UNIT 6: JOINT ARRANGEMENTS

6.1 INTRODUCTION

Ind AS 111, Joint Arrangements, describes principles for financial reporting by parties to a joint agreement. It is important for the management to understand the scope, impact and requirements for presentation of financial statement and balance sheet in case of any kind of joint arrangements. It has been observed that some agreements are called as ‘joint arrangements’ or ‘joint ventures’ but in reality, only one party has control. On the other hand, some arrangements are not referred as ‘joint arrangement’ or ‘joint control’, but may still be treated as joint arrangements, as defined by Ind AS 111. Hence the terminology used is not important to describe the arrangement. Here the management needs to carefully evaluate the terms and conditions based on which the arrangement is set up, and the relevant facts and circumstances, and thereby determine if it is eligible to be called as a joint arrangement. The accounting treatment will be decided based on the substance of the arrangement and the kind of interest investors have in it.

6.2 SCOPE

It covers all the entities that are party to a joint arrangement including venture capital organisations, mutual funds, unit trusts, investment-linked insurance funds and similar entities.

6.3 CONCEPT OF JOINT CONTROL

Two or more parties are said to be in joint arrangement only when there is joint control. It requires that all the decisions about the relevant activities are being taken unanimously by the parties sharing control.

1. **Collective control:** - Here, no single party enjoys full control. Here it is important to assess whether the contract gives all the parties or a group of parties, control of the arrangement. For this we first need to identify the relevant activities of the arrangement. This can be done by understanding the purpose of the arrangement and risk and returns involved in the activities. The activities which significantly affect the returns or the outcome of the arrangements can be determined as relevant activities. Then management needs to check whether all parties or group of parties are having collective control over these activities.

2. **Unanimous decision:** - There has to be unanimous consent of all the parties having joint control on the decisions for the arrangement. The requirement for unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions (about the relevant
activities) without its consent. Hence there is no single party that controls the arrangement.

There may be cases where the contract necessitates a minimum percentage of the voting rights to make decisions about the relevant activities. If that minimum required proportion of the voting rights can be achieved by more than one combination of the parties agreeing together, that arrangement is not a joint arrangement unless the contractual arrangement specifies which parties (or combination of parties) are required to agree unanimously to take decisions about the relevant activities of the arrangement.

**Illustration 1**

Two parties A & B agree in their contractual arrangement to establish an arrangement. Each has 50% of the voting rights. The contract specifies that at least 51% of the voting rights are required to make decisions with respect to the relevant activities. Do A & B have joint control over the arrangement?

**Solution**

A & B have implicitly agreed that they have joint control of the arrangement as all the relevant decisions can be made only when both the A & B agree.

**Illustration 2**

There is an arrangement in which Ram and Shyam each have 35% of the voting rights in the arrangement with the remaining 30% being widely dispersed. Decisions about the relevant activities require approval by a majority of the voting rights. Do Ram & Shyam have joint control over the arrangement?

**Solution**

Ram and Shyam have joint control of the arrangement only if the contractual arrangement specifies that decisions about the relevant activities of the arrangement require both Ram and Shyam agreeing.

**Illustration 3**

An arrangement has three parties: Om has 50% of the voting rights in the arrangement and Jay and Jagdish each have 25%. The contractual arrangement between Om, Jay and Jagdish specifies that at least 75% of the voting rights are required to make decisions about the relevant activities of the arrangement. Discuss the different combinations of joint control that can affect the decision making of the relevant activities of the arrangement?

**Solution**

Om can block any decision, it does not control the arrangement because it needs the agreement of either Jay or Jagdish. Om, Jay and Jagdish collectively control the arrangement. However, there is more than one combination of parties that can agree to reach 75% of the voting rights (ie either Om and Jay or Om and Jagdish). In such a situation, to be a joint arrangement the contractual arrangement between the parties would need to specify which combination of the parties is required to agree unanimously to take decisions about the relevant activities of the arrangement.
Illustration 4: Implicit Joint control

Entity C and entity D operates in a telecommunication industry and entered into a joint arrangement in order to combine their 4G access networks. The purpose of this arrangement is to reduce operating cost for both parties, make capital infrastructure savings and obtain economies of scale from jointly managing and maintaining a consolidated network.

All significant decisions about strategic investing and financing activities are decided by a simple majority of the voting rights. Entity C and entity D each have one vote in the decision making process.

Discuss whether it is a joint arrangement or not.

Solution

All decisions about the relevant activities require consent of both parties, so the arrangement is a joint arrangement. The contractual arrangement does not explicitly require unanimous consent, but the fact that all decisions must be made by majority leads to implicit joint control.

Illustration 5: Implicit joint control

NFG Limited is owned by numerous shareholders with the following holdings:

- Shareholders N owns 51%
- Shareholders F owns 30%
- The rest of the shares are widely held by other investors, altogether 19%.

NFG Limited’s articles of association require a 75% majority to approve decisions about any of the entity’s relevant activities. They also outline that each shareholder is entitled to vote in proportion to its respective ownership interest. Is NFG Ltd jointly controlled?

Solution

NFG Limited is jointly controlled by shareholders N and F. Based on their ownership interest (collectively 81%), they must act together to make decisions regarding NFG Limited’s relevant activities. Shareholder N does not control NFG Limited, as it cannot unilaterally make decisions because a 75% majority is required.

Illustration 6: Equal number of directors

Two entities, E and F, set up an entity and sign a joint operating agreement. The board is comprised of three directors appointed by and representing each entity. The board is the entity’s main decision-making body. Decisions are made by simple majority. Each party has a 50% interest in the net profit generated. Discuss whether the entity is jointly controlled by E & F.

Solution

Entities E and F are likely to have joint control, because each party has a 50% interest in net profit and both have a right to appoint three directors. This is because the three directors representing a single shareholder would generally be presumed to vote in accordance with the
wishes of that shareholder. So the consent of both entity E and entity F would be required for decision making, and this would represent joint control.

However, if the directors are not obliged to represent one shareholder, decisions will be made by simple majority. It is possible that (say) one director of shareholder E agrees with three directors of shareholder F and takes a decision that is against the interest of shareholder E. Although this is expected to be unlikely in practice, such a situation would not represent joint control.

All relevant facts have to be considered before reaching such a conclusion.

**Illustration 7: Board of directors and operating committee**

Entities P and Q set up a joint venture company, entity PQ by signing a joint operating agreement. Both investors delegate one director to entity PQ’s board of directors. Both directors have to agree unanimously on the decisions on the annual budget. The joint operating agreement also sets up an operating committee and specifies power delegated by the board of directors to the committee. The operating committee has the main operational decision-making responsibility. Decisions are made by simple majority in this committee. Only entity P can appoint members to the operating committee.

*Discuss if Entity PQ is a joint arrangement or not.*

**Solution**

Entity PQ is not a joint arrangement; entity P has control over entity PQ. Decisions about relevant activities are not made at the board of directors level but at the operating committee level. Entity P has control over the operating committee because it can appoint its members. The fact that the directors have veto rights over the annual budget is important, but the operating committee in this example has the power to control entity PQ’s relevant activities.

**Illustration 8**

Hari and Ram enter into a contractual arrangement to buy a two storied music store, which they will lease to other parties. Hari will be responsible for leasing first floor and Ram will be responsible for leasing second floor. They can make all decisions related to their respective floors and keep all of the income with respect to their floors. Ground floor will be jointly managed — all decisions and with respect to ground floor must be unanimously agreed between Hari and Ram. *Discuss the applicability of Ind AS 111.*

**Solution**

There are three arrangements:

1. First floor that Hari controls and hence will not be accounted under Ind AS 111.
2. Second floor that Ram controls and thus will not be accounted under Ind AS 111.
3. Ground floors that Hari and Ram jointly control is a joint arrangement (within the scope of Ind AS 111).

**Illustration 9**

Company AB and Company CD enter into an agreement for the production and sale of
garments. In the industry, there are three activities that will significantly make impact on the returns of the arrangement:

1. Production of the garments — Company AB makes all the decisions for this activity
2. Sales and Marketing activities — Company CD is makes all the decisions for these activities
3. Both the companies must approve all financial related matters

Discuss whether company AB and CD have joint control over the arrangement?

Solution

In first two matters, unanimous consent is not required as long as parties are working within the approved budgets and financial constraints. Thus, the parties have liberty to perform their respective responsibilities.

Here, the parties have to examine which of the three activities most significantly affect the returns of the arrangement. If any of the first two activities determine the profits of the arrangement significantly, there is no joint control over the arrangement.

However, there may be the case where the financial policies majorly impact the execution of other two activities and hence determine the profit of the arrangement. Since unanimous consent is required for financial policies, management may conclude that there is joint control.

Agreements established by informal decisions

Illustration 10

CDEF Limited is a strategic co-operation between investors C, D, E and F to provide property development services. CDEF Limited is an incorporated entity, and the investors’ share ownership is 20:30:25:25 respectively. There is a formal contractual agreement in place that requires a voting majority on all relevant activities. Investors C, D and E have informally agreed to vote together. This informal agreement has been effective in practice.

Does C, D & E have control over the joint arrangement?

Solution

To make decisions, it is sufficient to have agreement from any three out of the four investors. In this case, a single investor cannot prevent a majority decision. However, three of the investors have agreed to make unanimous decisions. Investors C, D and E, therefore, have joint control over CDEF Limited, with investor F having significant influence at best. The agreement between investors C, D and E does not have to be formally documented as long as there is evidence of its existence (for example, via correspondence and minutes of meetings).
6.4 FEATURES OF JOINT ARRANGEMENTS

Sometimes ventures are named as joint arrangement but one party has control over the activities of the entity. In such cases the Ind AS – 111 will not apply. On the other hand, there may be arrangements which are not referred as joint arrangements but still complies with the requirement of the Standard and hence follow the guidelines.

A joint arrangement is an arrangement where two or more parties have joint control over an entity under the contractual agreement. The two key characteristics are

6.4.1 Contractual Arrangement

Normally, there is a written contract that binds the parties. It outlines the terms and conditions based on which the parties will contribute in the arrangement. Most of the times each contractual agreement creates a single joint agreement. However, there may be cases where one master agreement creates several separate joint agreements. The contract, generally, includes matters such as

a. Purpose of the arrangement
b. Duration of the arrangement
c. Scope of activities
d. How the members of the governing body shall be appointed
e. Contribution of capital by the parties
f. Sharing of assets, liabilities, revenues, expenses, profits or losses.

6.4.2 Joint Control

The control is shared when all the parties involved in the arrangement, considered collectively, can make the relevant decisions of the arrangement.

**Illustration 11**
Shareholders C and D form a new joint arrangement (entity CD). Entity CD’s article of association including a clause stating that all shareholders must unanimously agree on the entity’s relevant activities. The shareholders have not entered into any other agreement to manage the activities of entity CD. Determine whether clause in CD’s articles of association is sufficient to meet the definition of joint arrangement?

**Solution**
Entity CD meets the definition of a joint arrangement even though there is no separate joint venture agreement. The clause in entity CD’s articles of association is sufficient for meeting the definition of a joint arrangement, provided entity CD’s articles of association are legally binding.

**Illustration 12: Impact of managing an arrangement**
ECL Limited has a wholly owned subsidiary, entity B, that holds a portfolio of buildings. ECL Limited wishes to reduce its exposure to this market. It sells 50% of its investment in entity B to Investment Bank. ECL Limited and Investment Bank enter into a contractual agreement, whereby decisions regarding entity B’s relevant activities are made jointly. ECL Limited continues to act as asset manager of entity B for a specified fee, and decisions are made in line with the entity B’s pre-approved budgets and business plan. Is entity B jointly controlled?

**Solution**
Entity B is jointly controlled, as ECL Limited and investment bank are required to agree unanimously on relevant activities, and ECL Limited must manage the entity’s operations in line with these decisions.

**Illustration 13: Chairman with casting vote**
M Limited and N Limited set up a joint venture company, MN Limited, by signing a joint operating agreement. Both investors delegate three directors each to entity MN’s board of directors. Decisions are made by simple majority. In the event of a deadlock, the chairman (a director of N Limited) has the casting vote. Does N Limited has control over MN Limited?

**Solution**
It is likely that N Limited has control over MN Limited, as decisions made on behalf of N Limited cannot be prevented by M Limited.

Once it is established that there is a Joint Arrangement, it is required to classify whether the arrangement is joint venture or joint operation.
6.5 TYPES OF JOINT ARRANGEMENTS

6.5.1 Joint Operations

In case of joint operations, each party (known as “Joint Operators”) recognizes its share of assets, liabilities, revenues and expenses of the joint arrangement. Here the contract determines the share of each joint operator based on rights and obligations of each party. The joint operator shall then apply the corresponding IND ASs to the particular asset, liability, revenue and expenses.

It covers all the arrangements that are not structured through separately identifiable financial structure, including separate legal entities (“Separate Vehicle”).

For example, two parties may decide to enter into a joint arrangement to manufacture stationery products. Each party has its own set of activities using its own assets. In the process each party will incur its own liabilities. The contract will define the method of sharing the revenues and expenses. Therefore, each joint operator shall record the assets and liabilities used in the arrangement, and recognises its share of the revenues and expenses in accordance with the contractual specifications.

However, Joint operations may also include some joint arrangements which are not structured through separate vehicle depending its structure, the terms of the contractual arrangement; and other facts and circumstances.

**Illustration 14 : Joint Operation**

*Three separate aerospace companies form an alliance to jointly manufacture an aircraft. They carry responsibility for different areas of expertise such as:*

- Manufacturing engines
- Manufacturing fuselage and wings; and
- Aerodynamics

*They carry out different parts of the manufacturing process, each using its own resources and expertise in order to manufacture, market and distribute the aircraft jointly. The three entities share the revenues from the sale of aircraft and jointly incur expenses. The revenues and common costs are shared, as agreed in the consortium contract.*

*Parties also incur their own separate costs such as labour costs, manufacturing costs, supplies, inventory of unused parts and work in progress. Each party recognizes its separately incurred costs in full. Would the arrangement be classified as joint operation?*

**Solution**

This arrangement is classified as a joint operation because:

- The arrangement is not structured through a separate vehicle;
- Each party has obligations for the costs it incurs separately; and
The contractual agreement outlines that each party is entitled to a share of revenue and associated costs from the sale of aircrafts based on the pre-determined agreement.

6.5.2 Joint Ventures

In a joint venture, each party (known as “Joint Venturer”) recognizes its interest in a joint venture as an investment. The investment is accounted for using the equity method in accordance with Ind AS 28, Investments in Associates and Joint Ventures, unless the entity is exempted from applying the equity method as specified in that standard.

6.6 CLASSIFICATION OF JOINT ARRANGEMENTS

As stated above, all the joint arrangements which are not structured through separate vehicle are Joint operations.

Further, the arrangements which are structured through separate vehicle can be classified as Joint operation or Joint venture depending on the following

6.6.1 Structure of the Joint Arrangement

Structure or the legal form of the joint arrangement is important in assessing the type of joint arrangement. It determines the initial assessment of parties’ rights to the assets and obligations for the liabilities held in the separate vehicle. The legal form specifies whether the parties have interests in the assets held in the separate vehicle and whether they are liable for the liabilities held in the separate vehicle.

For example, two parties may conduct a joint arrangement where the assets and liabilities of the separate vehicle are not individually controlled by the parties. Assets and liabilities so held are the assets and liabilities of the separate vehicle. Hence it will be a Joint venture.

If the parties have right to individual assets and obligation for liabilities, then it will be a joint operation.

Illustration 15

Two parties structure a joint arrangement in an incorporated entity. Each party has a 50 percent ownership interest in the incorporated entity. The incorporation enables the separation of the entity from its owners and as a consequence the assets and liabilities held in the entity are the assets and liabilities of the incorporated entity.

(i) Identify the type of arrangement?

(ii) If the parties modify the features of corporation through a contractual arrangement such that each has an interest in assets and each is liable for liabilities what type of joint arrangement would that be?
Solution

(i) On assessment of the rights and obligations conferred upon the parties by the legal form of the separate vehicle indicates that the parties have rights to the net assets of the arrangement. In this case it would be classified as joint venture.

(ii) If the parties modify the features of the corporation through their contractual arrangement so that each has an interest in the assets of the incorporated entity and each is liable for the liabilities of the incorporated entity in a specified proportion. Such contractual modifications to the features of a corporation can cause an arrangement to be a joint operation.

Illustration 16: Legal form may not provide separation

Entities B and C form a partnership to own and operate a crude oil refinery. Each party has a 50% interest in the net profits of the partnership. What considerations would the management have to consider in classifying the arrangement as joint venture or joint operation?

Solution

The joint arrangement is structured through a vehicle, and the venture parties each have a 50% interest in the net profits of the partnership; so this appears to be a joint venture. However, management needs to evaluate whether the partnership creates separation, that is simply are the assets and liabilities those of the separate vehicle or do the parties have direct rights to the assets and have direct obligations for the liabilities held by the entity. Should the parties to the partnership have a direct interest in the assets and liabilities, this would indicate a joint operation. Management should therefore, evaluate the terms of the partnership agreement to assess the rights and obligations of each party.

6.6.2 Assessing the terms of the contractual arrangement

It is essential to understand the terms of the contractual arrangement in order to classify the joint arrangement. The pertinent questions, to be analysed from the contract, are:

a. Do the parties have rights to assets and obligation to liabilities of the joint arrangements?

b. Do the parties share all interests (e.g. rights, title or ownership) in the assets relating to the arrangement in a specified proportion?

c. Do parties share all liabilities, obligations, costs and expenses in a specified proportion?

d. Does the allocation of revenue and expenses are agreed on the basis of the relative performance of each party to the joint arrangement?

If the answer to the above questions is ‘yes’, then the arrangement shall be classified as joint operation. However where the parties are sharing net assets in the joint arrangement, the arrangement shall be treated as joint venture.

Illustration 17: Joint Construction and use of a pipeline

Two parties, W and F form a limited company to build and use a pipeline to transport gas. Each party has a 50% interest in the company. Under their contractual terms, entities W and F must
each use 50% of the pipeline capacity; unused capacity is charged at the same price as used capacity. Entities W and F can sell their share of the capacity to a third party without consent from both investors. The Price entities W and F pay for the gas transport is determined in a way that ensures all costs incurred by the company can be recovered. The Joint arrangement is structured through a separate vehicle. Each party has a 50% interest in the company. However, the contractual terms require a specific level of usage by each party and, because of the pricing structure, and the entities have an obligation for the company’s liabilities. What type of joint arrangement the company might be?

**Solution**

This entity might be a joint operation despite its legal form.

### 6.6.3 Assessing other facts and circumstances

When the terms of the contractual arrangement do not specify that the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, the parties shall consider other facts and circumstances to assess whether the arrangement is a joint operation or a joint venture.

It will then be worthwhile to consider whether the activities of the arrangement primarily aim to provide parties with an output. This indicates that parties shall have rights to all the benefits of the assets of the arrangement. The parties will make sure that the output is not sold to the third parties but used by them only. Such are joint operations.

**Illustration 18**

Two parties structure a joint arrangement in an incorporated entity (entity D) in which each party has a 50 per cent ownership interest. The purpose of the arrangement is to manufacture materials required by the parties for their own, individual manufacturing processes. The arrangement ensures that the parties operate the facility that produces the materials to the quantity and quality specifications of the parties. The legal form of entity D (an incorporated entity) through which the activities are conducted initially indicates that the assets and liabilities held in entity D are the assets and liabilities of entity D. The contractual arrangement between the parties does not specify that the parties have rights to the assets or obligations for the liabilities of entity D.

(i) What type of joint arrangement would entity D be?
(ii) Would your classification change if the parties instead of using the share of output themselves sold to third parties?
(iii) If the parties changed the terms of contractual arrangement such that entity D would be able to sell the output to third parties, would your answer be the same as in part (i) above?

**Solution**

(i) The legal form of entity D and the terms of the contractual arrangement indicate that the arrangement is a joint venture.

However, the parties also consider the following aspects of the arrangement:
• The parties agreed to purchase all the output produced by entity D in a ratio of 50 : 50. Entity D cannot sell any of the output to third parties, unless this is approved by the two parties to the arrangement. Because the purpose of the arrangement is to provide the parties with output they require, such sales to third parties are expected to be uncommon and not material.

• The price of the output sold to the parties is set by both parties at a level that is designed to cover the costs of production and administrative expenses incurred by entity D. On the basis of this operating model, the arrangement is intended to operate at a break-even level.

From the fact pattern above, the following facts and circumstances are relevant:

• The obligation of the parties to purchase all the output produced by entity D reflects the exclusive dependence of entity D upon the parties for the generation of cash flows and, thus, the parties have an obligation to fund the settlement of the liabilities of entity D.

• The fact that the parties have rights to all the output produced by entity D means that the parties are consuming, and therefore have rights to, all the economic benefits of the assets of entity D.

These facts and circumstances indicate that the arrangement is a joint operation.

(ii) The conclusion about the classification of the joint arrangement in these circumstances would not change if, instead of the parties using their share of the output themselves in subsequent manufacturing process, the parties sold their share of the output to third parties.

(iii) If the parties changed the terms of the contractual arrangement so that the arrangement was able to sell output to third parties, this would result in entity D assuming demand, inventory and credit risks. In that scenario, such a change in the facts and circumstances would require reassessment of the classification of the joint arrangement. Such facts and circumstances would indicate that the arrangement is a joint venture.

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure of the joint arrangement</strong></td>
<td>Does the legal form give the parties rights to the assets and obligations for the liabilities relating to the arrangement?</td>
<td>If yes, the joint arrangement is concluded to be a joint operation</td>
</tr>
<tr>
<td><strong>Assessing the terms of the contractual arrangement</strong></td>
<td>Do the terms of the Contractual arrangement specify that the parties have rights to the assets and obligations for the liabilities relating to the</td>
<td>If yes, the joint arrangement is concluded to be a joint operation</td>
</tr>
</tbody>
</table>
13.110 FINANCIAL REPORTING

Assessing other facts and circumstances:
Does the arrangement so designed that its activities mainly provide the parties with an output and so that it depends on the parties on a regular basis for settling the liabilities of the arrangement?

If yes, the joint arrangement is concluded to be a joint operation.
If no, the joint arrangement is a joint venture.

Classification of a joint arrangement: assessment of the parties’ rights and obligations arising from the arrangement:

Structure of the Joint arrangement:

Not structured through a separate vehicle

Structured through a separate vehicle

An entity shall consider:
(i) The legal form of the separate vehicle;
(ii) the terms of the contractual arrangement; and
(iii) when relevant, other facts and circumstances.

Joint operation

Joint venture
6.7 FINANCIAL STATEMENT OF PARTIES TO A JOINT ARRANGEMENT

6.7.1 Joint Operations

It is important for the joint operators to understand and analyse their joint arrangements in detail. Joint operators must ensure that they are aware of all the rights and obligations therein, and the proportion in which they are shared amongst the parties.

For joint operations, a joint operator accounts for the following in accordance with the applicable Ind AS:

I. Its assets, including its share of any assets held jointly
II. Its liabilities, including its share of any liabilities incurred jointly
III. Its revenue from the sale of its share of the output arising from the joint operation
IV. Its share of revenue from the sale of the output by the joint operation
V. Its expenses, including its share of any expenses incurred jointly

Illustration 19

P and Q form a joint arrangement PQ using a separate vehicle. P and Q each own 50% of the Capital in PQ. However, the contractual terms of the joint arrangement state that P has the rights to all of Machinery and the obligation to pay Bank Loan in Q. P and Q have rights to all other assets in PQ, and obligations for all other liabilities in PQ in proportion to their capital share (i.e., 50%).

PQ’s balance sheet is as follows:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>₹</th>
<th>Assets</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>1,50,000</td>
<td>Machinery</td>
<td>2,50,000</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>75,000</td>
<td>Cash</td>
<td>50,000</td>
</tr>
<tr>
<td>Other Loan</td>
<td>75,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,00,000</td>
<td></td>
<td>3,00,000</td>
</tr>
</tbody>
</table>

What would you record in P’s financial statements to account for its rights and obligations in PQ?

Note: P is not exposed to any variable returns in Q.

Solution

Under Ind AS 111, we would record the following in its financial statements, to account for its rights to the assets in PQ and its obligations for the liabilities in PQ. This may differ from the
amounts recorded using proportionate consolidation.

Machinery  250,000  
Cash   25,000  
Capital   75,000  
Bank Loan  75,000  
Other Loan  37,500  

6.7.2 Joint Venture

A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with Ind AS 28, Investments in Associates and Joint Ventures, unless the entity is exempted from applying the equity method as specified in that standard.

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 Ind AS 109, Financial Instruments, unless it has significant influence over the joint venture, in which case it shall account for it in accordance with Ind AS 28.