control**, an entity shall present a **schedule that shows the effects on the net assets / equity** attributable to owners of the controlling entity of any changes in its ownership interest in a controlled entity that do not result in a loss of control.

Where there is **loss of control**, an entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 52 of IPSAS 35 and:

a) The portion of that gain or loss attributable to measuring any investment retained in the former controlled entity at its fair value at the date when control is lost; and
b) The line item(s) in surplus or deficit in which the gain or loss is recognized (if not presented separately).

3.6.5 Interests in Unconsolidated Controlled Entities (Investment Entities)

An **investment entity** that, in accordance with IPSAS 35 is required to apply the exception to consolidation and instead account for its investment in a controlled entity at fair value through surplus or deficit shall disclose that fact. IPSAS 38 paragraphs 27 to 34 considered disclosure requirements for investment entities. As there is limited applicability to United Nations Secretariat reporting entities, this corporate guidance does not consider these requirements.

3.6.6 Interests in Joint Arrangements and Associates

An entity shall disclose information that enables users of its financial statements to evaluate:

a) The **nature, extent and financial effects** of its interests in joint arrangements and associates, including the nature and effects of its relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates (IPSAS 38 paragraphs 36 and 38); and
b) The **nature of, and changes in, the risks** associated with its interests in joint ventures and associates (IPSAS 38 paragraph 39).

3.6.6.1 Nature, extent and financial effects of an entity's interests in joint arrangements and associates

An entity shall disclose:

a) For each joint arrangement and associate that is **material** to the reporting entity:
   (i) The **name** of the joint arrangement or associate;
   (ii) The **nature** of the entity's **relationship** with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities);
   (iii) The **domicile** and **legal form** of the joint arrangement or associate and the **jurisdiction** in which it operates; and
   (iv) The **proportion of ownership interest or participating share** held by the entity and, if different, the proportion of voting rights held (if applicable).
b) For each joint venture and associate that is **material** to the reporting entity:
   (i) Whether the investment in the joint venture or associate is measured using the **equity method** or at **fair value**;
   (ii) **Summarized financial information** about the joint venture or associate as specified in IPSAS 38 paragraphs AG12 and AG13 (see below); and
   (iii) If the joint venture or associate is accounted for using the **equity method**, the fair value of its investment in the joint venture or associate, **if there is a quoted market price for the investment**.
c) **Financial information** as specified in paragraph AG16 (see below) about the entity's investments in joint ventures and associates that are **not individually material**:
   (i) **In aggregate for all individually immaterial joint ventures**; and
   (ii) **In aggregate for all individually immaterial associates**. This aggregated information is to be disclosed separately from the aggregated information on joint ventures.

<table>
<tr><th colspan="2">Summary of Associate or Joint Venture financial information disclosures:</th></tr>
<tr><td>Each material joint venture or associate</td><td>AG12*:
(a) Dividends or similar distributions received from the joint venture or associate.
(b) Summarised financial information for the joint venture or associate:
(i) Current assets;
(ii) Non-current assets;
(iii) Current liabilities;
(iv) Non-current liabilities;
(v) Revenue;
(vi) Tax expense;
(vii) Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and
(viii) Surplus or deficit.
AG13*:
(a) Cash and cash equivalents included in paragraph AG12(b)(i);.
(b) Current financial liabilities (excluding taxes and transfers payable, payables under exchange transactions and provisions) included in paragraph AG12(b)(iii);
(c) Non-current financial liabilities (excluding taxes and transfers payable, payables under exchange transactions and provisions) included in paragraph AG12(b)(iv);
(d) Depreciation and amortization;
(e) Interest revenue;
(f) Interest expense; and
(g) Income tax expense.
* This information shall be the amounts included in the joint ventures' / associates' financial statements (i.e. not the reporting entity's share of these amounts).
A reporting entity shall provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture or associate.</td></tr>
<tr><td>Non-individually material associate – in aggregate</td><td rowspan="2">AG16:
Aggregate amount (separately) of its share of those associates' / joint ventures':
(a) Revenue;
(b) Tax expense;
(c) Pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to discontinuing operations; and
(d) Surplus or deficit.</td></tr>
<tr><td>Non-individually material joint ventures – in aggregate</td></tr>
</table>

An entity shall also disclose:

a) The nature and extent of any **significant restrictions** (e.g., resulting from borrowing arrangements, regulatory requirements or binding arrangements between investors with joint control of, or significant influence over, a joint venture or an associate) on the ability of joint ventures or associates to transfer

funds to the entity in the form of cash dividends or similar distributions, or to repay loans or advances made by the entity.

b) When the financial statements of a joint venture or associate used in applying the equity method are as of a **date or for a period that is different** from that of the entity:
   (i) The date of the end of the reporting period of the financial statements of that joint venture or associate; and
   (ii) The reason for using a different date or period
c) The **unrecognized share of losses of a joint venture or associate**, both for the reporting period and cumulatively, if the entity has stopped recognizing its share of losses of the joint venture or associate when applying the equity method.

3.6.6.2 Risks associated with an entities interest in joint ventures and associates

An entity shall disclosure:

a) **Commitments** that it has relating to its joint ventures **separately** from the amount of other commitments as specified in IPSAS 38 paragraphs AG17–AG19; and
b) In accordance with IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets, unless the probability of loss is remote, **contingent liabilities** incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), **separately** from the amount of other contingent liabilities.

3.6.7 INTERESTS IN STRUCTURED ENTITIES THAT ARE NOT CONSOLIDATED

An entity shall disclose information that enables users of its financial statements:

a) To understand the **nature** and **extent** of its **interests** in structured entities that are not consolidated (IPSAS 38 paragraphs 43–45); and
b) To evaluate the **nature** of, and **changes** in, the **risks** associated with its interests in structured entities that are not consolidated (IPSAS 38 paragraphs 46–48).

This includes information about an entity's **exposure to risk** from involvement that it had with structured entities that are not consolidated in previous periods (e.g., sponsoring the structured entity), even if the entity no longer has any involvement by way of binding arrangement with the structured entity at the reporting date.

3.6.7.1 Nature of interests

An entity shall disclose **qualitative** and **quantitative** information about its interests in structured entities that are not consolidated, including, but not limited to, the **nature**, **purpose**, **size** and **activities of the structured entity** and **how the structured entity is financed**.

If an entity has sponsored a structured entity that is not consolidated for which it does not provide information required by IPSAS 38 paragraph 46 (e.g., because it does not have an interest in the entity at the reporting date), the entity shall disclose:

a) How it has determined which structured entities it has sponsored;
b) Revenue from those structured entities during the reporting period, including a description of the types of revenue presented; and
c) The carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.

An entity shall present the information in IPSAS 38 paragraph 44(b) and (c) in tabular format, unless another format is more appropriate, and classify its sponsoring activities into relevant categories (see IPSAS 38 paragraphs AG2–AG6).

3.6.7.2 Nature of risks

An entity shall disclose in tabular format, unless another format is more appropriate, a summary of:

a) The **carrying amounts of the assets and liabilities** recognized in its financial statements relating to its interests in structured entities that are not consolidated;
b) The **line items in the statement of financial position** in which those assets and liabilities are recognized;
c) The amount that best represents the entity's **maximum exposure to loss from its interests in structured entities that are not consolidated**, including how the maximum exposure to loss is determined. If an entity cannot quantify its maximum exposure to loss from its interests in structured entities that are not consolidated it shall disclose that fact and the reasons; and
d) A **comparison of the carrying amounts** of the assets and liabilities of the entity that relate to its interests in structured entities that are not consolidated and the entity's maximum exposure to loss from those entities.

If during the reporting period an entity has, without having an obligation under a binding arrangement to do so, provided financial or other support to a structured entity that is not consolidated in which it previously had or currently has an interest (for example, purchasing assets of, or instruments issued by, the structured entity), the entity shall disclose:

a) The type and amount of support provided, including situations in which the entity assisted the structured entity in obtaining financial support; and
b) The reasons for providing the support.

An entity shall disclose any current intentions to provide financial or other support to a structured entity that is not consolidated, including intentions to assist the structured entity in obtaining financial support. Such current intentions include intentions to provide support as a result of obligations under binding arrangements and intentions to provide support where the entity has no obligation under a binding arrangement.

3.6.8 Non-quantifiable ownership interests

An entity shall disclose information that enables users of its financial statements to understand the nature and extent of any **non-quantifiable ownership interests** in other entities. To the extent that this information has not already been provided in accordance with IPSAS 38, an entity shall disclose, in respect of each non-quantifiable ownership interest that is **material to the reporting entity**:

a) The **name** of the entity in which it has an ownership interest; and
b) The **nature** of its ownership interest in the entity.

3.6.9 Controlling interests acquired with the intention of disposal

An entity, other than an investment entity, shall disclose information regarding its interest in a controlled entity when, at the point at which control arose, the entity had the intention of disposing of that interest and, at the reporting date, it has an active intention to dispose of that interest. This situation is unlikely to be applicable for United Nations Secretariat reporting entities. IPSAS 38 paragraphs 51 to 57 have further information on disclosure requirements for controlling interests acquired with the intention of disposal.

3.6.10 Transitional provisions

An entity is **encouraged** to provide information required by IPSAS 38 earlier than annual periods beginning on or after January 1, 2017. Providing some of the IPSAS 38 disclosures does not compel the entity to comply with all IPSAS 38 requirements or to apply IPSAS 34, IPSAS 35, IPSAS 36, and IPSAS 37 early.

4 SPECIFIC TOPICS

4.1 Controlling entities

4.1.1 UNESCO and the International Centre of Theoretical Physics

4.1.1.1 International Centre of Theoretical Physics (ICTP) background and the Tripartite Agreement

ICTP's purpose is to foster, through training and research, the progress of physics – with special attention to the need of developing countries. It was set up in 1964 by IAEA through an agreement with the Government of Italy. On 1 January 1970, UNESCO and IAEA signed a Joint Operation Agreement (JOA) as the ICTP's scientific activities constitute a joint programme carried out by both. Under the terms of the JOA, the administration of the Centre was carried out by IAEA. On 1 January 1996, a Tripartite Agreement between UNESCO, IAEA and the Government of Italy was signed transferring ICTP to UNESCO.

The Agreement between UNESCO, IAEA and the Government of Italy can be amended by the unanimous agreement between the parties.

The ICTP has no legal status; the assets and liabilities are held in UNESCO's name as administering agency and are held in a UNESCO Special Account. Whilst not an entity as such, it is administered as a separate financial structure.

4.1.1.2 ICTP governance and appointment of key personnel

A steering committee formulates the general guidelines for the ICTP's activities as well as the annual budget, respective contribution levels, financial plans and use of funds. It comprises:

- A member from each of UNESCO, IAEA and the Government of Italy.
- The Director of the ICTP who is the ex-officio chairperson.
- Other members may be appointed by the Steering Committee.

Each member of the steering committee has a vote. The Director of the ICTP is appointed by the Director-General of UNESCO in consultation with the Director-General of IAEA and the Government of Italy and is an employee of UNESCO (the ICTP has no legal status). The candidate is recommended by the Steering Committee and works under the delegated authority of the UNESCO DG.

Decisions of the Steering Committee are on a two thirds majority voting basis.

4.1.1.3 ICTP funding and other matters

More than 70% of funding is provided by the Government of Italy's Ministry of Research through annual contributions. In 2014, funding was as follows:

	Funding	2014 percentage of Total Funding
Government of Italy:	Euro 20.6 million	75%
IAEA:	Euro 2.8 million	10%
UNESCO (RP)	Euro 0.4 million	1%
Other	Euro 3.8 million	14%
TOTAL	**Euro 27.6 million**	

Under Article 9 of the Agreement, funds allocated for the operation of ICTP are paid into a special account, set up by the Director-General of UNESCO, in accordance with UNESCO its financial rules and regulations. Annual budgets and work plans are aligned to UNESCO Programmes as determined by UNESCO Member States.

There are no provisions in the agreement regarding ownership structure and dissolution; given that the rules of the ICTP Agreement can be changed, dissolution would effectively need to be negotiated and unanimously agreed within the Steering Committee.

4.1.1.4 ICTP assessment of control under IPSAS 35

IPSAS 35 in application guidance 2 clarifies that when determining the existence of control the entity should assess whether it has all the following:

(a) Power over the other entity;
(b) Exposure, or rights, to variable benefits from its involvement with the other entity; and
(c) The ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

For the purposes of illustrating the example in this corporate guidance paper, we analyse each of the control factors for the UNESCO-ICTP relationship. Note that like in many cases, there is no straightforward conclusion and when analysing a relationship, accounting professionals exercising professional judgement may reach conflicting conclusions.

Power

The key points to note in relation to assessing whether UNESCO has power over the ICTP are:

- The Steering Committee is the ICTP's major decision-making organ and determines the budgets, contributions, financial plans and use of funds.
- The Steering Committee operates on a **two thirds majority** basis.
- UNESCO has **one vote** on this committee as a direct member.
- However, the **UNESCO Director-General also appoints the Director of the ICTP** who sits on the Steering Committee and is the chair. The Director of the ICTP, a UNESCO employee, works under the delegated authority of the UNESCO Director-General. Therefore UNESCO has in effect, **two votes**.

- Under the Agreement the ICTP is **administered by UNESCO** via a special account and also follows the **UNESCO financial rules and regulations**. Therefore UNESCO controls the financial rules and regulations of ICTP.

Benefits

The key points to note in relation to assessing whether UNESCO is exposed, or has rights to the variable benefits from its involvement with the ICTP are:

- ICTP's purpose is to foster, through training and research, the progress of physics – with special attention to the need of developing countries.
- Annual budgets and **work plans are aligned to UNESCO programmes**.

For the purposes of this example, as the benefits test applies **to non-financial benefits** including the value to the entity (in this case UNESCO) of the other entity (ICTP) undertaking **activities that assist the entity in achieving its objectives**, the benefits test has been **met**. Note that this assumes that further analysis on how the work plans are aligned to UNESCO programmes would be necessary.

Link between power and benefits

The key point being, UNESCO's ability to use its power over the ICTP to affect the nature or amount of the benefits from its involvement with the other entity.

- If the power was only over specific areas of ICTP's work plan, e.g. a certain programme area, the benefits UNESCO receives from its association with ICTP do not necessarily flow from that particular area. However, in this case, UNESCO has **broad power over ICTP's** financial and operating policies as well as its work plan. Therefore the **non-financial benefits UNESCO's programmes gain** from ICTP's activities are **directly linked to UNESCO's power** over ICTP.

For the purposes of this example, UNESCO's power is linked to the **non-financial benefits** it gains from ICTP.

Conclusion:

For the purposes of illustrating the example in this corporate guidance paper, as all three elements of control are present in the UNESCO-ICTP relationship, **the control test is met**. Therefore, UNESCO may consolidate the financial statements of ICTP in accordance with provisions of IPSAS 35.

As stated above, the control assessment is not always straightforward. For the UNESCO-ICTP relationship and other cases, accounting professionals, including auditors, may reach conflicting conclusions.

4.1.1.5 ITCP and the IAEA

It is worthwhile considering how IAEA should account for its interest in ICTP. On the basis that IAEA only has one third voting rights, it is not a controlling entity. As IPSAS 36 requires a quantifiable ownership interest, of which there is none, IPSAS 36 does not apply.

IPSAS 37 concerns joint arrangements; that is an arrangement of which two or more parties have joint control. We therefore consider joint control – however no two (or three) parties share joint control[2] of ICTP among the parties to the Tripartite Agreement (i.e. UNESCO, IAEA and Government of Italy – it has been proven in the preceding paragraphs that UNESCO has control). IAEA's interest is therefore outside the scope of IPSAS 37. IAEA must still account for any interest in accordance with normal accounting procedures, such as accounting for its funding contribution as a grant.

4.1.2 Controlling Entity Disclosures

4.1.2.1 Significant judgements and assumptions

IPSAS 38 paragraph 9 requires a controlling entity to disclose the significant judgements and assumptions it has made in determining the **nature** of interests in other entities and arrangements. UNESCO must therefore disclose the **methodology**, including **significant judgements and assumptions,** used to determine that it has **control** of the ICTP as described in IPSAS 35 paragraphs 18 and 20.

This disclosure shall be **either** in the **financial statements** or **incorporated by cross-reference** from the financial statements to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time. For example, if UNESCO publishes its Accounting Policy Framework; this framework could meet this disclosure requirement.

4.1.2.2 Disclosures specific to controlling entities

IPSAS 38 requires a controlling entity to disclose information that enables users of its consolidated financial statements (see section 3.6.4):

[2] Joint control requires unanimous consent of the parties sharing joint control. A party with joint control of an arrangement can prevent any of the other parties, or group of the other parties, from controlling the arrangement. In the case of ICTP, **IAEA or the Government of Italy can be outvoted** (UNESCO has its vote plus the vote of the Director of the ICTP, a UNESCO employee).

IPSAS 38.17 requirement	UNESCO disclosures
a) To understand:	
(i) The **composition of the economic entity**; and	Reporting entity is defined including any controlled entities.
(ii) The **interest that non-controlling interests** have in the economic entity's activities and cash flows (IPSAS 38 paragraph 19); and	Where applicable, any non-controlling interests. Not applicable for ICTP as UNESCO has 100% interest.
b) To evaluate:	
(i) The nature and extent of **significant restrictions** on its ability to access or use assets, and settle liabilities, of the economic entity (IPSAS 38 paragraph 20);	Restrictions on ability to use assets, for example ICTP net assets are restricted to ICTP purposes
(ii) The nature of, and changes in, the **risks** associated with its interests in consolidated structured entities (IPSAS 38 paragraphs 21–24);	Risks associated with ICTP, for example credit risk over significant contributions or exposure to unfunded employee benefits liabilities.
(iii) The consequences of **changes in its ownership interest** in a controlled entity that do not result in a loss of control (IPSAS 38 paragraph 25); and	Not applicable.
(iv) The consequences of **losing control** of a controlled entity during the reporting period (IPSAS 38 paragraph 26).	Not applicable.

Where applicable, other disclosures may also be required including those on differing reporting dates and non-controlling interests (section 3.6.4.1 above).

4.1.2.3 IAEA and the ICTP

In the case of IAEA, IPSASs 35, 36 and 37 do not apply. However, IPSAS 38 paragraph 49 requires an entity to disclose information that enables users of its financial statements to understand the nature and extent of any non-quantifiable ownership interests in other entities.

4.2 Associates

4.2.1 United Nations and an Example Associate: ABC Partnership

As the existing of quantifiable ownership interests in entities is of limited relevance to the United Nations Secretariat, we use a hypothetical example to become within the scope of IPSAS 36.

4.2.1.1 ABC Partnership (ABC) background and facts and circumstances

ABC has **a quantifiable ownership structure** and the United Nations Secretariat **has an ownership interest** in ABC**.** The United Nations Secretariat's interest in ABC therefore falls **inside the scope of IPSAS 36**.

In this example:

- ABC has been created as a **formal partnership** between a six of parties each of whom have **an equal 16.67% share in the partnership**.
- A Partnership Agreement is the binding arrangement between the partners and can only be changed by a five sixths majority vote.
- ABC has its own Board with six members; each partner appoints a member to this Board and the Board chairperson, currently the United Nations Secretariat, is held on a two-year rotational basis starting with the founding member of the partnership. When a casting vote is required the chair's vote counts double.
- The Board is responsible for all major decision making including creating and approving the ABC Financial Regulations, annual budget, strategic plan and the contribution levels of each partner. Note that the contributions of all partners collectively is around 50% of total ABC budget.
- ABC is a separate legal entity and is a separate reporting entity.

4.2.1.2 Analysis of United Nations Secretariat interest in ABC Partnership:

IPSAS 36 includes a rebuttable presumption that where an entities' quantifiable ownership interest voting power is greater than 20% then significant influence is present. Whilst all voting power is currently exercisable, neither the United Nations Secretariat nor any other partner has more than 20% voting power.

Other factors can provide evidence of significant influence; we therefore assess the United Nations Secretariat against these factors:

IPSAS 36 Significant influence factors	UN Secretariat assessment
a) Representation on the board of directors or equivalent governing body of the investee;	**Yes** – Board membership and in addition the chairpersonship is currently held by the UN Secretariat on a rotational basis. Note that even without being the chairperson, this test would be met.
b) Participation in policy-making processes, including participation in decisions about dividends or similar distributions;	**Yes** – as the Board is the policy-making forum, the UN Secretariat does participate in these types of processes.
c) Material transactions between the entity and its investee;	**No** – whilst the UN Secretariat does fund ABC (approximately one twelfth on average), this is not significant for either the UN Secretariat or ABC.
d) Interchange of managerial personnel; and	**Yes** – One board member is a UN Secretariat appointee which in practice means a UN Secretariat employee.
e) Provision of essential technical information.	**No** – ABC is independent in its operations.

As one or more of these factors applies to the United Nations Secretariat in our example, the United Nations Secretariat has determined that ABC is an associate and it must therefore account for this associate using the equity method.

4.2.1.3 Equity Method

Under the equity method, the investment in an associate is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of surplus or deficit of the investee after the date of acquisition. The investor’s share of the surplus or deficit of the investee is recognized in the investor’s surplus or deficit. Adjustments to the carrying amount may also be necessary for changes in the investor’s proportionate interest in the investee arising from changes in the investee’s equity that have not been recognized in the investee’s surplus or deficit.

4.2.1.4 ABC Partnership: Volume I applying the Equity Method

Sample list of balances and transactions with ABC are as follows:

ABC’s IPSAS Statement of financial position as at 31 December 2015:

$’000	General fund	End of service liability	Total
Assets	57,500	-	57,500
Liabilities	(15,000)	(60,000)	(75,000)
Net Assets / Liabilities	**42,500**	**(60,000)**	**(17,500)**

ABC's IPSAS Statement of financial performance for the year ended 31 December 2015:

$'000	**General fund**	**End of service liability**	**Total**
Income			
Partners' contributions	10,000	-	10,000
Voluntary contributions	11,000	-	11,000
Total Income	**21,000**	**-**	**21,000**
Expenditure			
Employee expenses	10,000	1,000	11,000
Programme grants	6,000	-	6,000
Contracted expenditure	4,000	-	4,000
Other operating expenditure	950	-	950
Total Expenditure	**20,950**	**1,000**	**21,950**
Surplus / (Deficit) for the Year	**50**	**(1,000)**	**(950)**

ABC's IPSAS Statement of changes in net assets for the year ended 31 December 2015

$'000	**General fund accumulated surplus sand deficits**	**End of service liability**	**Total**
Opening balance	**42,450**	**(58,900)**	**(16,450)**
Surplus / (Deficit) for the year	50	(1,000)	(950)
Actuarial (losses) on end of service liabilities	-	(100)	(100)
Net Assets / Liabilities	**42,500**	**(60,000)**	**(17,500)**

Annual partners' contribution:

The ABC regular budget is funded equally by the partners and is intended to cover ABC's costs, including salaries and common staff costs; accordingly cost towards funding of operating expense by Volume I ($10,000 * 16.67% = $1,667) should record an expenditure and not as investment for the year ended 31 December 2015.

		$'000	**$'000**
Dr.	Expenditure	1,667	
Cr.	Liability or bank		1,667

Deficit for the year

As per IPSAS 36, if an investor's share of deficits of an associate equals or exceeds its interest in the associate, the investor **discontinues recognizing its share of further deficits**. After the investor's interest is reduced to zero, additional deficits are **provided for, and a liability is recognized, only to the extent that**

the investor has incurred legal or constructive obligations, or made payments on behalf of the associate. If the associate subsequently reports surpluses, the investor resumes recognizing its share of those surpluses only after its share of the surpluses equals the share of deficits not recognized.

The documents in the example above provides for equal contribution by the six ABC partners, however there is **no specific mention** regarding ownership structure, dissolution provisions or other means of enabling any liability / interest the United Nations or any other partner may have in the ABC.

We explore two possible alternative positions **which should be determined based on consultation with legal team**:

1) the partners are equally owner / responsible for assets/liabilities of ABC; and
2) under the second alternative the partners are not owners / responsible for any assets/liabilities of ABC beyond the annual commitment towards the assessed contribution.

Users of the partners' financial statements would ideally expect that the conclusion reached independently by the six partners is consistent.

Accounting if first alternative is legally appropriate i.e. the partners are equally owner / responsible for assets / liabilities

Since United Nations has legal or constructive obligations, liability should be recorded for deficits in excess of interest in ABC, accordingly Volume I will record its share of deficits for the year ended 31 December 2015: ($950) * 16.67% = ($158).

		$'000	**$'000**
Dr.	Expenditure	158	
Cr.	Liability		158

After recording the above entry Volume I's liability towards ABC would be as follows:

$'000	**ABC entity**	**Volume I share**
Opening liability – 31 December 2014	**(16,450)**	**(2,742)**
Deficit for the year	(950)	(158)
Actuarial losses recognised through the statement of changes in Net Assets	(100)	(17)
Closing liability – 31 December 2015	**(17,500)**	**(2,917)**

Accounting if second alternative is legally appropriate i.e. United Nations and other partners are not owners / responsible for any assets / liabilities of ABC beyond the annual commitment towards the assessed contribution

Since United Nations does not have legal or constructive obligation, liability should not be recorded for deficits in excess of interest in ABC, accordingly Volume I will not record its share of deficits for the year ended 31 December 2015 and the interest as at 31 December 2015 is $nil.

Other key IPSAS 36 requirements:

- The most recent available financial statements of the associate must be used. In the example above, both the UN and the associate, ABC, have the same reporting date.
- Volume I's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances.
- If ABC uses accounting policies other than those of Volume I for like transactions and events in similar circumstances, adjustments shall be made to conform the ABC's accounting policies to those of Volume I when ABC's financial statements are used by Volume I in applying the equity method.
- Volume I's exposure to ABC's commitments, contingent liabilities and contingent assets also needs to be considered.

4.2.2 Equity Method Disclosures for Interest in ABC

4.2.2.1 Significant judgements and assumptions

IPSAS 38 paragraph 9 requires an investee to disclose the significant judgements and assumptions it has made in determining the **nature** of interests in other entities and arrangements. Volume I must therefore disclose the **methodology**, including **significant judgements and assumptions,** used to determine that it has **significant influence** over ABC.

This disclosure shall be **either** in the **financial statements** or **incorporated by cross-reference** from the financial statements to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time. For example, the United Nations IPSAS Policy Framework could meet this disclosure requirement.

4.2.2.2 Disclosures specific to joint arrangements and associates

IPSAS 38 requires an entity to disclose information that enables users of its financial statements to understand the nature, extent and financial effects of an entity's interests in associates and joint ventures:

IPSAS 38.36 requirement	Volume I disclosures on ABC
a) For **each** joint arrangement and associate that is **material** to the reporting entity:	Volume I share, $2.9m net liability, is not particularly material in absolute terms, however given its net liability position we would deem this as material.
(i) The **name** of the joint arrangement or associate;	Note 1, reporting entity and / or disclosure in a note on interests in other entities / joint arrangements. In the case of ABC, this would state the nature of the partnership relationship, the share of ownership, legal form and domicile.
(ii) The **nature** of the entity's **relationship** with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities);	
(iii) The **domicile** and **legal form** of the joint arrangement or associate and the jurisdiction in which it operates; and	
(iv) The **proportion of ownership interest or participating share** held by the entity and, if different, the proportion of voting rights held (if applicable).	
b) For **each** joint venture and associate that is **material** to the reporting entity:	Deemed material.
(i) Whether the investment in the joint venture or associate is measured using the **equity method or at fair value**;	Stated as recognised using the equity method.
(ii) **Summarized financial information** about the joint venture or associate as specified in IPSAS 38 paragraphs AG12 and AG13; and	Summarised financial information; see example below at 4.2.2.3 below.
(iii) If the joint venture or associate is accounted for using the **equity method**, the fair value of its investment in the joint venture or associate, **if there is a quoted market price for the investment**.	N/a – no quoted price.
c) Financial information **as specified in paragraph AG16 about the entity's investments in joint ventures and associates that are** not individually material	N/a, deemed material. If relevant this would be similar in format to the summarised financial information at 4.2.2.3 below. AG16 disclosures are in aggregate and comprise the carrying amount of interests recognised using the equity method and its share of its share of those interests' revenue and surplus / deficit.
(i) In aggregate for all individually immaterial **joint ventures**; and	
(ii) In aggregate for all individually immaterial **associates**. This aggregated information is to be disclosed separately from the aggregated information on joint ventures.	

4.2.2.3 Summarised financial information

Sample financial disclosures are as follows:

AG ref	Material interests: Summary of financial information	ABC associate	*XYZ associate*	*Joint venture 1*	*Joint venture 2*	*Joint venture 3*
13a)	Cash and cash equivalents	5,000	x,xxx	x,xxx	x,xxx	x,xxx
N/a	Other current assets a\	50,000	x,xxx	-	x,xxx	x,xxx
12b)i	**Total current assets**	**55,000**	**xx,xxx**	**x,xxx**	**xx,xxx**	**xx,xxx**
12b)ii	Non-current assets	2,500	x,xxx	x,xxx	-	-
N/a	**Total assets** a\	**57,500**	**x,xxx**	**x,xxx**	**x,xxx**	**x,xxx**
13b)	Current financial liabilities	15,000	x,xxx	x,xxx	x,xxx	x,xxx
N/a	Other current liabilities a\	10,000	x,xxx	-	x,xxx	x,xxx
12b)iii	**Total current liabilities**	**25,000**	**xx,xxx**	**x,xxx**	**xx,xxx**	**xx,xxx**
13c)	Non-current financial liabilities	5,000	-	-	-	-
N/a	Other non-current liabilities a\	45,000	x,xxx	x,xxx	x,xxx	x,xxx
12b)iv	**Total non-current liabilities**	**50,000**	**x,xxx**	**x,xxx**	**xx,xxx**	**xx,xxx**
N/a	**Total liabilities** a\	**75,000**	**xx,xxx**	**xx,xxx**	**xx,xxx**	**xx,xxx**
N/a	**Net assets / liability** a\	**(17,500)**	**x,xxx**	**(x,xxx)**	**xx,xxx**	**-**
13e)	Interest revenue	**-**	x,xxx	-	xx	xxx
N/a	Other revenue b\	21,000	x,xxx	-	x,xxx	x,xxx
12b)v	**Total revenue**	**21,000**	**xx,xxx**	**-**	**xx,xxx**	**xx,xxx**
13f)	Interest expense	**-**	x,xxx	x,xxx	x,xxx	x,xxx
13d)	Depreciation & amortization expense	**-**	x,xxx	x,xxx	x,xxx	x,xxx
12bvi	Tax expense	**-**	x,xxx	x,xxx	x,xxx	x,xxx
13g)	Income tax expense	**-**	-	-	-	-
N/a	Other expenses b\	21,950	x,xxx	x,xxx	x,xxx	x,xxx
N/a	**Total expenses** b\	**21,950**	**xx,xxx**	**xx,xxx**	**xx,xxx**	**xx,xxx**
12b)viii	**Surplus or deficit**	**(950)**	**x,xxx**	**x,xxx**	**x,xxx**	**x,xxx**

a\ Not specifically required but included to present picture of Statement of financial position.
b\ Not specifically required but included to present picture of Statement of financial performance.

AG14 requires a reconciliation of the summarized financial information to the carrying amount of its interest in associate ABC:

Reconciliation of interest in ABC	ABC entity	Volume I share
Opening liability – 31 December 2014	**(16,450)**	**(2,742)**
Deficit for the year	(950)	(158)
Actuarial losses recognised through the statement of changes in Net Assets	(100)	(17)
Closing liability – 31 December 2015	**(17,500)**	**(2,917)**

4.2.2.4 Other disclosures specific to joint ventures and associates

IPSAS 38 also requires an entity with an interest in an associates and/or joint arrangements to disclose:

- The nature and extent of any **significant restrictions** (e.g., resulting from borrowing arrangements, regulatory requirements or binding arrangements between investors with joint control of, or significant influence over, a joint venture or an associate) on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends or similar distributions, or to repay loans or advances made by the entity.
- Disclose **contingent liabilities** arising from interests in joint ventures and associates separately from the amount of other contingent liabilities.
- When the financial statements of a joint venture or associate used in applying the equity method are as of a **date or for a period that is different** from that of the entity:
  - The date of the end of the reporting period of the financial statements of that joint venture or associate; and
  - The reason for using a different date or period.
- The **unrecognized share of losses of a joint venture or associate**, both for the reporting period and cumulatively, if the entity has stopped recognizing its share of losses of the joint venture or associate when applying the equity method.
- Risks Associated with an Entity's Interests in Joint Ventures and Associates:
  - An entity shall disclose:
    - (a) Commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs AG17-AG19; and
    - (b) In accordance with IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities.

4.3 Joint arrangements

4.3.1 JOINT VENTURES: INTERNATIONAL TRADE CENTRE

4.3.1.1 International Trade Centre (ITC) background

ITC has a joint mandate from the World Trade Organization (WTO) and the United Nations through the United Nations Conference on Trade and Development (UNCTAD). It is the joint technical cooperation agency for trade-related technical assistance. Originally created by the General Agreement on Tariffs and Trade (GATT) in 1964, it has operated since 1968 under the joint aegis of WTO (which assumed GATT responsibilities) and the United Nations. ITC is regarded as a separate reporting entity.

The mission of ITC is to foster inclusive and sustainable growth and development through trade and international business development. Its strategic objectives are:

- Strengthening the integration of the business sector into the global economy through trade intelligence and enhanced support to policymakers;
- Strengthening the export capacity of enterprises to respond to market opportunities;
- Enhancing trade support institutions and policies for the benefit of exporting enterprises.

4.3.1.2 ITC governance and management

ITC is **headed by an Executive Director**, who is **appointed by and reports to the Director General of WTO and the Secretary-General of UNCTAD**.

A **Senior Management Committee** comprises the Executive Director, the Deputy Executive Director, the heads of the Centre's four divisions, the Chief Adviser and the Chief of Strategic Planning.

A **Joint Advisory Group** of ITC meets annually to examine the activities of the Centre on the basis of an annual report and to make recommendations to the UNCTAD Trade and Development Board and the WTO General Council, which review the ITC programme of work. Both UNCTAD and WTO are represented in the Joint Advisory Group supervising the work of ITC, and have a number of joint technical assistance activities with the Centre.

4.3.1.3 ITC funding and financial rules and regulations

The regular budget of ITC is **financed equally by the United Nations and WTO**, and technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme. The regular budget requires the approval of the United Nations' General Assembly and the WTO's General Council. ITC is **subject to** the Financial Regulations and Rules and the Staff Regulations and Staff Rules of the United Nations and is also subject to the oversight system of the Office of Internal Oversight Services of the United Nations Secretariat and the Board of Auditors. The financial statements of ITC are certified by the United Nations Controller.

For the year ended 31 December 2014, ITC was classified as a technical cooperation agency over which WTO and the United Nations have **significant influence** and its financial statements were recognised in the WTO and United Nations financial statements using the equity method.

4.3.1.4 ITC establishing document: 1968 Report of the Secretary-General A/6879

The report discusses the background to the arrangement and the nature of the agreement; see section II. The Proposed Joint International Trade Centre (paragraph 15 extracts):

"*The Centre would be headed by a Director* ***appointed by agreement between the Secretary-General of UNCTAD and the Director-General of GATT****. In the discharge of his duties, the Director would act under*

*the **joint guidance of the Secretary-General of UNCTAD and the Director-General of GATT**, who would **each designate a senior officer** from their respective staffs to assist them for this purpose.*

*An annual report on the Centre's activities would be submitted to the Trade and Development Board of **UNCTAD and** to the Contracting Parties of **GATT, who would make appropriate recommendations** and take **appropriate steps** for provision of budgetary resources for the programme recommended. The Trade and Development Board and the **Contracting Parties may wish to establish a joint advisory group** consisting of government experts. This group would meet annually to review the activities of the Centre and formulate recommendations to the governing bodies. ... The budget of the Centre would be **shared between** UNCTAS and GATT….In addition to its own resources, the Centre would rely to the fullest extent possible on the existing staff and facilities of the United Nations, UNCTAD and GATT. Administrative and financial arrangements would be **worked out jointly** and kept as flexible as possible to ensure the most expeditious and efficient operation of the Centre. Newly recruited professional staff for the Centre would be appointed **by agreement** between UNCTAD and GATT*."

4.3.1.5 ITC assessment of control under IPSAS 35

In 2014 ITC was assessed as **not being under control**[3] of either WTO or the United Nations (through the UNCTAD's interests in the operations of ITC. The introduction of IPSAS 35 varies the definition of control but not to the extent where the United Nation's interest in ITC represents control. Neither the WTO nor the United Nations have the ability to independently direct ITC. Since all three parameters of control are not met, the United Nations should not account for its interest in ITC using IPSAS 35 (consolidation).

4.3.1.6 ITC assessment of applicability of IPSAS 36

In paragraph 4.3.1.3 above, the United Nations was assessed as having **significant influence** over ITC. Therefore the IPSAS 36 test on significant influence has been met; specifically the non-financial elements around IPSAS 36 **paragraph 12** (as stated at 3.4.2.2 and shown in the ABC example at 4.2.1.2 above).

However, the scope of IPSAS 36 is clear in that it is applicable where an investee's investment leads to the holding of a **quantifiable ownership interest**. As the United Nations does not have a quantifiable ownership interest in ITC, it should not account for this interest in accordance with IPSAS 36.

4.3.1.7 ITC assessment under IPSAS 37

IPSAS 37 applies to joint arrangements, that is; an arrangement in which two or more parties have joint control[4].

[3] An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

[4] Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A party with joint control of an arrangement can prevent any of the other parties, or a group of the parties, from controlling the arrangement.

Are the parties bound by a binding arrangement?

In a joint arrangement parties are bound by a binding arrangement which is an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. IPSAS 37 recognizes that binding arrangements can be evidenced in several ways and that they are not necessarily in writing. In respect to the United Nations' interest in ITC, the arrangement is not neatly encapsulated in any one document / agreement. Rather, it is a combination of agreements, documents, decisions and arrangements. These include the 1967 report of the Secretary-General to the General Assembly (A/6879), see above, which discusses the arrangement, being the joint GATT/UNCTAD 'joint venture'. That report has more emphasis on the case and the circumstances for organizing these activities through a separate joint centre but it does include some elements on the agreement and the nature of the agreement.

The arrangements around ITC indicate that UNCTAD and the WTO are bound by a binding arrangement.

Do two or more parties have joint control?

An entity that is a party to an arrangement shall assess whether the binding arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. Section 3.5.2.1 discusses the elements which indicate that joint control exists. In the absence of a clear written binding arrangement, this analysis therefore needs to consider the available facts and circumstances.

Joint control elements	United Nations interest in ITC
Sharing of control of an arrangement; unanimous consent.	The A/6879 report does not express the arrangement in terms of control or unanimous consent. It does consistently use the phrase 'in agreement'; for example, para. 15 (2) "…*headed by a Director appointed by agreement*…" or para. 34 "…*professional staff members being appointed in agreement*…".
No single party controls the arrangement on its own. Act together to direct the activities that significantly affect the benefits from the arrangement.	The same document discusses the arrangement in terms of joint decision-making, e.g. para. 15(7) "*administrative and financial arrangements would be worked out jointly*…". This emphasises the joint nature of the arrangement and the absence of control by either the United Nations or WTO on its own.
A party with joint control can prevent any of the other parties from controlling the arrangement.	While in practice ITC is likely to be managed by consensus, in the event that there is a polarity of opinion between the United Nations and WTO, either party could prevent the other from exercising control.

Based on the facts and circumstances of ITC, we assess that it is subject to joint control and is therefore a joint arrangement as defined under IPSAS 37.

What if there is no joint control?

We recognize that this question is perhaps the hardest to achieve an evidenced, accurate decision on as by definition, it necessitates the assessment that ITC is controlled collectively by the United Nations and WTO in the absence of formally documenting joint control in the binding arrangement.

It is useful to consider what the impact of a decision that ITC is not subject to joint control would be: in that case it is not a joint arrangement as defined by IPSAS 37 and would therefore fall outside the scope of that standard.

The United Nations would have to consider what rights and obligations it has over ITC. If, for example it was determined that there was a right to residual net assets, this would not meet recognition criteria to recognise an asset, however disclosure of a contingent asset may be appropriate. IPSAS 38 has disclosures for material non-quantifiable ownership interests; paragraph 50 requiring the name of the entity and the nature of its ownership interest and paragraph 9 also requires additional information, where necessary, in order to meet the IPSAS 38 objective.

Does the United Nations share joint control?

As one of the two parties to the binding arrangement, the United Nations does share joint control. The United Nations is therefore either a joint operator or a joint venturer depending on its rights.

What if the United Nations is a participant in a joint arrangement?

If for example, ITC had three parties rather than just two, there could be a situation where two dominant partners share joint control and the United Nations is a participant in the joint arrangement. Assuming that the United Nations has rights to net assets, it must then assess whether or not it has significant influence. This is assessment draws on the IPSAS 36 definitions of significant influence, see section 3.4.2 above.

As per the decision tree, section 3.1.2, where a participant does have significant influence, it accounts for its interest in a joint venture using the equity method. If there is neither significant influence nor joint control over a joint venture, an interest is recognised as a financial instrument.

Does the United Nations have rights to net assets or rights to assets/obligations for liabilities?

While the agreements do not state what the United Nations' rights (or obligations) are in terms of assets (or liabilities) or net assets, if such a situation arose, the process would be subject to agreement (with unanimous consent) between the two parties. If a decision was made to cease ITC; the process would be subject to negotiation by the two parties who would likely decide on rights to residual net assets. Note that the establishing document does state that some GATT assets were transferred to the new joint centre, however since that was in 1968, those particular assets are no longer in existence and therefore WTO would have no rights to those assets.

The most likely approach would be that in the event of winding down ITC, the two parties would have a right to their share of residual net assets (as opposed to having rights to asset and obligations for liabilities). This would be after the ITC extinguishes its liabilities as it is ITC, not the United Nations or WTO who have liability.

On the balance of the available facts and circumstances, we conclude that the United Nations has rights to residual net assets and its interest in ITC is therefore a joint venture under IPSAS 37[5].

Conclusion

Having assessed the United Nations' interest in ITC we conclude it is best classified as a joint venture under IPSAS 37. This interest is therefore accounted for under the equity method which is considered in section 4.2.1.3 above. The disclosures for the equity method are considered in section 4.3.2.3 below.

4.3.2 JOINT OPERATIONS: XYZ EXAMPLE JOINT ARRANGEMENT

4.3.2.1 XYZ Joint arrangement

In order to illustrate the decision making process and accounting for joint operations, we use a hypothetical example of a joint arrangement.

4.3.2.2 XYZ Joint Arrangement (XYZ) background, facts and circumstances

The United Nations and seven other reporting entities used a binding arrangement to create a body to undertake certain activities. In this example:

- There is no quantifiable ownership structure and XYZ is therefore not under the scope of IPSAS 36.
- XYZ has been created in a Joint Venture[6] Memorandum of Understanding (MoU) between the eight parties.
- XYZ has a JV Board with four permanent members; the four original parties (including the United Nations) are the lead agencies and under the MoU appoint one board member each. Other parties can choose to appoint an observer to attend but not participate in board decisions.
- The JV Board is responsible for all major decision making.
- Decisions are made on a consensus basis.
- XYZ is not a separate legal entity and is a separate vehicle, that is, it finances are organised in a separate financial structure. The United Nations administers XYZ on its finance system and since it is not a legal entity, contracts on its behalf. XYZ has no employees as its workload is undertaken by staff members (on secondment) of other organizations and, where required consultants.

[5] IPSAS 37 –AG 23:.A separate vehicle whose legal form causes it to be considered in its own right points to a joint venture. However, terms of the arrangement as well as other facts and circumstances must always be considered.

[6] Note that the fact that the MoU considers the arrangement to be a joint venture illustrates that the IPSAS 37 definition of joint venture may be contrary to the language used in binding arrangements or by parties to a binding arrangement.

- XYZ is funded by the parties based on a biennial budget agreed by the JV Board.
- XYZ has limited ability to own assets other than cash, receivables and investments. Any assets used are owned and controlled by the parties to the MoU.

4.3.2.3 XYZ assessment under IPSAS 37

IPSAS 37 applies to joint arrangements, that is; an arrangement in which two or more parties have joint control.

Are the parties bound by a binding arrangement?

In a joint arrangement parties are bound by a binding arrangement which an arrangement that confers enforceable rights and obligations on the parties to it as if it were in the form of a contract. In respect to the United Nations' interest in XYZ, the arrangement is formalised in a binding MoU.

The binding arrangements applicable to XYZ indicate that the parties to the MoU are bound by a binding arrangement.

Do two or more parties have joint control?

An entity that is a party to an arrangement shall assess whether the binding arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. Section 3.5.2.1 discusses the elements which indicate that joint control exists.

The MoU states that the original parties are equal members of the JV Board and that decisions are made by consensus. We consider that this is joint control given that no single parties controls the arrangement on its own and that any one of the four original parties can prevent any of the other parties from controlling the arrangement.

What if there is no joint control?

In the event that there is no joint control, the arrangement is not considered to be a joint arrangement as defined by IPSAS 37 and would therefore fall outside the scope of that standard. The United Nations would have to consider what rights and obligations it has. Based on the facts and circumstances above, XYZ's activities are conducted using United Nations staff and assets; therefore assets, expenses, liabilities relating to those assets / staff are accounted for by the United Nations in accordance with the appropriate IPSAS. IPSAS 38 paragraph 9 requires disclosures, where necessary, in order to meet the IPSAS 38 objectives.

Does the United Nations share joint control?

As one of the four founding parties in the binding arrangement, the United Nations has one position on the JV Board and therefore shares joint control. The United Nations is therefore either a joint operator or a joint venturer depending on its rights.

What if the United Nations is a participant in the joint arrangement?

If for example, if the United Nations was one of the observer parties it may be assessed as a participant in the joint arrangement as it does not share joint control. As the United Nations has rights to assets and obligations for liabilities, as opposed to rights to net assets, its interest is therefore classified, using the decision tree at section 3.1.2, as a participant in the joint operation. The interest is therefore recognised in accordance with IPSAS 37 paragraphs 23-24 as per 3.5.3.1 above.

Does the United Nations have rights to net assets or rights to assets/obligations for liabilities?

We state above that the United Nations has rights to assets (for example property, plant and equipment used by XYZ) and obligations for liabilities (for example liabilities relating to staff seconded from the United Nations), as opposed to rights to net assets; XYZ is therefore classified, using the decision tree at section 3.1.2, as a joint operation and the United Nations' interest is that of a joint operator.

On the balance of the available facts and circumstances, we conclude that the United Nations has rights to assets and obligations for liabilities relating to its interest in XYZ. Its interest is therefore classified as a joint operation venture under IPSAS 37.

Conclusion

Having assessed the United Nations' interest in XYZ we conclude it is a joint operation under IPSAS 37. The United Nations, a joint operator, shall recognize in relation to its interest in the joint operation:

a) Its assets, including its share of any assets held jointly;
b) Its liabilities, including its share of any liabilities incurred jointly;
c) Its revenue from the sale of its share of the output arising from the joint operation;
d) Its share of the revenue from the sale of the output by the joint operation; and
e) Its expenses, including its share of any expenses incurred jointly.

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSASs applicable to the particular assets, liabilities, revenues and expenses. The IPSAS 37 application guidance paragraphs 34 to 37 discuss how to account for transactions between the joint operator and joint operation.

4.3.3 JOINT ARRANGEMENTS: DISCLOSURES

4.3.3.1 Significant judgements and assumptions

IPSAS 38 paragraph 9 requires an investee to disclose the significant judgements and assumptions it has made in determining the **nature** of interests in other entities and arrangements. Volume I must therefore

disclose the **methodology**, including **significant judgements and assumptions,** used to determine the nature and type of joint arrangement.

This disclosure shall be **either** in the **financial statements** or **incorporated by cross-reference** from the financial statements to some other statement that is available to users of the financial statements on the same terms as the financial statements and at the same time. For example, the United Nations IPSAS Policy Framework could meet this disclosure requirement.

4.3.3.2 Disclosures specific to joint arrangements

IPSAS 38 requires an entity to disclose information that enables users of its financial statements to understand its interests in joint arrangements:

IPSAS 38.36 requirements: joint arrangements	Volume I disclosures
a) For **each** joint arrangement and ~~associate~~ that is **material** to the reporting entity:	The following disclosures are required for Volume I's material joint arrangements.
(i) The **name** of the joint arrangement or ~~associate~~;	Note 1, reporting entity and / or disclosure in a note on interests in other entities / joint arrangements. Such disclosures must state the nature of the relationship (for example a brief statement on the nature, domicile, legal form and activities of the arrangement). Where appropriate the share of ownership should be disclosed.
(ii) The **nature** of the entity's **relationship** with the joint arrangement or ~~associate~~ (by, for example, describing the nature of the activities of the joint arrangement or ~~associate~~ and whether they are strategic to the entity's activities);	
(iii) The **domicile** and **legal form** of the joint arrangement or ~~associate~~ and the jurisdiction in which it operates; and	
(iv) The **proportion of ownership interest or participating share** held by the entity and, if different, the proportion of voting rights held (if applicable).	

In addition, where a joint arrangement is assessed as a joint venture, the following IPSAS 38 paragraph 36 disclosures (as per 4.2.2.2 joint ventures and associates) are also required:

IPSAS 38.36 requirement: joint ventures ~~and associates~~	Volume I disclosures
b) For **each** joint venture and ~~associate~~ that is **material** to the reporting entity:	Required for each material joint venture.
(i) Whether the investment in the joint venture or ~~associate~~ is measured using the **equity method or at fair value**;	Stated as recognised using the equity method.
(ii) **Summarized financial information** about the joint venture or ~~associate~~ as specified in IPSAS 38 paragraphs AG12 and AG13; and	Summarised financial information; see example below at 4.2.2.3 above.

IPSAS 38.36 requirement: joint ventures ~~and associates~~	**Volume I disclosures**
(iii) If the joint venture or ~~associate~~ is accounted for using the **equity method**, the fair value of its investment in the joint venture or associate, **if there is a quoted market price for the investment**.	N/a –quoted price unlikely for the United Nations Secretariat's joint ventures.
c) Financial information **as specified in paragraph AG16 about the entity's investments in joint ventures and ~~associates~~ that are** not individually material	If relevant this would be similar in format to the summarised financial information at 4.2.2.3 above.
(i) In aggregate for all individually immaterial **joint ventures**; and	
~~(ii) In aggregate for all individually immaterial **associates**. This aggregated information is to be disclosed separately from the aggregated information on joint ventures.~~	AG16 disclosures are in aggregate and comprise the carrying amount of interests recognised using the equity method and its share of its share of those interests' revenue and surplus / deficit.

4.3.3.3 Joint ventures: Summarised financial information

As these disclosures are the same as those for associates, sample financial disclosures are at 4.2.2.3:

4.3.3.4 Other disclosures specific to joint ventures and associates

As these disclosures are the same as those for associates, they are listed at 4.2.2.4.