

**Wayne Upton**  
**IFRS Interpretations Committee**  
**30 Cannon Street**  
**London**  
**EC4M 6XH**  
**United Kingdom**

**Ref: IFRS Interpretations Committee's tentative agenda decisions on IFRS 11  
*Joint Arrangements***

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the November 2014 IFRIC Update of a series of tentative agenda decisions related to the implementation issues arising from the application of IFRS 11 *Joint Arrangements*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda multiple requests for clarification in respect to some requirements of IFRS 11. These requirements concern:

- classification of joint arrangements - the assessment and application of 'other facts and circumstances' and consideration of two joint arrangements with apparently similar features that are classified differently;
- accounting by the joint operator - recognition of revenue by a joint operator, the accounting treatment when the joint operator's share of output purchased differs from its share of ownership interest in the joint operation, accounting by the joint operation that is a separate vehicle in its financial statements; and
- accounting by the joint operator in its separate financial statements.

While ESMA agrees with the decision of the IFRS IC that, in light of the existing IFRS requirements, sufficient guidance exists and that neither an interpretation nor an amendment to the Standard are necessary, we also believe that the publication of these agenda decisions is useful for preparers, users, auditors and regulators and will contribute to the consistent understanding and application of IFRS 11.

ESMA particularly welcomes that the IFRS IC has included in the tentative agenda decisions the judgement applied in carrying out the assessment of the fact pattern in the submission as this can be used in a broader set of circumstances when applying the requirements of IFRS

11. ESMA considers that these decisions add clarifications, namely on the distinction between a joint operation and a joint venture and how 'other facts and circumstances' should be understood.

However, ESMA is concerned that the IFRS IC decided not to publish, as a tentative agenda decision, its analysis on the classification of the specific case in the real estate industry (referred also as the 'project entity'). This analysis was proposed to be published by the IFRS IC staff as Tentative Agenda Decision C in the Agenda Paper 2, discussed in the November 2014 IFRS IC meeting.

While the conclusion reached in this case can also be drawn from reading the tentative agenda decisions published in the November 2014 IFRIC Update, ESMA nevertheless believes that this tentative agenda decision can be useful for preparers, users, auditors and regulators.

Moreover, from a process point of view, we would like to point out that [part of] this analysis was included in the 'Items on the current agenda' of the July 2014 IFRIC Update. ESMA believes that this item, stemming from a submission to the IFRS IC, requires the same level of finalisation through a tentative agenda decision as the other submissions received. Non-publication of this agenda decision might create confusion between different levels of guidance being provided by the IFRS IC.

Therefore, ESMA urges the IFRS IC to reconsider its decision and report its conclusions on this submission as an Agenda Decision.

We would be happy to discuss these issues further with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S Maijor', written over a light blue horizontal line.

Steven Maijor  
Chair

European Securities and Markets Authority