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& PARTNERS

Building #12, Street 348, Phum 4, Sangkat Toul Svay Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

ACCOUNTING & TECHNOLOGY

IAS 28 and IFRS 11: associates and joint arrangements in Cambodia

How CIFRS IAS 28 and IFRS 11 apply significant influence, joint control, the equity method and joint operations vs joint ventures — with the Cambodian shareholder-agreement and group angle.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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HOW DOES A CAMBODIAN COMPANY ACCOUNT FOR AN ASSOCIATE OR A JOINT ARRANGEMENT UNDER IAS 28 AND IFRS 11?

IAS 28 applies to investments in associates and joint ventures: significant influence is presumed at 20% or more of the voting rights unless it can be clearly demonstrated otherwise, and the investment is accounted for using the equity method. IFRS 11 classifies a joint arrangement as a joint operation, where the parties have rights to the assets and obligations for the liabilities, or a joint venture, where the parties have rights to the net assets; a joint venture is accounted for using the equity method, while a joint operation recognises the party's share of assets, liabilities, revenue and expenses. In Cambodia, the shareholders' agreement, the board composition and the MOC documents decide the analysis, not the percentage alone.

IN SHORT

- Significant influence is presumed at 20% or more of the voting rights, but the presumption can be rebutted by the facts.
- An associate or joint venture is accounted for using the equity method: cost plus share of post-acquisition results and OCI, less dividends and impairment.
- IFRS 11 distinguishes a joint operation (rights to assets, obligations for liabilities) from a joint venture (rights to net assets).
- A joint operation recognises the party's share of assets, liabilities, revenue and expenses; a joint venture uses the equity method.
- In Cambodia, the shareholders' agreement, board control and the MOC documents are the evidence, not the percentage alone.

Significant influence and the 20% presumption

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. IAS 28 presumes significant influence when an investor holds 20% or more of the voting rights, unless it can be clearly demonstrated that this is not the case. Conversely, a holding below 20% is presumed not to give significant influence unless the investor can demonstrate otherwise.

The indicators include representation on the board, participation in policy-making, material transactions between the investor and the investee, interchange of managerial personnel and the provision of essential technical information. A 15% holder with a board seat and a veto over the budget may have significant influence; a 25% holder with no board seat and no participation may not.

The assessment is facts-based and should be documented at each reporting date. A change in the shareholding, the board or the shareholders' agreement can change the conclusion.

CONTROL, JOINT CONTROL AND SIGNIFICANT INFLUENCE

Relationship	Test	Accounting
Subsidiary	Control (IFRS 10)	Consolidate

Relationship	Test	Accounting
Joint operation	Joint control; rights to assets and obligations for liabilities	Recognise share of assets, liabilities, revenue and expenses
Joint venture	Joint control; rights to net assets	Equity method
Associate	Significant influence	Equity method
Financial asset	No control, joint control or significant influence	IFRS 9

The equity method

Under the equity method, the investment is initially recognised at cost and adjusted for the investor's share of the investee's profit or loss, other comprehensive income and other equity movements. Dividends received reduce the carrying amount of the investment; they are not income. The investor's share of the investee's losses can reduce the investment to zero, and further losses are recognised only to the extent the investor has incurred legal or constructive obligations or made payments on behalf of the investee.

The investor applies the equity method using the investee's financial statements, adjusted for uniform accounting policies and the fair value adjustments at acquisition. Goodwill on acquisition is included in the carrying amount of the investment and is not amortised separately; it is tested for impairment as part of the investment.

An investment in an associate or joint venture is tested for impairment under IAS 36 when there is an indication. The recoverable amount is compared with the carrying amount, and an impairment loss is recognised. A subsequent reversal is recognised if the recoverable amount increases, subject to the usual limits.

> **The percentage is a presumption, not the answer**
>
> A 19% holder with a board seat and a veto can have significant influence; a 25% holder with no participation can lack it. Document the facts, not only the shareholding.

IFRS 11: joint operations and joint ventures

IFRS 11 applies to joint arrangements, where two or more parties have joint control. Joint control is the contractually agreed sharing of control, where decisions about the relevant activities require the unanimous consent of the parties sharing control. The arrangement can be structured through a separate vehicle or not.

A joint operation is a joint arrangement in which the parties have rights to the assets and obligations for the liabilities relating to the arrangement. The party recognises its share of the assets, liabilities, revenue and expenses, and applies the relevant standards to its share. A joint venture is a joint arrangement in which the parties have rights to the net assets of the arrangement; the party accounts for its interest using the equity method.

The classification depends on the legal form, the contractual terms and, where relevant, the rights and obligations conveyed by the separate vehicle. A 50/50 company can be a joint operation if the shareholders' agreement gives the parties direct rights to the assets and obligations for the liabilities; otherwise it is usually a joint venture.

CIFRS for SMEs Sections 14 and 15

CIFRS for SMEs Section 14 Investments in Associates and Section 15 Joint Arrangements cover the same relationships with simpler measurement and disclosure. The SME standard permits a policy choice for associates and joint ventures, and the joint operation/joint venture distinction is similar.

The National Accounting Council's adoption determines the edition in Cambodia. Confirm the edition with the auditor before relying on a section number, and apply the policy consistently.

Cambodian practice

Cambodian joint ventures often use a 50/50 company, a shareholders' agreement and a MOC registration. The agreement may give one party a casting vote, a veto over the budget or the right to appoint the managing director; those rights decide control, joint control or significant influence. The legal form of the company is not enough.

The investor should obtain the shareholders' agreement, the articles, the board minutes, the MOC documents and the investee's financial statements. The group auditor should include the associate or joint venture in the group audit plan, determine whether it is a significant component, and decide whether a component auditor or the group team will cover it.

The tax treatment is separate: dividends, interest, management fees and the disposal of the investment are subject to the tax rules and any treaty. The accounting equity method result is not the taxable income.

- Shareholders' agreement, articles and MOC documents.
- Board composition, casting vote and veto rights.
- Investee financial statements and fair value adjustments at acquisition.
- Equity method schedule, dividends and impairment.
- Group audit plan and tax treatment.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Is a 50/50 joint venture consolidated?

No. A joint venture is accounted for using the equity method, not consolidated. A joint operation recognises the party's share of assets, liabilities, revenue and expenses. The classification depends on the rights and obligations, not the 50/50 split alone.

Does 20% always mean significant influence?

No. It is a presumption. A 20% or greater holding is presumed to give significant influence unless the investor can clearly demonstrate otherwise; a holding below 20% can still give significant influence if the facts support it.

How are dividends from an associate treated?

Under the equity method, dividends reduce the carrying amount of the investment; they are not income. The investor recognises its share of the associate's profit or loss and OCI, and the dividend is a distribution of that investment.

How is an associate tested for impairment?

Under IAS 36, when there is an indication that the investment may be impaired. The recoverable amount is compared with the carrying amount, and an impairment loss is recognised. A reversal is possible if the recoverable amount increases, subject to the usual limits.

SOURCES

Where the rules come from

01 IAS 28 Investments in Associates and Joint Ventures (https://www.ifrs.org/issued-standards/list-of-standards/ias-28-investments-in-associates-and-joint-ventures/) — IFRS Foundation

02 IFRS 11 Joint Arrangements (https://www.ifrs.org/issued-standards/list-of-standards/ifrs-11-joint-arrangements/) — IFRS Foundation

03 IFRS for SMEs Accounting Standard, Sections 14 and 15 (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

04 IFRS 10 Consolidated Financial Statements and IAS 36 Impairment of Assets — IFRS Foundation

05 Law on Commercial Enterprises (2005 & 2022 Amendment): shareholder agreements and MOC filings — Kingdom of Cambodia