Chapter I General Provisions

Article 1 This Standard is formulated in accordance with the *Accounting Standards for Business Enterprises—Basic Standards* to prescribe the recognition and classification of joint arrangements and the accounting treatment of participants' interests in such arrangements.

Article 2 A joint arrangement is an arrangement over which two or more parties have joint control. A joint arrangement has the following characteristics:

(1) The arrangement is bound by all participating parties;

(2) Two or more participating parties jointly control the arrangement. No single participating party can control the arrangement alone, and any participating party with joint control can prevent other participating parties or combinations of parties from controlling the arrangement alone.

Article 3 A joint arrangement does not require that all participating parties have joint control over the arrangement. Participants in a joint arrangement include both those that exercise joint control over the arrangement (i.e., joint operators) and those that do not exercise joint control.

Article 4 The disclosure of interests in joint arrangements by joint operators shall be governed by *Accounting Standards for Business Enterprises No. 41—Disclosure of Interests in Other Entities*.

Chapter II Recognition and Classification of Joint Arrangements

Article 5 Joint control refers to the collectively shared control over an arrangement in accordance with relevant agreements, where decisions regarding relevant activities of the arrangement must be unanimously agreed upon by the participating parties sharing control.

Relevant activities, as referred to in this Standard, are activities that significantly affect the returns of an arrangement. The relevant activities of an arrangement shall be determined based on specific circumstances and generally include the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities, and financing activities.

Article 6 If all participating parties or a group of participating parties must act together to make decisions regarding the relevant activities of an arrangement, then all such participating parties or the group of participating parties collectively control the arrangement.

When assessing whether joint control exists, it shall first be determined whether all participating parties or a combination of participating parties collectively control the arrangement, and then whether decisions regarding the relevant activities of the arrangement must be unanimously agreed upon by those participating parties that collectively control the arrangement.

Article 7 If two or more combinations of participating parties can collectively control an arrangement, joint control does not exist.

Article 8 A participating party that only holds protective rights does not have joint control.

Article 9 Joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the joint operator has rights to the assets and obligations for the liabilities relating to the arrangement.

A joint venture is a joint arrangement whereby the joint operator has rights only to the net assets of the arrangement.

Article 10 A joint operator shall classify a joint arrangement based on the rights it enjoys and the obligations it undertakes in the arrangement. When evaluating rights and obligations, factors such as the structure, legal form, and contractual terms of the arrangement shall be considered.

Article 11 A joint arrangement not established through a separate vehicle shall be classified as a joint operation.

A separate vehicle refers to an entity with a separately identifiable financial structure, including a separate legal entity

or an entity without legal personality but recognized by law.
Article 12 A joint arrangement established through a separate vehicle shall generally be classified as a joint venture. However, if there is conclusive evidence that any of the following conditions are met and the arrangement complies with relevant laws and regulations, it shall be classified as a joint operation:
(1) The legal form of the joint arrangement indicates that the joint operator has rights to the assets and obligations for the liabilities relating to the arrangement.
(2) The contractual terms of the joint arrangement specify that the joint operator has rights to the assets and obligations for the liabilities relating to the arrangement.
(3) Other relevant facts and circumstances indicate that the joint operator has rights to the assets and obligations for the liabilities relating to the arrangement, such as the joint operator being entitled to almost all the output of the arrangement, and the repayment of the arrangement's liabilities being consistently dependent on the support of the joint operator.
The provision of a debt guarantee by a joint operator to the joint arrangement shall not, in itself, be regarded as the joint operator undertaking the liabilities relating to the arrangement. A joint operator's obligation to pay capital contributions to the joint arrangement shall not be regarded as the joint operator undertaking the liabilities relating to the arrangement.
Article 13 If changes in relevant facts and circumstances lead to changes in the rights and obligations of a joint operator in a joint arrangement, the joint operator shall reassess the classification of the joint arrangement.
Article 14 For a framework agreement establishing multiple joint arrangements for different activities, an enterprise shall determine the classification of each joint arrangement separately.
Chapter III Accounting Treatment for Participants in Joint Operations
Article 15 A joint operator shall recognize the following items relating to its share of interests in a joint operation and account for them in accordance with the relevant Accounting Standards for Business Enterprises:
(1) Recognize assets held individually and its share of jointly held assets;
(2) Recognize liabilities undertaken individually and its share of jointly undertaken liabilities;
(3) Recognize revenue from the sale of its share of the output of the joint operation;
(4) Recognize its share of revenue from the sale of output by the joint operation;
(5) Recognize expenses incurred individually and its share of expenses incurred by the joint operation.
Article 16 When a joint operator contributes or sells assets, etc. (excluding assets constituting a business) to a joint operation, it shall recognize only the portion of gains or losses from the transaction attributable to the other participants in the joint operation until such assets are sold to third parties by the joint operation. If the contributed or sold assets incur impairment losses that meet the requirements of *Accounting Standards for Business Enterprises No. 8—Asset Impairment*, the joint operator shall recognize the full amount of such losses.
Article 17 When a joint operator purchases assets, etc. (excluding assets constituting a business) from a joint operation, it shall recognize only the portion of gains or losses from the transaction attributable to the other participants in the joint operation until such assets are sold to third parties. If the purchased assets incur impairment losses that meet the requirements of *Accounting Standards for Business Enterprises No. 8—Asset Impairment*, the joint operator shall recognize its share of such losses.
Article 18 A participant in a joint operation that does not have joint control shall, if it has rights to the assets and obligations for the liabilities relating to the joint operation, account for the arrangement in accordance with Articles 15 to 17 of this Standard; otherwise, it shall account for the arrangement in accordance with the relevant Accounting Standards for Business Enterprises.
Chapter IV Accounting Treatment for Participants in Joint Ventures
Article 19 A joint operator shall account for its investment in a joint venture in accordance with *Accounting Standards

for Business Enterprises No. 2—Long-term Equity Investments*.

Article 20 A participant in a joint venture that does not have joint control shall account for its investment based on the degree of influence it has over the joint venture:

(1) If it has significant influence over the joint venture, it shall account for the investment in accordance with *Accounting Standards for Business Enterprises No. 2—Long-term Equity Investments*.

(2) If it does not have significant influence over the joint venture, it shall account for the investment in accordance with *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*.

Chapter V Transitional Provisions

Article 21 An enterprise applying this Standard for the first time shall reassess its joint arrangements in accordance with this Standard to determine their classification.

Article 22 If a joint venture is reclassified as a joint operation, the joint operator shall derecognize the long-term equity investment previously accounted for using the equity method and any other long-term interests that substantially constitute a net investment in the joint venture at the beginning of the earliest comparative period presented in the financial statements. Simultaneously, based on the relevant information used in applying the equity method at the beginning of the earliest comparative period, it shall recognize the various assets (including goodwill) and liabilities arising from its share of interests in the joint operation.

If temporary differences exist between the carrying amounts of the recognized assets and liabilities and their tax bases, accounting treatment shall be applied in accordance with *Accounting Standards for Business Enterprises No. 18—Income Taxes*.

If there is a difference between the net amount of the recognized assets and liabilities and the carrying amount of the derecognized long-term equity investment and any other long-term interests that substantially constitute a net investment in the joint venture, the following treatment shall be applied:

(1) If the former exceeds the latter, the difference shall first be used to reduce any goodwill related to the investment, with any remaining balance adjusting retained earnings at the beginning of the earliest comparative period;

(2) If the former is less than the latter, the difference shall be deducted from retained earnings at the beginning of the earliest comparative period.

Chapter VI Supplementary Provisions

Article 23 This Standard shall be effective as of July 1, 2014.

Release Date: December 8, 2015