SSAP 21
STATEMENT OF STANDARD ACCOUNTING PRACTICE 21
ACCOUNTING FOR INTERESTS IN JOINT VENTURES

(Issued March 1998 and revised May 2001)

The standards, which have been set in ***bold italic type,*** *should be read in the context of the background material and implementation guidance and in the context of the Foreword to Statements of Standard Accounting Practice, Interpretations and Accounting Guidelines. Statements of Standard Accounting Practice are not intended to apply to immaterial items (see paragraph 8 of the Foreword).*

Scope

1. ***This Statement should be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.***

Definitions

2. ***The following terms are used in this Statement with the meanings specified:***

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Control is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.

Joint control is the contractually agreed sharing of control over an economic activity.

Significant influence is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

A venturer is a party to a joint venture and has joint control over that joint venture.

An investor in a joint venture is a party to a joint venture and does not have joint control over that joint venture.

The equity method is a method of accounting and reporting whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post acquisition change in the venturer's share of net assets of the jointly controlled entity. The income statement reflects the venturer's share of the results of operations of the jointly controlled entity.

The cost method is a method of accounting whereby the investment is recorded at cost. The income statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition.

Forms of joint venture

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

   a. two or more venturers are bound by a contractual arrangement; and

   b. the contractual arrangement establishes joint control.

Contractual arrangement

4. The existence of a contractual arrangement distinguishes interests which involve joint control from investments in associates in which the investor has significant influence (see SSAP 10 (revised 2001) "Accounting for investments in associates"). Activities which have no contractual arrangement to establish joint control are not joint ventures for the purposes of this Statement.

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

   a. the activity, duration and reporting obligations of the joint venture;

   b. the appointment of the board of directors or equivalent governing body of the joint venture and the voting rights of the venturers;

   c. capital contributions by the venturers; and

   d. the sharing by the venturers of the output, income, expenses or results of the joint venture.

6. The contractual arrangement establishes joint control over the joint venture. Such a requirement ensures that no single venturer is in a position to control unilaterally the activity. The arrangement identifies those decisions in areas essential to the goals of the joint venture which require the consent of all the venturers and those decisions which may require the consent of a specified majority of the venturers.

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

8. Since joint ventures are normally set up for a particular purpose, it is not uncommon for a contractual arrangement to provide for the dissolution of the joint venture; for example by specifying a fixed duration for the joint venture or an event whose occurrence signifies an end to the joint venture. The fact that a joint venture has a limited life, whether extendable or not, does not by itself alter the basis of reporting an enterprise's interest in the joint venture.

Jointly controlled operations

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

10. An example of a jointly controlled operation is when two or more venturers combine their operations, resources and expertise in order to manufacture, market and distribute jointly a particular product, such as the construction of a civil engineering project. Different parts of the manufacturing process are carried out by each of the venturers. Each venturer bears its own costs and takes a share of the revenue from the project, such share being determined in accordance with the contractual arrangement.

11. In respect of its interests in jointly controlled operations, a venturer should recognise in its separate financial statements and consequently in its consolidated financial statements:

   a. the assets that it controls and the liabilities that it incurs; and

   b. the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

12. Because the assets, liabilities, income and expenses are already recognised in the separate financial statements of the venturer, and consequently in its consolidated financial statements, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

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

Jointly controlled assets

14. Some joint ventures involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred.

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

16. Many activities in the property investment and development industries involve jointly controlled assets; for example, a number of property developers may form a joint venture to bid for a piece of land. Each venturer has control over its share of future economic benefits through its share in the jointly controlled piece of land. Another example of a jointly controlled asset is when two enterprises jointly control a property, each taking a share of the rents received and bearing a share of the expenses.

17. ***In respect of its interest in jointly controlled assets, a venturer should recognise in its separate financial statements and consequently in its consolidated financial statements:***

    a. ***its share of the jointly controlled assets, classified according to the nature of the assets;***

    b. ***any liabilities which it has incurred;***

    c. ***its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;***

    d. ***any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and***

    e. ***any expenses which it has incurred in respect of its interest in the joint venture.***

18. In respect of its interest in jointly controlled assets, each venturer includes in its accounting records and recognises in its separate financial statements and consequently in its consolidated financial statements:

    a. its share of the jointly controlled assets, classified according to the nature of the assets rather than as an investment. For example, a share of a jointly controlled piece of land is classified as property, plant and equipment;

    b. any liabilities which it has incurred, for example those incurred in financing its share of the assets;

    c. its share of any liabilities incurred jointly with other venturers in relation to the joint venture;

    d. any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and

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

    Because the assets, liabilities, income and expenses are already recognised in the separate financial statements of the venturer, and consequently in its consolidated financial statements, no adjustments or other consolidation procedures are required in respect of these items when the venturer presents consolidated financial statements.

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

Jointly controlled entities

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

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

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

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

24. A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other enterprises in conformity with the appropriate national requirements and Statements of Standard Accounting Practice.

25. Each venturer usually contributes cash or other resources to the jointly controlled entity. These contributions are included in the accounting records of the venturer and recognised in its separate financial statements as an investment in the jointly controlled entity.

Consolidated financial statements of a venturer

26. Subject to paragraph 28, in its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using the equity method as described in SSAP 10 (revised 2001) "Accounting for investments in associates".

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

28. A venturer should account for the following interests as if they are investments other than held-to-maturity securities in accordance with SSAP 24 "Accounting for investments in securities":

- ***a. an interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal in the near future; and***
- ***b. an interest in a jointly controlled entity which operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer.***

29. The carrying amount of the investment in paragraphs 27 and 28(b) at the date when joint control or significant influence ceases, or the severe restrictions come into effect, should be regarded as cost thereafter for accounting and disclosure purposes.

30. To classify an investment as having been acquired and held exclusively with a view to its subsequent disposal in the near future, the venturer should expect that disposal will take place within one year of the date of acquisition. If the disposal has not been achieved by the end of the first annual accounting period commencing after the acquisition, the treatment may be continued only if the venturer has identified or is continuing to actively seek a purchaser and the extended period can be justified on the basis of the particular circumstances of the investment and the prevailing economic environment. In such a case, the disclosure of the reasons for not accounting for a jointly controlled entity using the equity method under the requirement of paragraph 53(c) of this Statement would normally include the disclosure of the particular circumstances and the company's plans in respect of the jointly controlled entity.

31. From the date on which a jointly controlled entity becomes a subsidiary of a venturer, the venturer accounts for its interest in accordance with SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries".

Separate financial statements of a venturer

32. Subject to paragraph 33, an interest in a jointly controlled entity that is included in the separate financial statements of a venturer should be either:

a. accounted for using the cost method; or

b. accounted for as an investment other than a held-to-maturity security in accordance with SSAP 24 "Accounting for investments in securities".

33. When:

a. an interest in a jointly controlled entity is acquired and held exclusively with a view to its subsequent disposal in the near future; or

b. a jointly controlled entity, in which an interest is held, operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer,

the interest in the jointly controlled entity should be accounted for in the separate financial statements of the venturer as an investment other than a held-to-maturity security in accordance with SSAP 24 "Accounting for investments in securities".

Impairment losses

34. If there is an indication that an interest in a jointly controlled entity may be impaired, an enterprise applies SSAP 31 "Impairment of assets". In determining the value in use of the interest, an enterprise estimates:

a. its share of the present value of the estimated future cash flows expected to be generated by the investee as a whole, including the cash flows from the operations of the investee and the proceeds on the ultimate disposal of the interest; or

b. the present value of the estimated future cash flows expected to arise from dividends to be received from the interest and from its ultimate disposal.

Under appropriate assumptions, both methods give the same result. Any resulting impairment loss for the interest is allocated in accordance with SSAP 31. Therefore, it is allocated first to any remaining goodwill.

35. The recoverable amount of an interest in a jointly controlled entity is assessed for each individual jointly controlled entity, unless an individual jointly controlled entity does not generate cash inflows from continuing use that are largely independent of those from other assets of the reporting enterprise.

Transactions between a venturer and a joint venture

36. When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction should reflect the substance of the transaction. While the assets are retained by the joint venture, and provided the venturer has transferred the significant risks and rewards of ownership, the venturer should recognise only that portion of the gain or loss which is attributable to the interests of the other venturers. The venturer should recognise the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

37. ***When a venturer purchases assets from a joint venture, the venturer should not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. A venturer should recognise its share of the losses resulting from these transactions in the same way as profits except that losses should be recognised immediately when they represent a reduction in the net realisable value of current assets or an impairment loss.***

38. To assess whether a transaction between a venturer and a joint venture provides evidence of impairment of an asset, the venturer determines the recoverable amount of the asset under SSAP 31 "Impairment of assets". In determining value in use, future cash flows from the asset are estimated based on continuing use of the asset and its ultimate disposal by the joint venture.

39. In applying paragraph 36 to non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity, a venturer should recognise in determining the consolidated profit or loss for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

    a. the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the jointly controlled entity;

    b. the gain or loss on the non-monetary contribution cannot be measured reliably; or

    c. the non-monetary assets contributed are similar to those contributed by the other venturers. Non-monetary assets are similar to those contributed by other venturers when they have a similar nature, a similar use in the same line of business and a similar fair value. A contribution meets the similarity test only if all of the significant component assets thereof are similar to those contributed by the other venturers.

    Where any of the exceptions (a) through (c) applies, the gain or loss would be considered unrealised and would therefore not be recognised in determining the consolidated profit or loss for the period unless the following paragraph also applies.

40. If, in addition to receiving an equity interest in the jointly controlled entity, a venturer receives monetary or non-monetary assets dissimilar to those it contributed, an appropriate portion of gain or loss on the transaction should be recognised by the venturer in determining the consolidated profit or loss for the period.

41. Unrealised gains or losses on non-monetary assets contributed to jointly controlled entities should be eliminated against the investment under the equity method. Such unrealised gains or losses should not be presented as deferred gains or losses in the venturer's consolidated balance sheet.

Reporting interests in joint ventures in the financial statements of an investor

42. ***An investor in a joint venture, which does not have joint control, should report its interest in a joint venture in its financial statements as an investment other than a held-to-maturity security in accordance with SSAP 24 "Accounting for investments in securities" or, if it has significant influence in the joint venture, in accordance with SSAP 10 (revised 2001) "Accounting for investments in associates".***

Operators of joint ventures

43. ***Operators or managers of a joint venture should account for any fees in accordance with SSAP 18 "Revenue".***

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

Disclosure

45. A venturer should disclose a listing and description of interests in all significant joint ventures. In respect of its interests in jointly controlled entities, the venturer should disclose for each of the significant jointly controlled entities:

a. the name;

b. the form of business structure, whether corporate or unincorporated;

c. the principal place of operation and, for corporate jointly controlled entities, place of incorporation;

d. an indication of the nature of business;

e. the proportion of ownership interest and, if different, the proportion of voting power held; and

f. the profit sharing arrangement, if different to the proportion of ownership interest.

46. A venturer should disclose the aggregate amounts of assets, liabilities, income and profits or losses recognised in its financial statements in relation to its interests in jointly controlled operations.

47. A venturer should disclose the aggregate amounts of assets and liabilities recognised in its financial statements in relation to its interests in jointly controlled assets.

48. Interests in jointly controlled entities accounted for using the equity method should be classified as long-term assets and disclosed as a separate item in the balance sheet. The venturer's share of the profits or losses of the jointly controlled entities should be disclosed as a separate item in the income statement. The venturer's share of taxation, extraordinary items (if any) or prior period adjustments should also be separately disclosed in the financial statements.

49. Where the interests in one or more jointly controlled entities are so material in the context of the venturer's consolidated financial statements that more detailed information about these entities would assist in giving a true and fair view, further information should be given by separate disclosure of each of such entities' current assets, long-term assets, current liabilities, long-term liabilities, income and profits or losses.

50. A venturer should disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:

a. any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers;

b. its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and

c. those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.

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

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

b. ***its share of the capital commitments of the joint ventures themselves.***

52. ***A venturer (other than a wholly-owned subsidiary of another company) which does not present consolidated financial statements, because it does not have subsidiaries or for any other reasons, should disclose the aggregate amounts of its share of the net assets and results of the jointly controlled entities as if the equity method had been applied, as supplementary information in the notes to its separate financial statements. In addition, the venturer should also disclose the information required in paragraphs 45 to 51 in its separate financial statements.***

53. ***A venturer should disclose in its consolidated financial statements the following matters in respect of its interests in jointly controlled entities:***

a. ***the aggregate amount of profits retained by jointly controlled entities included in the group's retained profits. Where there are significant restrictions on the ability of the jointly controlled entities to distribute their profits (other than those shown as non-distributable), the venturer should also disclose the aggregate amount of retained profits so affected and a description of the nature of restrictions;***

b. ***if financial statements of the jointly controlled entities not coterminous with those of the venturer are used in applying the equity method, the names of those jointly controlled entities and their financial period ends; and***

c. ***the reasons for not accounting for a jointly controlled entity using the equity method, the accounting policy used and the name of the jointly controlled entity excluded.***

54. ***An investing party (venturer or investor) should disclose its accounting policy for the determination of the carrying amount of its interests in joint ventures.***

Effective date

55. ***The accounting practices set out in this Statement should be regarded as standard in respect of financial statements relating to periods beginning on or after 1 January 2001. Earlier adoption is encouraged but not required. If an enterprise applies this Statement for financial statements covering periods beginning before 1 January 2001, the enterprise should:***

a. ***disclose that fact; and***

b. ***adopt SSAP 10 (revised 2001) "Accounting for investments in associates", SSAP 31 "Impairment of assets" and SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries" at the same time.***

Notes on legal requirements in Hong Kong

56. The references to "the Schedule" below are to the Tenth Schedule to the Companies Ordinance.

57. Section 129 of the Companies Ordinance requires that if at the balance sheet date, a company holds more than 20% of any class of issued shares of another company, or the shareholding in another company exceeds 10% of the total assets of the investing company, the following should be disclosed:

a. the name of that other company;

b. its country of incorporation; and

c. the description and proportion of the classes of shares held.

58. In the case of an investee company which is either incorporated outside Hong Kong or carries on business outside Hong Kong, section 129(3) of the Companies Ordinance provides that disclosure of a company's name and other particulars need not be made if in the opinion of the directors and with the concurrence of the Financial Secretary such disclosure would be harmful.

59. Paragraph 9(1) of the Schedule requires separate disclosure of the aggregate amounts respectively of listed investments and unlisted investments.

60. Paragraph 9(3) of the Schedule requires that the amount of listed investments in the balance sheet should be analysed into those listed in Hong Kong and those listed outside Hong Kong.

61. Paragraph 12(5) of the Schedule requires disclosure of the general nature of any other contingent liabilities not provided for and, where practicable, the aggregate amount or estimated amount of those liabilities, if it is material.

62. Paragraph 12(6) of the Schedule requires disclosure of, where practicable, the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for and the aggregate amount or estimated amount, if it is material, of capital expenditure authorised by the directors which has not been contracted for.

63. Paragraph 13(1)(g) of the Schedule requires disclosure of the amounts respectively of income from listed investments and income from unlisted investments.

64. The provisions of the Schedule apply to all companies other than banking and insurance companies which are entitled to certain disclosure exemptions under the provisions of Part III of the Schedule.

Compliance with International Accounting Standards

65. International Accounting Standard IAS 31 "Financial reporting of interests in joint ventures" places an interest in a jointly controlled entity that operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor under IAS 39 "Financial instruments: Recognition and measurement" and will generally be measured at fair value. However, this Statement places such an interest under SSAP 24 "Accounting for investments in securities". Under the benchmark treatment in SSAP 24, if the investment is classified as an investment security, it will be measured at cost. Except for the above difference, compliance with this Statement ensures compliance, in all material respects, with IAS 31.

Appendix

Changes from International Accounting Standard 31 "Financial reporting of interests in joint ventures"

The purpose of this appendix is to summarise the major changes made to the equivalent International Accounting Standard when adopting it in Hong Kong and the reasons for such changes. It does not form part of the standards and should be read in the context of the full text of the Statement.

Changes	Reasons for the Changes
(i) <u>SSAP 21 Para 8</u> A paragraph giving guidance on situations where a joint venture has a limited life is added.	To provide additional guidance that is of particular relevance to PRC joint ventures.
(ii) <u>SSAP 21 Paras 10, 16, 18 and 23 vs IAS 31 Paras 9, 15, 17 and 22</u> The following IAS examples are replaced by Hong Kong examples: (a) the manufacture of an aircraft is replaced by the construction of a civil engineering project as an example of a jointly controlled operation; and (b) the joint control and operation of an oil pipeline is replaced by the joint control and development of a piece of land as an example of a jointly controlled asset.	To replace the IAS examples with examples that are more frequently encountered in Hong Kong.
(iii) <u>IAS 31 Paras 25 to 31 and 33</u> The benchmark treatment of reporting an interest in a jointly controlled entity in the venturer's consolidated financial statements using proportionate consolidation is removed.	This Statement takes the view that the alternative treatment of reporting an interest in a jointly controlled entity using the equity method under the IAS is the preferred approach.
(iv) <u>SSAP 21 Para 29</u> A new paragraph giving guidance on paragraphs 27 and 28(b) as regards jointly controlled entities which operate under severe long term restrictions or over which the venturer ceases to have joint control and retains no significant influence is added.	To provide additional guidance. This guidance is consistent with that included in SSAP 10 (revised 2001) "Accounting for investments in associates" .

(v) <u>SSAP 21 Para 30</u> A new paragraph giving guidance on paragraph 28(a) as regards an interest in a jointly controlled entity that is acquired and held exclusively with a view to its subsequent disposal in the near future is added.	To provide additional guidance.This guidance is consistent with that included in SSAP 32 "Consolidated financial statements and accounting for investments in subsidiaries" (para. 24) and SSAP 10 (para. 9).
(vi) <u>SSAP 21 Paras 32 and 33 vs IAS 31 Para 38</u> This Statement specifies the treatment for an interest in a jointly controlled entity in the separate financial statements of a venturer.	This Statement takes the view that the treatment of an interest in a jointly controlled entity in the separate financial statements of a venturer should be consistent with an investment in a subsidiary under SSAP 32 and an investment in an associate under SSAP 10 in the separate financial statements of an investor.
(vii) <u>SSAP 21 Paras 34 and 35</u> Two paragraphs giving guidance on the determination of impairment losses are added.	To provide additional guidance. This guidance is consistent with that included in SSAP 10.
(viii) <u>SSAP 21 Paras 39 to 41</u> The provisions of SIC Interpretation 13 "Jointly controlled entities - Non monetary contributions by venturers" issued by the IASC's Standing Interpretations Committee are incorporated in this Statement.	
(ix) <u>SSAP 21 Para 42 vs IAS 31 Para 42</u> The IAS option to report an interest in a joint venture at cost in the separate financial statements of an investor that issues consolidated financial statements is removed.	This Statement takes the view that, where an investor has neither joint control nor significant influence over a joint venture, the related interest held by the investor should be regarded as an investment in accordance with SSAP 24 "Accounting for investments in securities" and should be accounted for accordingly. Where an investor has significant influence over a joint venture, it should be accounted for in accordance with SSAP 10.

(x) <u>SSAP 21 Paras 45 to 54 vs IAS 31 Paras 45 to 49</u> Disclosure requirements as regards: (a) each of the significant jointly controlled entities (see paragraph 45); (b) interests in jointly controlled operations (see paragraph 46); (c) interests in jointly controlled assets (see paragraph 47); (d) interests in jointly controlled entities (see paragraph 48); (e) interests in one or more jointly controlled entities that are very material (see paragraph 49); (f) the aggregate amount of profits retained and the restrictions on the ability to distribute the retained profits (see paragraph 53(a)); (g) a jointly controlled entity with a different accounting date (see paragraph the 53(b)); (h) a jointly controlled entity not accounted for using the equity method (see paragraph 53(c)); and (i) accounting policy for determining the carrying amounts (see paragraph 54); are added to this Statement to replace the disclosure requirements under paragraph 47 of IAS 31.	In view of the significant amount of business conducted through joint ventures in Hong Kong, additional disclosures are considered necessary. The disclosure requirements for an interest in a jointly controlled entity are in line with those for an investment in an associate under SSAP 10.