

Glossary of Terms

This glossary is extracted from the Sri Lanka Accounting Standards that are included in this Bound Volume.

References to Sri Lanka Accounting Standards are by Standard number and paragraph number. References to the Framework for the Preparation and Presentation of Financial Statements are preceded by F. In certain instances there may be minor variations in wording.

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| Accounting policies | The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements. | 3.21, 10.5 |
| Accounting income | The net profit or loss for a period before deducting tax expense. | 14.3 |
| accrual basis of accounting | The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. | F.22 |
| Acquisition | A business combination in which one of the enterprises, the acquirer, obtains control over the net assets and operations of another enterprise, the acquiree, in exchange for the transfer of assets, incurrence of a liability or issue of equity. | 25.8 |

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| active market | A market where all the following conditions exist: | 37.7 |
| | (a) the items traded within the market are homogeneous; | |
| | (b) willing buyers and sellers can normally be found at any time; and | |
| | (c) prices are available to the public. | |
| adjusting event after the balance sheet date | See events after the balance sheet date. | |
| amortisation | The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term 'amortisation' is generally used instead of 'depreciation'. Both terms have the same meaning. | 37.7 |
| asset | A resource controlled by an enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise. | 37.7 F.49(a) |
| associate | An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. | 27.2 |
| bank | The term "bank" includes licensed commercial banks, development banks, savings banks, merchant bank, the State Mortgage & Investment Bank and similar banking institutions. | 23.2 |

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| basic earnings per share | The amount of net profit for the period that is attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period. | 34.11 |
| borrowing costs | Interest and other costs incurred by an enterprise in connection with the borrowing of funds. | 20.3 |
| business combination | The bringing together of separate enterprises into one economic entity as a result of one enterprise uniting with or obtaining control over the net assets and operations of another enterprise. | 25.8 |
| business segment | A distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. | 28.9 |
| capital | Under a financial concept of capital, such as invested money or invested purchasing power, the net assets or equity of the enterprise. The financial concept of capital is adopted by most enterprises. Under a physical concept of capital, such as operating capability, the productive capacity of the enterprise based on, for example, units of output per day. | F.102 |

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| capitalisation | Recognising a cost as part of the cost of an asset. | 20.11 |
| carrying amount | The amount at which an asset is recognized in the balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon. | 18.7, 37.7 |
| cash | Cash on hand and demand deposits. | 9.5 |
| cash equivalents | Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. | 9.5 |
| cash flows | Inflows and outflows of cash and cash equivalents. | 9.5 |
| class of assets | Grouping of assets of a similar nature and use in an enterprise's operations. | 18.37 |
| closing rate | The spot exchange rate of two currencies at the balance sheet date. | 21.6 |
| consolidated financial statements | The financial statements of a group presented as those of a single enterprise. | 26.5 |
| construction contract | A contract specially negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. | 13.2 |

constructive obligation

An obligation that derives from an enterprise's actions where: 36.10

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the enterprise has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the enterprise has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. 36.10

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| contingent liability | <p>a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise;</p> <p>Or</p> <p>b) A present obligation that arises from past events but is not recognized because:</p> <p style="padding-left: 40px;">(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;</p> <p style="padding-left: 40px;">or</p> <p style="padding-left: 40px;">(ii) the amount of the obligation cannot be measured with sufficient reliability.</p> | 36.10 |
| contingent rental | That portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of time (e.g. percentage of sales, amount of usage, price indices, market rates of interest). | 19.3 |
| control (of an enterprise) | The power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. | 25.8, 26.5 27.2, 31.2 |

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| cost | The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. | 18.7, 37.7 |
| cost method | A method of accounting for investments 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. | 27.2 |
| cost of an acquisition | The amount of cash or cash equivalents paid or the fair value, at the date of exchange, of the other purchase consideration given by the acquirer in exchange for control over the net assets of the other enterprise, plus any costs directly attributable to the acquisition. | 25.21 |
| cost of an asset acquired in exchange or part exchange for dissimilar asset | The fair value of the asset received, which is equivalent to the fair value of the consideration given adjusted by the amount of any cash or cash equivalents received or paid. | 18.22 |
| cost of an asset acquired in exchange or part exchange for similar asset | The carrying amount of the asset given up. However, the fair value of the asset received may provide evidence of an impairment in the asset given up. Under these circumstances the asset given up is written down and this written down value assigned to the new asset. | 18.23 |

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| cost of conversion | Costs directly related to the units of production, such as direct labour together with a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. | 5.9 |
| cost of inventories | All costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. | 5.6 |
| cost of purchase | All of the purchase price, import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of the item. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. | 5.7 |
| cost plus contract | A construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee. | 13.2 |
| cost plus method | A pricing method which seeks to add an appropriate mark-up to the supplier's cost. | 30.15 |

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| current asset | An asset that: | 3.57 |
| | <ul style="list-style-type: none"> (a) is expected to be realised in, or is held for sale or consumption in, the normal course of the enterprise's operating cycle; or (b) is held primarily for trading purposes or for the short-term and expected to be realised within twelve months of the balance sheet date; or (c) is cash or a cash equivalent asset which is not restricted in its use. | |
| current cost | The amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. | F.100(b) |
| | The undiscounted amount of cash or cash equivalents that would be required to settle an obligation currently. | |
| current liabilities | A liability that: | 3.60 |
| | <ul style="list-style-type: none"> (a) is expected to be settled in the normal course of the enterprise's operating cycle; or (b) is due to be settled within twelve months of the balance sheet date. | |
| current service cost | Is the cost to an enterprise under a retirement benefit plan for the services rendered in the current period by participating employees. | 16.4 |

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| current tax payable | Is the amount of taxes payable in respect of taxable income for the period. | 14.3 |
| curtailment | A curtailment occurs either when there is a significant reduction in the number of employees covered by a plan or when an element of future service in respect of existing employees will no longer qualify for benefits. A curtailment may arise from an isolated event, such as the closing of a plant or discontinuation of a segment that results in a significant reduction in the number of employees participating in a retirement benefit plan. Alternatively, a curtailment may result from termination or suspension of a plan. | 16.33 |
| date of acquisition | The date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer. | 25.8 |
| dealing securities | Marketable securities that are acquired and held with the intention of reselling them in the short term. | 23.6 |
| defined benefit liability | Under a defined benefit plan, the enterprise's obligation is to provide retirement benefits to existing and retired employees, determined by reference to a formula normally based on employees' remuneration and / or retirement benefits with the periodic advice of an actuary. The actuary may also assess the financial condition of the plan and recommend the future contribution levels to any fund. | 16.11 |

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| defined benefit plans | Are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and / or years of service. | 16.4 |
| defined contribution plans | Are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to contributions of fund together with investment earnings thereon. | 16.4 |
| depreciable amount | The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value. | 18.7, 37.7 |
| depreciation | The systematic allocation of the depreciable amount of an asset over its useful life. | 18.7 |
| development | The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use. | 37.7 |
| diluted earnings per share | The amount of net profit for the period that is attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period, both adjusted for the effects of all dilutive potential ordinary shares. | 34.26 |

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| dilutive potential ordinary shares | Potential ordinary shares whose conversion to ordinary shares would decrease net profit per share from continuing ordinary operations. | 34.41 |
| direct method of reporting cash flows from operating activities | A method which discloses major classes of gross cash receipts and gross cash payments. | 9.17(a) |
| discontinuing operation | <p>A component of an enterprise:</p> <p>(a) that the enterprise, pursuant to a single plan, is:</p> <p>(i) disposing of substantially in its entirety, such as by selling the component in a single transaction, by demerger or spin-off of ownership of the component to the enterprise's shareholders;</p> <p>(ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or</p> <p>(iii) terminating through abandonment;</p> <p>(b) that represents a separate major line of business or geographical area of operations; and</p> <p>(c) that can be distinguished operationally and for financial reporting purposes.</p> | 38.2 |
| dividends | Distributions of profits to holders of | 29.4 (c) |

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| | equity investments in proportion to their holdings of a particular class of capital. | |
| economic life | The period over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from the asset by one or more users. | 19.3 |
| equity | The residual interest in the assets of the enterprise after deducting all its liabilities. | F.49(c) |
| equity instrument | Any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities. | 34.10 |
| equity method | A method of accounting whereby the investment (an interest in a jointly controlled entity) is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's (the venturer's) share of net assets of the investee (the jointly controlled entity). The income statement reflects the investor's (the venturer's) share of the results of operations of the investee (the jointly controlled entity). | 27.2, 31.2 |
| events after the balance sheet date | Events after the balance sheet date are those events, both favourable and | 12.2 |

unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- (b) those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

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| exchange difference | The difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates. | 21.6 |
| exchange rate | The ratio for exchange of two currencies. | 21.6 |
| expenses | Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. | F.70(b) |
| experience adjustments | The effect of differences between previous actuarial assumptions and what has actually occurred. | 16.4 |
| extraordinary items | Income or expenses that arise from events or transactions that are clearly | 10.5 |

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| | distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly. | |
| fair value | The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. | 18.7, 19.3, 29.6, 24.3, 21.6, 25.8, 34.10, 37.7 |
| FIFO (first-in, first-out) | The assumption that the items of inventory which were purchased first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. | 5.21 |
| finance lease | A lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. | 19.3 |
| financial instrument | Any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. | 34.10 |
| financial position | The relationship of the assets, liabilities, and equities of an enterprise, as reported in the balance sheet. | F.47 |

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| financial statements | A complete set of financial statements includes the following components: | 3.7, (F.7) |
| | (a) balance sheet; | |
| | (b) income statement; | |
| | (c) a statement showing either: | |
| | (i) all changes in equity; or | |
| | (ii) changes in equity other than those arising from capital transactions with owners and distributions to owners; | |
| | (d) cash flow statement; and | |
| | (e) accounting policies and explanatory notes. | |
| financing activities | Activities that result in changes in the size and composition of the equity capital and borrowings of the enterprise. | 9.5 |
| fixed price contract | A construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses. | 13.2 |
| fixed production overheads | Those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. | 5.9 |

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| foreign currency | A currency other than the reporting currency of an enterprise. | 21.6 |
| foreign currency transaction | A transaction which is denominated in or requires settlement in a foreign currency. | 21.7 |
| foreign entity | A foreign operation, the activities of which are not an integral part of those of the reporting enterprise. | 21.6 |
| foreign operation | A subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise. | 21.6 |
| forgivable loans | Loans which the lender undertakes to waive repayment of under certain prescribed conditions. | 24.3 |
| fundamental errors | Errors discovered in the current period that are of such significance that the financial statements of one or more prior periods can no longer be considered to have been reliable at the date of their issue. | 10.5 |
| funding | Is the transfer of assets to an entity (<u>the fund</u>) separate from the enterprise to meet future obligations for the payment of retirement benefits | 16.4 |

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| future economic benefit | The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the enterprise. The potential may be a productive one that is part of the operating activities of the enterprise. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative manufacturing process lowers the costs of production. | F.53 |
| gains | Increases in economic benefits and as such are no different in nature from revenue. | F.75 |
| geographical segments | A distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. | 28.9 |
| going concern | An enterprise is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations. | 3.23-24, F.23 |
| goodwill | Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction. | 25.39 |

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| government | Government, government agencies and similar bodies whether local, national or international. | 24.3 |
| government assistance | Action by government designed to provide an economic benefit specific to an enterprise or range of enterprises qualifying under certain criteria. | 24.3 |
| government grants | Assistance by government in the form of transfers of resources to an enterprise in return for past or future compliance with certain conditions relating to the operating activities of the enterprise. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise. | 24.3 |
| grants related to assets | Government grants whose primary condition is that an enterprise qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. | 24.3 |
| grants related to income | Government grants other than those related to assets. | 24.3 |

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| gross investment in the lease | The aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor. | 19.3 |
| group | A parent and all its subsidiaries. | 26.5 |
| guaranteed residual value | In the case of the lessee, that part of the residual value which is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and in the case of the lessor, that part of the residual value which is guaranteed by the lessee or by a third party unrelated to the lessor who is financially capable of discharging the obligations under the guarantee. | 19.3 |
| hire-purchase contract | The definition of a lease includes contracts for the hire of an asset which contain a provision giving the hirer an option to acquire title to the asset upon the fulfillment of agreed conditions. These contracts are sometimes known as hire purchase contracts. | 19.4 |

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| historical cost | Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. | F.100(a) |
| impairment | When recoverable amount declines below carrying amount. | 18.56 |
| impairment loss | The amount by which the carrying amount of an asset exceeds its recoverable amount. | 18.56, 37.7 |
| imputed rate of interest | <p>The more clearly determinable of either:</p> <p>(a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or</p> <p>(b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.</p> | 29.10 |
| inception of a lease | The earlier of the date of the lease agreement or of a commitment by the parties to the principal provisions of the lease. | 19.3 |

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| income | Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. | F.70(a) |
| incremental borrowing rate of interest (lessee's) | The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset. | 19.3 |
| indirect method of reporting cash flows from operating activities | Under this method, net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. | 9.17(b) |

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| initial disclosure event (for a discontinuing operation) | The occurrence of one of the following, whichever occurs earlier: | 38.16 |
| | <ul style="list-style-type: none"> (a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or (b) the enterprise's board of directors or similar governing body has both <ul style="list-style-type: none"> (i) approved a detailed, formal plan for the discontinuance and (ii) made an announcement of the plan. | |
| intangible asset | An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. | 37.7 |
| interest rate implicit in a lease | The discount rate that, at the inception of the lease, causes the aggregate present value of: | 19.3 |
| | <ul style="list-style-type: none"> (a) the minimum lease payments; and (b) the unguaranteed residual value to be equal to the fair value of the leased asset. | |
| interim period | A financial reporting period shorter than a full financial year. | 35.4 |

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| interim financial report | A financial report containing either a complete set of financial statements (as described in SLAS 3) or a set of condensed financial statements (as described in SLAS 35) for an interim period. | 35.4 |
| inventories | <p>Assets:</p> <p>(a) held for sale in the ordinary course of business;</p> <p>(c) in the process of production for such sale; or</p> <p>(d) in the form of materials or supplies to be consumed in the production process or in the rendering of services.</p> <p>Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the enterprise and include materials and supplies awaiting use in the production process. In the case of a service provider, inventories include the costs of the service for which the enterprise has not yet recognised the related revenue.</p> | 5.3, 5.4 |
| investing activities | The acquisition and disposal of long-term assets and other investments not included in cash equivalents. | 9.5 |

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| investment property | Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. | 22.4 |
| investment securities | Securities acquired and held for yield or capital growth purposes, usually held to maturity. | 23.6 |
| investor in a joint venture | A party to a joint venture that does not have joint control over that joint venture. | 31.2 |
| joint control | The contractually agreed sharing of control over an economic activity. | 31.2 |
| joint venture | A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. | 31.2 |
| jointly controlled entity | 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. | 31.19 |

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| lease | An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. | 19.3 |
| lease term | The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise. | 19.3 |
| legal merger | Usually a merger between two companies in which either: <ul style="list-style-type: none"> (a) the assets and liabilities of one company are transferred to the other company and the first company is dissolved; or (b) the assets and liabilities of both companies are transferred to a new company and both the original companies are dissolved. | 25.5 |
| legal obligation | An obligation that derives from: <ul style="list-style-type: none"> (a) a contract (through its explicit or implicit terms); (b) legislation; or (c) other operation of law. | 36.10 |

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| liability | A present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits. | 36.10, F.49(b) |
| LIFO (last-in, first-out) | The assumption that the items of inventory which were purchased or produced last are sold first, and consequently the items remaining in inventory at the end of the period are those first purchased or produced. | 5.23 |
| liquidity | The availability of sufficient funds to meet deposit withdrawals and other financial commitments as they fall due. | 23.6, (F.16) |
| losses | Decreases in economic benefits and as such they are no different in nature from other expenses. | F.79 |
| matching of costs with revenues | Expenses are recognised in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income. This process involves the simultaneous or combined recognition of revenues and expenses that result directly and jointly from the same transactions or other events. However, the application of the matching concept does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities. | F.95 |

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| materiality | Information is material if its non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. | 3.31, F.30 |
| measurement | The process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the balance sheet and income statement. | F.99 |

minimum lease payments

The payments over the lease term that the lessee is or can be required to make (excluding costs for services and taxes to be paid by and be reimbursable to the lessor) together with: 19.3

- (a) in the case of the lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- (b) in the case of the lessor, any residual value guaranteed to the lessor by either:
 - (i) the lessee;
 - (iii) a party related to the lessee; or
 - (iv) an independent third party financially capable of meeting this guarantee.

However, if the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised, the minimum lease payments comprise the minimum rentals payable over the lease term and payment required to exercise this purchase option.

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| minority interest | That part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent. | 25.8, 26.5 |
| monetary items (monetary assets; monetary financial assets and financial liabilities; monetary financial instruments) | Money held and assets (financial assets) and liabilities (financial liabilities) to be received or paid in fixed or determinable amounts of money. | 21.6, 37.7 |
| negative goodwill | Any (remaining) excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition. | 25.48 |
| net investment in a foreign entity | The reporting enterprise's share in the net assets of that entity. | 21.6 |
| net investment in a lease | The gross investment in the lease less unearned finance income. | 19.3 |
| net profit or loss | Comprises the following components: (a) profit or loss from ordinary activities; and (b) extraordinary items. | 10.9 |

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| net realisable value | The estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. | 5.3 |
| neutrality | Freedom from bias of the information contained in financial statements. | F.36 |
| non-adjusting events after the balance sheet date | See events after the balance sheet date | |
| non-cancellable lease | A lease that is cancellable only: <ul style="list-style-type: none"> (a) upon the occurrence of some remote contingency; (b) with the permission of the lessor; (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or (d) upon payment by the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain. | 19.3 |
| normal capacity of production facilities | The production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. | 5.10 |
| obligating event | An event that creates a legal or constructive obligation that results in an enterprise having no realistic alternative to settling that obligation. | 36.10 |

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| obligation | A duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner. | F.60 |
| onerous contract | A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. | 36.10 |
| operating activities | The principal revenue-producing activities of an enterprise and other activities that are not investing or financing activities. | 9.5 |
| operating cycle | The time between the acquisition of materials entering into a process and its realisation in cash or an instrument that is readily convertible into cash. | 3.59 |
| operating lease | A lease other than a finance lease. | 19.3 |
| options | A financial instrument that gives the holder the right to purchase ordinary shares. | 34.7 |
| ordinary activities | Any activities which are undertaken by an enterprise as part of its business and such related activities in which the enterprise engages in furtherance of, incidental to, or arising from these activities. | 10.5 |

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| ordinary share | An equity instrument that is subordinate to all other classes of equity instruments. | 34.7 |
| parent | An enterprise that has one or more subsidiaries. | 25.8, 26.5 |
| past service cost | Is the cost to an enterprise under a retirement benefit plan for services rendered in prior periods by participating employees and resulting from <ul style="list-style-type: none"> (a) The introduction of a retirement benefit plan ; or (b) The making of amendments to such a plan | 16.4 |
| percentage of completion method | A method by which contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. | 13.24 |
| performance | The relationship of the income and expenses of an enterprise, as reported in the income statement. | F.47 |
| potential ordinary share | A financial instrument or other contract that may entitle its holder to ordinary shares. | 34.7 |
| present value | A current estimate of the present discounted value of the future net cash flows in the normal course of business. | F.100(d) |

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| profit | The residual amount that remains after expenses (including capital maintenance adjustments, where appropriate) have been deducted from income. Any amount over and above that required to maintain the capital at the beginning of the period is profit | F.105, F.107 |
| property, plant and equipment | Tangible assets that: <ul style="list-style-type: none"> (a) are held by an enterprise for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period. | 18.7 |
| proportionate consolidation | A method of accounting and reporting whereby a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined on a line-by-line basis with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements. | 31.2 |
| prospective application | Application of a new accounting policy to the events and transactions occurring after the date of the change. | 10.42 |
| provision | A liability of uncertain timing or amount. | 36.10 |

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| prudence | The inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. | F.37 |
| realisable value | The amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal. | F.100(c) |
| recognition | <p>The process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition:</p> <p>(a) it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and</p> <p>(b) the item has a cost or value that can be measured with reliability.</p> | F.82, F.83 |
| related parties | Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. | 30.5 |
| related party transaction | A transfer of resources or obligations between related parties, regardless of whether a price is charged. | 30.5 |

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| relevance | Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations. | F.26 |
| reliability | Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. | F.31 |
| reportable segment | A business segment or a geographical segment for which segment information is required to be disclosed. | 28.9 |
| reporting currency | The currency used in presenting the financial statements. | 21.6 |
| reporting enterprise | An enterprise for which there are users who rely on the financial statements as their major source of financial information about the enterprise. | F.8 |
| research | Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. | 37.7 |
| residual value | The net amount which an enterprise expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. | 18.7, 37.7 |

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| restructuring | A programme that is planned and controlled by management, and materially changes either: | 36.10 |
| | (a) the scope of a business undertaken by an enterprise; or | |
| | (b) the manner in which that business is conducted. | |
| retirement benefit plans | Arrangements whereby an enterprise provides benefits for its employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the employer's contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the enterprise's practices. | 16.4 |
| retrospective application | Application of a new accounting policy to events and transactions as if the new accounting policy had always been in use. | 10.42 |
| revaluation | Restatement of assets and liabilities | F.81 |
| revalued amount of an asset | The fair value of an asset at the date of a revaluation less any subsequent accumulated depreciation. | 18.30 |
| revenue | The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating to contributions from equity participants. | 29.6 |

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| reverse acquisition | An acquisition when an enterprise obtains ownership of the shares of another enterprise but as part of the exchange transaction issues enough voting shares, as consideration, such that control of the combined enterprise passes to the owners of the enterprise whose shares have been acquired. | 25.12 |
| rewards associated with a leased asset | The expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realisation of a residual value. | 19.5 |
| risks associated with a leased asset | Possibilities of losses from idle capacity or technological obsolescence and of variations in return due to changing economic conditions. | 19.5 |
| sale and leaseback transaction | The sale of an asset by the vendor and the leasing of the same asset back to the vendor. The rentals and the sale price are usually interdependent as they are negotiated as a package and need not represent fair values. | 19.49 |
| segment assets | Those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. | 28.16 |

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| segment expense | Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the same enterprise. | 28.16 |
| segment result | Segment revenue less segment expense. Segment result is determined before any adjustments for minority interest. | 28.16 |
| segment revenue | Revenue reported in the enterprise's income statement that is directly attributable to a segment and the relevant portion of enterprise revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the same enterprise. | 28.16 |
| settlement value | The undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. | F.100(c) |
| significant influence | The power to participate in the financial and operating policy decisions of an economic activity but not control or joint control over those policies. | 27.2, 31.2, 30.5 |

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| solvency | The availability of cash over the longer term to meet financial commitments as they fall due. | F.16 |
| subsidiary | An enterprise that is controlled by another enterprise (known as the parent). | 25.8, 26.5, 27.2 |
| substance over form | The principle that transactions and other events are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. | F.35 |
| tax expense or tax saving for the period | Is the amount of the taxes charged or credited in the income statement, excluding the amount of taxes related and allocated to those items not dealt with in the current income statement. | 14.3 |
| taxable income (tax loss) | Is the amount of the income (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which the provision for taxes payable (recoverable) is determined. | 14.3 |
| understandability | Information provided in financial statements has the quality of understandability when is comprehensible to users who have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. | F.25 |

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| unearned finance income | The difference between: (a) the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor; and (b) the present value of (a) above, at the interest rate implicit in the lease. | 19.3 |
| unguaranteed residual value | That portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. | 19.3 |
| uniting of interests | A business combination in which the shareholders of the combining enterprises combine control over the whole, or effectively the whole, of their net assets and operations to achieve a continuing mutual sharing in the risks and benefits attaching to the combined entity such that neither party can be identified as the acquirer. | 25.8 |
| useful life | Either: (a) the period over which a depreciable asset is expected to be used by the enterprise; or (b) the number of production or similar units expected to be | 18.7, 19.3, 37.7 |

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| variable production overheads | Those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour. | 5.9 |
| venturer | A party to a joint venture that has joint control over that joint venture. | 31.2 |
| warrant | A financial instrument that gives the holder the right to purchase ordinary shares. | 34.7 |
| weighted average cost method | Under this method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the enterprise. | 5.21 |
| weighted average number of ordinary shares outstanding during the period | Number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares, bought back or issued during the period multiplied by a time-weighting factor. | 34.17 |