Egyptian Accounting Standards

A list of Terms definitions

Contingent share agreement:

An agreement to issue shares that is dependent on the satisfaction of specified conditions.

Master Netting arrangement:

An arrangement providing for an entity that undertakes a number of financial instrument transactions with a single counterparty to make a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract.

Total Agreement Value :

It Is the total rental value plus the purchase price

Highly Probable:

Significantly more likely than probable.

Events after the balance sheet date:

are those significant events, both favorable, and un favorable , that occur between the balance sheet date and the date on which, the financial statements are approved by the board of directors in the case of a company, and, by the corresponding approving authority in the case of any other entity .

Two types of events can be identified :

(a) Those which provide further evidence of conditions that existed in the balance sheet date ; and
(b) Those which are indicative of cnditions that arose subsequent to the balance sheet date

Liability adequacy test:

An assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a review of future cash flows.

Prior Period Errors:

Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: (a) was available when financial statements for those periods were authorized for issue; and (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Performance:

The relationship of the income and expenses of an entity, as reported in the income statement (statement of comprehensive income).

Group Administration (employee benefits plan) :Is a compilation of systems for individual employers together to allow Employers participating in the compiling their assets for investment purposes. And thus reduce the cost of investment management and administrative expenses. But demands of various business owners are separated for the benefit of their employees only.

Financial Instrument:

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Hedging Instrument:

A *hedging instrument* is a designated financial instrument whose fair value or related cash flows should offset changes in the fair value or cash flows of a designated hedged item. A *hedged item* is an asset, liability, commitment, highly probable transaction, or investment in a foreign operation that exposes an entity to changes in fair value or cash flows, and is designated as being hedged.

Equity Instrument :

Document that serves as a legally enforceable evidence of the right of ownership in a firm, such as a share certificate (stock certificate). See also debt instrument and financial instrument.

Compound Financial Instrument:

A financial instrument that, from the issuer's perspective, contains both a liability and an equity element.

Equity Instrument granted:

the right, whether conditional or unconditional to access to equity instruments in the establishment and converts the property to another party under payment treatment based on shares.

Derivative Financial Instruments:

Financial instruments such as financial options, futures and forwards, interest rate swaps and AG15–AG16 currency swaps, which create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, derivative financial instruments give one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favorable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instrument, as prices in financial markets change those terms may become either favorable or unfavorable.

actuarial gain or loss:

(a) Deficit or excess of a pension plan's actual costs over those estimated from actuarial assumptions.

(b)Effects of changes in actuarial assumptions

Firm purchase commitment:

An agreement with an unrelated party, binding on both parties and usually legally enforceable, that (a) specifies all significant terms, including the price and timing of the transactions, and (b) includes a disincentive for non-performance that is sufficiently large to make performance highly probable.

Firm Commitment :

Oral or written commitment under which a party voluntarily binds itself to a certain offer or performance of an act for a specified period.

Tax base for an asset or liability :

the amount that will be deductible for tax purposes against any taxable economic benefits, that will flow to an entity when it recovers the carrying amount of an asset.

Derecognition :
is the removal of a previously recognized financial asset or liability from an entity's balance sheet.

Investment Property:

A real estate property that has been purchased with the intention of earning a return on the investment (purchase), either through rent (income), the future resale of the property, or both. An investment property can be a long-term endeavor, such as an apartment building, or an intended short-term investment in the case of flipping (where a property is bought, remodeled or renovated, and sold at a profit).

Held-to-maturity investments

> Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when we have the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process. Assets in this category are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. We determine whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Going Concern:

A term for a company that has the resources needed in order to continue to operate indefinitely. If a company is not a going concern, it means the company has gone bankrupt.
Also known as "Going Concern Value".

Amortization

1. The paying off of debt in regular installments over a period of time.

2. The deduction of capital expenses over a specific period of time (usually over the asset's life). More specifically, this method measures the consumption of the value of intangible assets, such as a patent or a copyright.

Treasury Shares:

Shares issued in the name of the corporation. The shares are considered issued, but not outstanding. Usually refers to stock that was once traded in the market but has since been repurchased by the corporation. Treasury stock not considered when calculating dividends or earnings per share.

Any shares that are not preferred shares and do not have any predetermined dividend amounts. An ordinary share represents equity ownership in a company and entitles the owner to a vote in matters put before shareholders in proportion to their percentage ownership in the company.

Ordinary Shares:

Ordinary shareholders are entitled to receive dividends if any are available after dividends on preferred shares are paid. They are also entitled to their share of the residual economic value of the company should the business unwind; however, they are last in line after bondholders and preferred shareholders for receiving business proceeds. As such, ordinary shareholders are considered unsecured creditors. Also known as "common stock".

potential ordinary shares:

Potential ordinary shares whose conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Contingently issuable shares:

As in the calculation of basic earnings per share, contingently issuable ordinary shares are treated as

outstanding and included in the calculation of diluted earnings per share if the conditions are satisfied (ie the

events have occurred). Contingently issuable shares are included from the beginning of the period (or from the date of the contingent share agreement, if later). If the conditions are not satisfied, the number of

contingently issuable shares included in the diluted earnings per share calculation is based on the number of

shares that would be issuable if the end of the period were the end of the contingency period. Restatement is

not permitted if the conditions are not met when the contingency period expires.

Asset :

In financial accounting, assets are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset. Simply stated, assets represent value of ownership that can be converted into cash (although cash itself is also considered an asset).

Qualifying asset :

as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale".

A financial asset

is an intangible asset that derives value because of a contractual claim. Examples include bank deposits, bonds, and stocks. Financial assets are usually more liquid than tangible assets, such as land or real estate, and are traded on financial markets. According to the International Financial Reporting Standards (IFRS), a financial asset is defined as one of the following:

- Cash or cash equivalent;
- Equity instruments of another entity;
- Contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity;

- Contract that will or may be settled in the entity's own equity instruments and is either a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial Assets and Liabilities at Fair Value through Profit or Loss:

Financial instruments classified as financial assets or financial liabilities at Fair Value Through Profit or Loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when Chunghwa loses control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized as expenses as incurred. Financial assets or financial liabilities at FVTPL are remeasured at fair value, subsequently with changes in fair value recognized in earnings. Cash dividends received subsequently (including those received in the period of investment) are recognized as income. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in earnings. A regular way purchase or sale of financial assets is accounted for using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting is classified as financial assets or financial liabilities held for trading. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Contingent Asset :

An asset in which the possibility of an economic benefit depends solely upon future events that can't be controlled by the company. Due to the uncertainty of the future events, these assets are not placed on the balance sheet. However, they can be found in the company's financial statement notes.

Current Asset :

An entity shall classify an asset as current when: (a) it expects to realise the asset or intends to sell or consume it in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realize the asset within twelve months after the reporting period (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. An entity shall classify all other assets as non-current.

biological asset :

as “a living animal or plant”.

Insurance asset :

An insurer’s net contractual rights under an insurance contract.

Intangible asset:

Also: intangibles. 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. Examples include rights, patents, licenses, brands, and goodwill and client relationships.

Non-Current assets:

An asset that does not meet the definition of a current asset.

Reinsurance assets:

A cedant’s net contractual rights under a reinsurance contract.

Exploration and evaluation assets:

Exploration and evaluation expenditures recognized as assets in accordance with the entity’s accounting policy.

Assets held by a long-term employee benefit fund:

Assets (other than non-transferable financial instruments issued by the reporting entity) that: (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity’s own creditors (even in bankruptcy), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Plan assets :

include the following:

(a) Assets held by the fund long-term benefits employees
(b) Qualifying insurance policy

Available for sale financial assets :

Those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Deferred Tax Asset

An asset on a company's balance sheet that may be used to reduce any subsequent period's income tax expense. Deferred tax assets can arise due to net loss carryovers, which are only recorded as assets if it is deemed more likely than not that the asset will be used in future fiscal periods.

Monetary assets

Monetary assets include cash and other financial assets that can be converted easily into cash. This characteristic of being easily converted into cash is known as liquidity. Liquidity is important in case of an emergency because it means that funds can be accessed in a relatively short period of time. Examples of monetary assets include cash, savings accounts, certificates of deposit, money market deposit accounts, and other financial assets that can be easily accessed in times of need. The value of a monetary asset is usually calculated according to its current market value—the price at which it could be bought or sold. Monetary assets are also referred to as current assets.

property, plant and equipment:

Tangible items that: (a) are held 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.

impairment loss:

The amount by which the carrying amount of an asset exceeds its recoverable amount.

close member of the family of an individual

Parties are expected to influence or influenced by that person when dealing with the establishment, this may include:

(a)The wife and children

(b)Children

(c)those who are in custody of the person or his wife

retrospective restatement:

Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Restructuring:

A programme that is planned and controlled by management, and materially changes either: (a) the scope of a business undertaken by an entity; or (b) the manner in which that business is conducted.

Revaluation:
Restatement of assets and liabilities

Recognition :

Is the inclusion of the item in the balance sheet or income statement if the item has achieved the definition and meets the following recognition criteria

(a) If it is expected the flow of future economic benefit associated with it to or from the establishment.
(b) If it has a cost or value that can be measured with a degree of trust.

actuarial assumptions
An entity’s unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.

key management personnel
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Reverse Acquisition

An act where a private company purchases a publicly traded company and shifts its management into the latter. It also normally involves renaming the publicly traded company. This allows private companies to become publicly traded while avoiding the regulatory and financial requirements associated with an IPO. In order for a reverse acquisition to happen smoothly, the publicly traded company is usually a shell corporation, that is, one with only an organizational structure and little or no activity. The two businesses can then merge the private company's product(s) with the public company's structure. It also makes initial trading less dependent on market conditions, a key risk in IPOs. However, it is important to note that a reverse acquisition only provides the private company with more liquidity if there is a real market interest in it.

liability
A financial obligation detailed on the balance sheet.

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.

insurance liability
An insurer’s net contractual obligations under an insurance contract.

constructive obligation
An obligation that derives from an entity’s actions where: (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and (b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

legal obligation
An obligation that derives from: (a) a contract (through its explicit or implicit terms); (b) legislation; or (c) other operation of law.

financial liability
Any liability that is: (a) a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity’s own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments. For this purpose the entity’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity’s own equity instruments.

contingent liability

(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 entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outf low of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

defined benefit liability

The net total of the following amounts: (a) the present value of the defined benefit obligation at the end of the reporting period; (b) plus any actuarial gains (less any actuarial losses) not recognised; (c) minus any past service cost not yet recognised; (d) minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Deferred Tax Liability'

An account on a company's balance sheet that is a result of temporary differences between the company's accounting and tax carrying values, the anticipated and enacted income tax rate, and estimated taxes payable for the current year. This liability may or may not be realized during any given year, which makes the deferred status appropriate.

agricultural produce

The harvested product of the entity’s biological assets.

investing activities

The acquisition and disposal of long-term assets and * Monetary items are denominated in ‘currency units’ (CU).

operating activities

An activity that directly affects an organization's cash
inflows and outflows, and determine its net income.
Cash inflows result from sales of goods or services, sale of shares, and from income earned on investments. Cash outflows result from equipment and inventory purchases, interest and principal payments on loans, salaries, dividends, and various other costs and expenses.

financing activities

The initiatives, transactions, and events (such as issuing of stock/shares, bonds, promissory note, and arranging of loans and supplies) employed and undertaken by an organization in achieving its economic objectives.

depreciation

The gradual conversion of the cost of a tangible capital asset or fixed asset into an operational expense (called depreciation expense) over the asset's estimated useful life.

materiality

Measure of the estimated effect that the presence or absence of an item of information may have on the accuracy or validity of a statement. Materiality is judged in terms of its inherent nature, impact (influence) value, use value, and the circumstances (context) in which it occurs. Opposite of triviality. See also material fact.

Revenue

The income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organization before any costs or expenses are deducted. Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income. Also called sales, or (in the UK) turnover.

Notes

Explanatory notations, attached to a document (such as a financial statement) that disclose or record important information and are considered an integral part of the document. Also called footnotes

Short Seller
A 'bear' who sells a commodity, currency, or security which he or she does not own at the time of sale.

Research

Systematic investigative process employed to increase or revise current knowledge by discovering new facts. It is divided into two general categories: (1) Basic research is inquiry aimed at increasing scientific knowledge, and (2) Applied research is effort aimed at using basic research for solving problems or developing new processes, products, or techniques.

Hedged Items

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged A designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item

Monetary Items
Monetary assets (such as cash and accounts receivable) and monetary liabilities (such as notes and accounts payable) that have a fixed exchange value unaffected by inflation or deflation. Holding monetary assets when prices are rising results in loss of purchasing power because the real value of currency is falling. Conversely, holding monetary liabilities during the same period results in gain in purchasing power because they can be repaid in a currency with real value lower than the currency in which they were incurred.

Qualifying Insurance Policy

a *qualifying insurance policy* is issued by an insurer that is not related to the entity. Also, the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the entity's creditors. The proceeds also cannot be paid to the entity, unless they are surplus assets not needed to meet benefit obligations, or the proceeds are reimbursement to the entity for benefits already paid.

Sales and leaseback transaction

as the economic recovery continues, sale-leaseback remains an effective capital-raising solution in a capital-constrained environment for operating companies that own commercial real estate properties. This financial vehicle allows a company to access otherwise illiquid capital that is tied up in its real estate and redeploy the capital to achieve higher returns, typically into the company's core business. And there is strong demand by investors and institutions for corporate leased real estate assets.

How It Works

In a typical sale-leaseback transaction an owner sells its owner-occupied building(s) to an investor in exchange for a lease commitment (usually long-term) by the owner. The transaction frees up capital for use in business operations and for financing growth. Advantages to the owner include:

- Non-liquid assets are converted into cash.
- Receipt of full market value for real estate assets.
- Capital assets are removed from the balance sheet and replaced by cash.
- Debt equity ratios are improved.
- The lease payments are tax deductible to the new tenant (former owner).

Sale-leasebacks may also be used for new development. The transaction can be negotiated with simultaneous lease commencement, business opening, and sale closing.

The owner can enhance the value of the asset by structuring a lease with a longer lease term (say 10 to 20 years), a market lease rate with annual or periodic rate escalations, assuming all operating expenses of the facility (NNN lease), and possibly all capital expenses (including roof and building structure).

date of agreement

Usually, the date on which an agreement is signed by the parties to it. In some cases, an agreement is pre-dated or post-dated to the date on which it is actually signed.

acquisition date

The date on which a purchase commits to buying an asset and effectively takes control of the asset from the seller.

agreement date for business combination

Is the date on which it is reached substantial agreement among the parties of the combination. The date for the public in the case of facilities declared and registered and In the case of acquisition after disagreements and bringing suit. The first date on which the agreement between the parties in the combination .

Date of exchange

When determine the fair value equity instrument issued as purchase consideration in an acquisition; when is it appropriate to consider other evidence and valuation methods in addition to a published price at the date of exchange of a quoted equity instrument has ;and what information should be disclosed when apublished price of quoted equity instrument has not been used as the instruments' fair value, and what information should be disclosed when an equity instrument does not have a published price.

Measurement date :

The date at which the fair value of the equity instruments granted is measured for the purposes of IFRS 2. For transactions with employees and others providing similar services, the measurement date is grant date. For transactions with parties other than employees (and those providing similar services), the measurement date is the date the entity obtains the goods or the counterparty renders service.

Trade date:
The date that an entity commits itself to purchase or sell an asset.

Grant date :

The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.

Business Combination
A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as 'true mergers' or 'mergers of equals' are also business combinations.

business combinations under common control

Existing groups may be restructured for a variety of reasons (eg, as part of a reorganisation or rationalisation or in preparation for the sale of part of the group). Often such a restructure will include business combinations between entities under common control.

A typical group restructure is shown below, which involves an operating entity being moved from one sub-holding to another within an existing group. This transaction will not affect the consolidated accounts at the UK Parent Co level, but it will affect the consolidated accounts at the sub-holding (Aus Hold Co) level. Accounting for common control transactions is challenging for many entities, principally because there is no accounting standard that deals with them. AASB 3 deals with accounting for business combinations, but it contains an exemption for common control transactions.

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 line by line with similar items in the venturer’s financial statements or reported as separate line items in the venturer’s financial statements.

Material omissins or misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Biological transformation:

Biological transformation refers to that sub-set of chemical reactions mediated by living organisms through the processes of photosynthesis and respiration. These reactions involve the consumption of a nutritive substance to produce biomass, and are accompanied by an input or

output of energy.

curtailment (of a defined benefit plan)
A curtailment occurs when an entity either: (a) is demonstrably committed to make a material reduction in the number of employees covered by a plan; or (b) amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

cash flows
Cash flow refers to the movement of cash into or out of a business, a project, or a financial product. It is usually measured during a specified, finite period of time. Measurement of cash flow can be used *to determine a project's rate of return or value.

retrospective application
Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

development
Structural reshaping of thematic material. Second section of sonata-allegro form; it moves through a series of foreign keys while themes from the exposition are manipulated.

Experience adjustments :

the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

Compensation :
Includes all employee benefits including employee benefits to which IFRS 2 applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes: (a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees; (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; (d) termination benefits; and (e) share-based payment.

Termination Benefits

Amounts due employees who cease to work for the employer. The amount of the termination benefit may be in the form of an annuity or *lump-sum payment*. The termination benefit may arise from lay-off of termination in pension plans .

Change In Accounting Estimate:

Restatement of an accounting assumption or forecast. Examples include changing the economic (useful) life or salvage value of a fixed asset. A

change in accounting estimate is accounted for *prospectively* over current and future years.
This will cause a change to the expense account in future years. Prior years are not restated. Note that a change in estimate coupled with a change in principle is accounted for as a change in estimate.
Disclosure should be made of the particulars surrounding the estimate change.

Cost of disposal :

Incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Cost to sell :
Additional costs that are attributable directly to act in an asset(or the group being disposed of) With the exclusion of financing costs and expenses on the income tax.

Fixed production overheads:

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.

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, or, when applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs.

Historical Cost :

A measurement basis according to which 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.

Costs 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.

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. The undiscounted amount of cash or cash equivalents that would be required to settle an obligation currently.

Past service cost:

The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced.

Cost of purchase:

All of the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity 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.

Interest cost :

The cumulative sum of the amount of interest paid on a loan by a borrower. This amount should include any points paid to reduce the interest rate on a loan, since points are in effect pre-paid interest. Additionally, any negative points or rebates paid by a lender to a borrower should be subtracted from the interest cost as they are in effect a refund of future interest the borrower will pay on the loan.

Cost of inventories:

All costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Amortised cost of a financial asset or financial liability:

Amortised cost is most often used with financial assets or financial liabilities under IAS 39. Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. IAS 39 requires the amortised cost to be calculated using the effective interest method. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the financial instrument through maturity or the next repricing date to the net carrying amount at initial recognition i.e. a constant rate on the carrying amount. The effective interest rate is sometimes termed the level yield to maturity or the next repricing date, and is the internal rate of return of the financial asset or financial liability for that period.

Transaction Costs:

Expenses incurred when buying or selling securities. Transaction costs include brokers' commissions and spreads (the difference between the price the dealer paid for a security and the price the buyer pays). The transaction costs to buyers and sellers are the payments that banks and brokers receive for their roles in these transactions. There are also transaction costs in buying and selling real estate. These fees include the agent's commission and closing costs such as title search fees, appraisal fees and government fees.

Funding :

is the act of providing resources, usually in form of money (financing), or other values such as effort or time (sweat equity), for a project, a person, a business, or any other private or public institutions. The process of soliciting and gathering fund is known as fundraising.

Sources of funding include credit, donations, grants, savings, subsidies, and taxes. Fundings such as donations, subsidies, and grants that have no direct requirement for return of investment are described as "soft funding" or "crowd funding". Funding that facilitates the exchange of equity ownership in a company for capital investment via an online funding portal as per the Jumpstart Our Business Startups Act (alternately, the "JOBS Act of 2012") (U.S.) is known as "hyper funding".Funds can be allocated for either short-term or long-term purposes.

***Exploration for and Evaluation of Mineral Resources* :**

Exploration for and Evaluation of Mineral Resources has the effect of allowing entities adopting the standard for the first time to use accounting policies for exploration and evaluation assets that were applied before adopting IFRSs. It also modifies impairment testing of exploration and evaluation assets by introducing different impairment indicators and allowing the carrying amount to be tested at an aggregate level (not greater than a segment).

Dividend:

1. A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. The dividend is most often quoted in terms of the dollar amount each share receives (dividends per share). It can also be quoted in terms of a percent of the current market price, referred to as dividend yield.

   Also referred to as "Dividend Per Share (DPS)."

   2. Mandatory distributions of income and realized capital gains made to mutual fund investors.

Accumulating Compensated Absences:

Compensated Absences

The Statement of Financial Accounting Standards, SFAS No. 43 entitled“Accounting for Compensated Absences provides guidence on how to record accruals and conditions that must be met.

Compensated absences mean employees’ absences for which they will be paid. Examples are: vacation or Personal Time Off (PTO), holidays and illness.An expense is recognized for such payments in the period when the employee provided services that entitled him or her to be compensated. A liability arises when employee did not use all of such compensated absences. In this case a liability is accrued for the unused portion.

If all the following conditions are met, a liability for compensated absences is accrued:

a. Services already rendered by employees
b. Employees have to have rights that vest or accumulate. Vested rights are no contingent on an employee future service and should be paid when an employee leaves his or her employment. Accumulate refers to earned but unused rights that are carried over to future periods.
c. Payment is probable and the amount can be reasonably estimated.

For example, Meicor, LLC estimates that at the end of the year 2009 its employees have earned vacation pay of $110,000 and its employees will receive their vacation pay in 2010. Meicor, LLC must accrue a liability for employees' rights to receive vacation pay benefits if the conditions above identified in SFAS 43 are met. According to this example, the conditions are met:

a. The obligation is attributable to employees' services already rendered.
b. Meicor LLC employees' are vested and can accumulate their vacation as stipulated in the company's handbook.
c. Payment of the compensation is probable and the amount is reasonably estimated as employees have earned vacation pay of $110,000 that will be paid during the year 2010.

The substance of the employer's sick leave policy takes precedence over its form. Note that an employer generally is not require to accrue a liability for no-vesting accumulating rights to receive sick pay benefits. Future compensation for sick leave is accrued if employees customarily are allowed compensated absences for accumulated, non-vesting sick leave days, even though employees are not actually absent as a result of illness.

policyholder :

The owner of an insurance policy; usually, but not always, the insured.

obligation event :

it Is an event that leads to create a legal or judgmental obligation, which resulting in absence of a realistic alternative of the facility, except the settlement of this obligation.

Insured Event

Any event that would cause an insurer to pay a claim. For example, in car insurance, an insured event may be a car accident because it would cause the insurance company to compensate
the policyholder for property damage and/or medical bills. Insurance companies base their premiums on the likelihood that an insured event may happen. For example, a younger driver may pay a higher premium than an adult because younger drivers may be statistically more likely to cause an accident.

Harvest :

is the separation of production from the biological origin or stopping the life of biological origin.

Equity :

1. A stock or any other security representing an ownership interest.

2. On a company's balance sheet, the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses). Also referred to as "shareholders' equity".

3. In the context of margin trading, the value of securities in a margin account minus what has been borrowed from the brokerage.

4. In the context of real estate, the difference between the current market value of the property and the amount the owner still owes on the mortgage. It is the amount that the owner would receive

after selling a property and paying off the mortgage.

5. In terms of investment strategies, equity (stocks) is one of the principal asset classes. The other two are fixed-income (bonds) and cash/cash-equivalents. These are used in asset allocation planning to structure a desired risk and return profile for an investor's portfolio.

Minority Interest

1. A significant but non-controlling ownership of less than 50% of a company's voting shares by either an investor or another company.

   2. A non-current liability that can be found on a parent company's balance sheet that represents the proportion of its subsidiaries owned by minority shareholders.

Government :

it means ministries and authorities, government agencies and similar local or international bodies.

Neutrality:

Information of the financial statements is unbiased.

Impairment Loss:

A special, nonrecurring charge taken to write down an asset with an overstated book value. Generally an asset is considered to be value impaired when its book value exceeds the future net cash flows expected to be received from its use. An impairment write-down reduces an overstated book value to fair value.

Losses:

Extracting less money from a transaction than one put into it.

Dilution

A reduction in the ownership percentage of a share of stock caused by the issuance of new stock. Dilution can also occur when holders of stock options (such as company employees) or holders of other optionable securities exercise their options. When the number of shares outstanding increases, each existing stockholder will own a smaller, or diluted, percentage of the company, making each share less valuable. Dilution also reduces the value of existing shares by reducing the stock's earnings per share.

Reload Option

A type of employee compensation in which additional stock options are granted upon the exercise of the previously granted options. Reload options are features which, rather than pay the employee in cash, upon being exercised; the employee is compensated in shares. The exercise price of the newly granted option is set to the market price of the shares on the date the reload option is granted.

Share option:

Share options give you the right to buy (or to sell) shares in a given company at a previously set price regardless of the current market price. If, for example, shares in company A are trading at 75p, but you have options that allow you to buy 10,000 shares at a price of 25p (this is known as the 'strike price'), you could buy the shares, sell them immediately (this is referred to as 'exercising' your options), and make £5,000 profit. Firms often issue options to employees in an effort to create incentives that align the interests of employees and shareholders. But employees should not accept options in lieu of salary without being aware of the very high risks attached to them. If the market price of the employer's shares falls below the strike price of your options before they can be exercised (the "vesting date"), they are effectively worthless. When this happens, the options are referred to as being 'underwater'.

Put options on ordinary shares :

An option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time. This is the opposite of a call option, which gives the holder the right to buy shares.

options, warrants and their equivalents:

they are financial instruments give the holder the right to purchase ordinary shares.

Capital:

1. Financial assets or the financial value of assets, such as cash.

2. The factories, machinery and equipment owned by a business.

Profit:

A financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity. Any profit that is gained goes to the business's owners, who may or may not decide to spend it on the business.

profit or loss for the period:

All items of income and expense which are recognised in a period should be included in the determination of net profit or loss for the period unless an Accounting Standard requires or permits otherwise.

Normally, all items of income and expense which are recognised in a period are included in the determination of the net profit or loss for the period. This includes extraordinary items and the effects of changes in accounting estimates. The net profit or loss for the period comprises the following components, each of which should be disclosed on the face of the statement of profit and loss.

Operating cycle:

The average time between the acquisition of materials or services and the final cash realization from that acquisition.

Profit and Loss

Find out what a profit and loss account is, where to find it in FreeAgent, and how to filter it so you see only the figures you need.A "profit and loss account" is simply an accounting term for the story of your business's trading during a given period of time. It shows your business's income from sales, bank interest, and other income such as the online filing incentive, less its expenses. Expenses might be those directly linked to your sales, such as buying goods to sell to your customers, or they might be more general administrative expenses, such as buying stationery, or paying your accountant.The expenses are taken away from the income to give your business's profit for the year. This isn't the same as the cash in its bank account, because there are likely to be non-cash items in the profit and loss account. For example, your business might not have been paid for all of its sales. The sales figure in the profit and loss account is for the sales invoiced during that period of time, so the invoices with dates covered by this period. Money received from customers in respect of invoices goes on to the balance sheet.

What isn't on the profit and loss account?

You won't find on the profit and loss account anything that your business owns or owes. These, which are called "assets and liabilities" in accounting terms, are found on the balance sheet.
So there's another reason why cash in the bank isn't the same as profit. Cash in the bank would also be affected by non-profit and loss items, such as buying capital assets. Capital assets are pieces of equipment or furniture that will last your business more than about a year, and as they're something the business owns, they go on your balance sheet.
How is the profit and loss account useful?

Apart from knowing how your business is doing, profit and loss accounts have two other useful functions.The first is that the tax your business pays, be that income tax or corporation tax, is worked out on its profits. But these profits have to be adjusted for tax, because some expenses, such as business entertaining, have to be added back. So it's important to make sure your costs go in the right categories as you post your bills and expenses to Free Agent. Otherwise your tax bill could be incorrect and, if HM Revenue believe you've been careless or negligent, you could have interest and penalties to pay.The second reason why your profit and loss account is important, which applies only to limited companies, is that the company can only pay dividends to its shareholders up to the limit of the profit the company has made after corporation tax, plus any profit from previous years that it has in reserve. The directors must check the profit and loss account to make sure that the company has sufficient profit available before declaring a dividend. If you're not sure about this, please talk to your accountant.

Taxable profit *:*

is the profit (or loss) upon which income taxes are payable. The composition of taxable profit varies by taxation authority, so it will vary depending upon the rules of the taxation authorities within which an entity is located or does business.

Taxable profit is primarily based on operating earnings, but other types of taxable earnings can come from:

- Dividend income
- Interest income
- Capital gains on the sale of long-term assets

Different tax rates may apply to the various types of taxable earnings. There may also be graduated tax rates that apply to different amounts of taxable profit.

Capitalization:

1. In accounting, it is where costs to acquire an asset are included in the price of the asset.

2. The sum of a corporation's stock, long-term debt and retained

earnings. Also known as "invested capital".

3. A company's outstanding shares multiplied by its share price, better known as "market capitalization".

Closing Rate:

The exchange rate for two currencies at the end of a period of time, such as a trading day or month.

Exchange rate:

In finance, an exchange rate (also known as foreign-exchange rate, forex rate, FX rate) between two currencies is the rate at which one currency will be exchanged for another. It is also regarded as the value of one country's currency in terms of another currency.

Spot Exchange Rate'
The rate of a foreign-exchange contract for immediate delivery. Also known as "benchmark rates", "straightforward rates" or "outright rates", spot rates represent the price that a buyer expects to pay for a foreign currency in another currency.

Reload feature *:*

A *reload feature* automatically grants additional stock options whenever an option holder exercises previously granted options using an entity's shares to satisfy the exercise price. Under international financial reporting standards, if a stock option contains a reload feature, do not include it in the estimate of the fair value of options granted. Instead, account for it as a new option grant.

Active market:

Market characterized by high volume, either for a specific security or an entire exchange. Usually, more active markets are more liquid and have smaller bid/ask spreads.

Accounting policy:

The specific standards set by a company governing how financial statements are prepared, and how financial transactions and other accounting events are handled and recorded. The accounting policies of a company influence reporting accuracy and regulatory compliance, and should be taken into account when evaluating balance sheets and quarterly reports.

Joint Control:

Control of the items that make up an estate by a bonding company, also known as a surety, and an administrative party, such as an executor, known as the fiduciary. Any funds are put in joint accounts and dispensed only with the consent of both the surety and the fiduciary.

Liquidity:

1. A measure of the extent to which a person or organization has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this.

2. Accounting: The ability of current assets to meet current liabilities.

3. Investing: The ability to quickly convert an investment portfolio to cash with little or no loss in value.

Regular way purchase or sale:

A purchase or sale of a financial asset under a contract terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Market condition:

A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity’s equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity’s equity instruments relative to an index of market prices of equity instruments of other entities.

Reinsurer:

An insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant.

Subsidiary :

A wholly or partially owned company that is part of a large corporation.

A foreign subsidiary is a separately incorporated entity under the host country's law. A subsidiary's financial results are carried on the parent company's books.

Associate:

Is a company in which the investor has significant influence but not a subsidiary as it is not an interest in a joint venture for the investor and also includes individual companies.

Parent:

Is a facility that have a subsidiary company or more.

Vesting conditions:

The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity’s profit over a specified period of time). A performance condition might include a market condition.Investment contracts with discretionary participation featuresSome investment contracts have participation features whereby the policyholder has the right to receive potentially significant additional benefits which are based on the performance of a specified pool of investment contracts, specific investments held by the Group or on the issuer’s net income. If the Group has discretion over the amount or timing of the distribution of the returns to policyholders, the investment contract liability is measured based on the accounting principles that apply to insurance contracts with similar features.

Some unitized investment contracts provide policyholders with the option to switch between funds with and without discretionary participation features. The entire contract is accounted for as an investment contract with discretionary participation features if there is evidence of actual switching resulting in discretionary participation benefits that are a significant part of the total contractual benefits.

Goodwill'

An account that can be found in the assets portion of a company's balance sheet. Goodwill can often arise when one company is purchased by another company. In an acquisition, the amount paid for the company over book value usually accounts for the target firm's intangible assets.

Venture:

Is a party to the joint venture and has joint control over the joint venture.

Net Investment in a Foreign Operation

A net investment hedge in foreign operations is a derivative used to hedge future changes in currency exposure of a net investment in a foreign operation. For derivative financial instruments that qualify as net investment hedges in foreign operations, the effective portions of the change in fair value of the derivatives are recorded in accumulated other comprehensive (loss) income as part of the cumulative translation adjustment. Any ineffective portions of net investment hedges are recognized in other, net expense during the period of change.

Impracticable:

Is considered to be difficult to apply when the facility is unable to apply it after making all reasonable efforts for its application

Net assets available for benefits :

are the assets of a plan less liabilities other than the actuarial present

value of promised retirement benefits.

Net Realizable Value - NRV'

The value of an asset that can be realized by a company or entity upon the sale of the asset, less a reasonable prediction of the costs associated with either the eventual sale or the disposal of the asset in question.

mutual entity

An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities.

Current tax:

Is the value of tax payable associated with a net taxable profit (tax loss) for a period.

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.

Related Party:

a related party *is related to an entity if any of the following situations apply to it:*

- *Associate*. The party is an associate of the entity.
- *Common control*. The party is, directly or indirectly, either under common control with the entity or has significant or joint control over the entity.
- *Family member*. The party is a close family member of a person who is part of key management personnel or who controls the entity. A close family member is an individual's domestic partner and children, children of the domestic partner, and dependents of the individual or the individual's domestic partner.

Individual control. The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the entity.

- *Joint venture*. The party is a joint venture in which the entity is a venture partner.
- *Key management*. The party is a member of an entity's or its parent's key management personnel.

- *Post-employment plan*. The party is a post-employment benefit plan for the entity's employees.

Cost method:

1. Financial recording and reporting method in which a parent firm's investment in a subsidiary is shown at cost, without indicating the effect of the subsidiary's profit or loss on the investment. See also equity method.

2. Inventory valuation method based on the acquisition cost (invoice price of the purchases less discounts plus transportation).

Weighted Average Cost Of Capital – WACC:

A calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All capital sources - common stock, preferred stock, bonds and any other long-term debt - are included in a WACC calculation. All else equal, the WACC of a firm increases as the beta and rate of return on equity increases, as an increase in WACC notes a decrease in valuation and a higher risk.

Equity Method:

An accounting technique used by firms to assess the profits earned by their investments in other companies. The firm reports the income earned on the investment on its income statement and the reported value is based on the firm's share of the company assets. The reported profit is proportional to the size of the equity investment. This is the standard technique used when one company has significant influence over another.

Indirect method of reporting cash flows from operating activities:

Is a method whereby the adjustment of net profit or loss relating to the following effects:

(a) Changes that occurred during the period of inventory and accounts receivable and payable Operating.

(b) Non-cash items such as depreciation, allocations, deferred taxes and unfulfilled profits and losses on foreign currency and undistributed corporate profits and the rights of minority.

(c) All other items that have a cash impact relates to the cash flows from investing activities or financing.

Effective Interest Method

The practice of accounting for the discount at which a bond is sold as an interest expense to be amortized over the life of the bond. Using this method, additional interest expense is calculated using the prevailing market interest rate at the time of the bond issue. The market rate is multiplied by the book value of the bond to find the amount of the discount to be amortized as interest expense each period.

Percentage of Completion Method'

An accounting method in which the revenues and expenses of long-term contracts are recognized yearly as a percentage of the work completed during that year. This is the opposite of the completed contract method, which allows taxpayers to defer the reporting of any income and expenses until a long-term project is completed. The percentage of completion method of accounting is commonly used in construction projects.

Projected Unit Credit Method.:

The Actuarial Liability for active members either as at the valuation date or as at the end of the Control Period is calculated taking into account all types of decrement. In such calculations pensionable pay is projected from the relevant date up to the assumed date of retirement, date of leaving service or date of death as appropriate.

Employees and others providing similar services:

Individuals who provide personal services for the facility and either :

(a) These individuals are considered employees for the purposes of legal and tax affairs
(b) Or employed by the facility based on its guidance in the same way as if they were their employees for legal or tax purposes.
(c) Services provided are similar to what provided by the employees, and those people have authority and responsibility for planning, directing, controlling and managing the activities of the facility, including the non-executive directors.

Return on Plan Assets:

To determine the expected long-term rate of return on plan assets, the historical performance, investment community forecasts and current market conditions are analyzed to develop expected returns for each asset class used by the plans. The expected returns for each asset class are weighted by the target allocations of the plans.

Tax Expense:

A liability owing to federal, state/provincial and municipal governments. Tax expenses are calculated by multiplying the appropriate tax rate of an individual or business by their income before taxes, after factoring in such variables as non-deductible items, tax assets and tax liabilities.

Owner-occupied property:

Real Estate is kept by the owner for use in the production and goods supply and services for administrative purposes

A contract:

is an agreement having a lawful object entered into voluntarily by two or more parties, each of whom intends to create one or more legal obligations between them. The elements of a contract are "offer" and "acceptance" by "competent persons" having legal capacity who exchanges "consideration" to create "mutuality of obligation.

Construction contract:

Formal agreement for construction, alteration,or repair of buildings or structures (bridges, dams, facilities, roads, tanks, etc.). A construction contract is distinct from a contract to assemble, fabricate, or manufacture.

Insurance contract, general:

legally binding unilateral agreement between an insured and an insurance company to indemnify the buyer of a contract under specified circumstances. In exchange for premium payment(s) the company covers stipulated perils.

Direct Insurance contract:

Insurance contract which does not have reinsurance contract.

Cost-Plus Contract:

An agreement to pay a company for a job based on the amount of money used to buy the materials required to complete that job plus an added payment. A cost-plus contract fully reimburses a contractor for the cost of materials and then adds additional money to arrive at the total cost of the job. Cost-plus contracts are commonly used in research and development activities, where it is difficult to determine in advance how much a job should cost. For example, the U.S. government has agreed to cost-plus contracts with military defense companies that are developing new technologies for national defense.

fixed price contract:

Contract that provides for a price which normally is not subject to any adjustment unless certain provisions (such as contract change, economic pricing, or defective pricing) are included in the agreement. These contracts are negotiated usually where reasonably definite specifications are available, and costs can be estimated with reasonable accuracy. A fixed price contract places minimum administrative burden on the contracting parties, but subjects the contractor to the maximum risk arising from full responsibility for all cost escalations. Also called firm price contract.

Onerous Contract:

A type of contract where the costs involved with fulfilling the terms and conditions of the contract are higher than the amount of economic benefit received. According to the International Accounting Standards (IAS), there are two methods for the recognition of a provision for this type of contract: the liability and impairment approaches.

Useful Life:

An estimate of how long one can expect to use an income-producing item in a trade or business setting. Useful life usually refers to the duration for which the item will be useful (to the business), and not how long the property will actually last. Many factors affect a property's useful life, including the frequency of use, the age when acquired and the repair policy and environmental conditions of the business. The useful life for identical types of property will differ from user to user depending on the above factors, as well as additional factors such as foreseeable technological improvements, economic changes and changes in laws.

Functional Currency:

The primary type of money that a company uses in its business activities. Often a company's functional currency is the same as that of the nation in which it is headquartered, though this is not necessarily the case. The functional currency is most relevant for multinational corporations that conduct business in multiple currencies.
For example, a Canadian company with the bulk of its operations in the United States would consider the U.S. dollar its functional currency, even if financial figures on its balance sheet and income statement are expressed in terms of Canadian Dollars.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which those entities operate ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Alumina Limited's functional and presentation currency.

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Discontinued Operations:

A segment of a company's business that has been sold, disposed of or abandoned. Discontinued operations can range from a certain product line to an entire line of business. When operations are discontinued, this is reported on the company's income statement as separate from income from continued operations.

vesting period :

The period of time before shares are owned unconditionally by an employee in an employee stock option plan. If his/her employment terminates before this period ends, the company can buy back the shares at their original price.

Interim Period:

Definition: An *interim period* is a financial reporting period that is shorter than a full fiscal year. Interim financial reports are generally quarterly financial reports that are required for any entities whose debt or equity securities are publicly traded. Depending on which securities regulator or stock exchange is involved, an entity will be required at least to issue interim financial reports at the end of the first half of its fiscal year, and to do so no later than 60 days after the end of each interim period.

Intrinsic Value'

1. The actual value of a company or an asset based on an underlying perception of its true value including all aspects of the business, in terms of both tangible and intangible factors. This value may or may not be the same as the current market value. Value investors use a variety of analytical techniques in order to estimate the intrinsic value of securities in hopes of finding investments where the true value of the investment exceeds its current market value.

   2. For call options, this is the difference between the underlying stock's price and the strike price. For put options, it is the difference between the strike price and the underlying stock's price. In the case of both puts and calls, if the respective difference value is negative, the instrinsic value is given as zero.

Temporary Differences in Tax Accounting:

Temporary differences occur because financial accounting and tax accounting rules are somewhat inconsistent when determining when to record some items of revenue and expense. Because of these inconsistencies, a company may have revenue and expense transactions in book income for 2013 but in taxable income for 2012, or vice versa.

Two types of temporary differences exist. One results in a *future taxable amount*, such as revenue earned for financial accounting purposes but deferred for tax accounting purposes. This may happen if a company uses the cash method for tax preparation.

The second type of temporary difference is a future deductible amount. The company is reporting an expense on the current tax return but reports it for financial statement purposes in the future. Depreciation is a great example of this.

class of assets

the grouping of similar assets into categories. This is done because, under International Accounting Standards Committee rules, tangible assets and intangible cannot be revalued on an individual basis, only within a class of assets.

Solvency:

The ability of a company to meet its long-term financial obligations. Solvency is essential to staying in business, but a company also needs liquidity to thrive. Liquidity is a company's ability to meet its short-term obligations. A company that is insolvent must enter bankruptcy; a company that lacks liquidity can also be forced to enter bankruptcy even if it is solvent.

A forgivable loan :

works as a carrot to persuade a borrower to behave in a certain way. Organizations that offer forgivable loans do so with strings attached. These require borrowers to fulfill certain responsibilities and adhere to certain restrictions if the money they owe is going to be forgiven. Failure to meet the terms of a forgivable loan contract will mean a borrower having to repay what he borrowed, usually with interest.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in our consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned or incurred is recorded in “Interest Income” in our consolidated statement of income. Assets in this category are included in the current assets except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

geographic segmentation

Collecting and analyzing information according to the physical location of the customer or other data source. Geographic segmentation is often used in marketing, since companies selling products and services would like to know where their products are being sold in order to increase advertising and sales efforts there.

Business Segment Reporting:

Giving separate accounts of a company's individual divisions, subsidiaries or other segments. In an annual report, the purpose of business segment reporting is to provide an accurate picture of a public company's performance to its shareholders. For upper management, business segment reporting is used to evaluate each segment's income, expenses, assets, liabilities and so on in order to assess profitability and riskiness.

financial statement:

Summary report that shows how a firm has used the funds entrusted to it by its stockholders (shareholders) and lenders, and what is its current financial position. The three basic financial statements are the (1) balance sheet, which shows firm's assets, liabilities, and net worth on a stated date; (2) income statement (also called profit & loss account), which shows how the net income of the firm is arrived at over a stated period, and (3) cash flow statement, which shows the inflows and outflows of cash caused by the firm's activities during a stated period. Also called business financials.

Consolidated Financial Statements:

The combined financial statements of a parent company and its subsidiaries.

Net Realizable Value – NRV:

The value of an asset that can be realized by a company or entity upon the sale of the asset, less a reasonable prediction of the costs associated with either the eventual sale or the disposal of the asset in question.

Recoverable amount:
value of asset if sold or when used the value of an asset, either the price it would bring if sold, or its value to the company when used, whichever is the larger figure.

Lease Payments

A line item under long-term debt on a balance sheet that indicates the value of future lease payments due.
Lease payments vary widely between companies, and so it is not necessarily good to compare two companies' lease-payment figures, even if they are in the same industry. It is more valuable to compare long-term debt as a whole.

Revalued amount of an asset:

In finance, a revaluation of fixed assets is a technique that may be required to accurately describe the true value of the capital goods a business owns. This should be distinguished from planned depreciation, where the recorded decline in value of an asset is tied to its age.

Fixed assets:

are held by an enterprise for the purpose of producing goods or rendering services, as opposed to being held for resale in the normal course of business. For example, machines, buildings, patents or licenses can be fixed assets of a business.

The purpose of a revaluation is to bring into the books the fair market value of fixed assets. This may be helpful in order to decide whether to invest in another business. If a company wants to sell one of its assets, it is revalued in preparation for sales negotiations.

Residual value:

is one of the constituents of a leasing calculus or operation. It describes the future value of a good in terms of percentage of depreciation of its initial value.

entity-specific value

The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

Present value:

also known as present discounted value, is a future amount of money that has been discounted to reflect its current value, as if it existed today. The present value is always less than or equal to the future value because money has interest-earning potential, a characteristic referred to as the time value of money.Time value can be described with the simplified phrase, “A dollar today is worth more than a dollar tomorrow”. Here, 'worth more' means that its value is greater. A dollar today is worth more than a dollar tomorrow because the dollar can be invested and earn a day's worth of interest, making the total accumulate to a value more than a dollar by tomorrow. Interest can be compared to rent. Just as rent is paid to a landlord by a tenant, without the ownership of the asset being transferred, interest is paid to a lender by a borrower who gains access to the money for a time before paying it back. By letting the borrower have access to the money, the lender has sacrificed their authority over the money, and is compensated for it in the form of interest. The initial amount of the borrowed funds (the present value) is less than the total amount of money paid to the lender.

Present value calculations, and similarly future value calculations, are used to evaluate loans, mortgages, annuities, sinking funds, perpetuities, and more. These calculations are used to make comparisons between cash flows that don’t occur at simultaneous times.The idea is much like algebra, where variable units must be consistent in order to compare or carry out addition and subtraction; time dates must be consistent in order to make comparisons between values or carry out simple calculations. When deciding between projects in which to invest, the choice can be made by comparing respective present values discounted at the same interest rate, or rate of return. The project with the least present value, i.e. that costs the least today, should be chosen.

Actuarial present value of promised retirement benefits:

The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Carrying amount

Also referred to as book value or carrying value; the cost of a plant asset minus the accumulated depreciation since the asset was acquired. This net amount is not an indication of the asset's fair market value. Also used in reference to bonds payable: the face amount in Bonds Payable plus Premium on Bonds Payable or minus Discount on Bonds Payable and minus the unamortized issue costs.

Fair value :

In accounting and economics, fair value is a rational and unbiased estimate of the potential market price of a good, service, or asset. It takes into account such objective factors as:

- acquisition/production/distribution costs, replacement costs, or costs of close substitutes
- actual utility at a given level of development of social productive capability
- supply vs. demand

and subjective factors such as

- risk characteristics
- cost of and return on capital
- individually perceived utility

In accounting, fair value is used as a certainty of the market value of an asset (or liability) for which a market price cannot be determined (usually because there is no established market for the asset). UnderUS GAAP (FAS 157), fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties, or transferred to an equivalent party, other than in a liquidation sale. This is used for assets whose carrying value is based on mark-to-market valuations; for assets carried at historical cost, the fair value of the asset is not used. One example of where fair value is an issue is a college kitchen with a cost of $2 million which was built five years ago. If the owners wanted to put a fair value measurement on the kitchen it would be a subjective estimate because there is no active market for such items or items similar to this one. In another example, if ABC Corporation purchased a two-acre tract of land in 1980 for $1 million, then a historical-cost financial statement would still record the land at $1 million on ABC's balance sheet. If XYZ purchased a similar two-acre tract of land in 2005 for $2 million, then XYZ would report an asset of $2 million on its balance sheet. Even if the two pieces of land were virtually identical, ABC would report an asset with one-half the value of XYZ's land; historical cost is unable to identify that the two items are similar. This problem is compounded when numerous assets and liabilities are reported at historical cost, leading to a balance sheet that may be greatly undervalued. If, however, ABC and XYZ reported financial information using fair-value accounting, then both would report an asset of $2 million. The fair-value balance sheet provides information for investors who are interested in the current value of assets and liabilities, not the historical cost.

Depreciable amount:

In accountancy, depreciation refers to two aspects of the same concept:

1. the decrease in value of assets (fair value depreciation), and
2. the allocation of the cost of assets to periods in which the assets are used (depreciation with the matching principle).

The former affects the balance sheet of a business or entity, and the latter affects the net income that they report. Generally the cost is allocated, as depreciation expense, among the periods in which the asset is expected to be used. This expense is recognized by businesses for financial reporting and tax purposes. Methods of computing depreciation, and the periods over which assets are depreciated, may vary between asset types within the same business. These may be specified by law or accounting standards, which may vary by country. There are several standard methods of computing depreciation expense, including fixed percentage, straight line, and declining balance methods. Depreciation expense generally begins when the asset is placed in service. For example, a depreciation expense of 100 per year for 5 years may be recognized for an asset costing 500.

Residual value

is one of the constituents of a leasing calculus or operation. It describes the future value of a good in terms of percentage of depreciation of its initial value.

Value-in-use :

is the net present value (NPV) of a cash flow or other benefits that an asset generates for a specific owner under a specific use.

In the U.S., it is generally estimated at a use which is less than highest-and-best use, and therefore it is generally lower than market value.

When a particular user enjoys special benefits, such as extraordinary financing, agglomeration benefits, or grandfathered zoning, then the value may be higher than market value, and the value is considered to be an investment value.

International Valuation Standards

The current edition of International Valuation Standards re-states the International Financial Reporting Standards definition of 'value-in-use', which would allow for either a higher value than market value or a lower value than market value.

Cash and cash equivalents are the most liquid assets found within the asset portion of a company's balance sheet. Cash equivalents are assets that are readily convertible into cash, such as money market holdings, short-term government bonds or Treasury bills, marketable securities and commercial paper. Cash equivalents are distinguished from other investments through their short-term existence; they mature within 3 months whereas short-term investments are 12 months or less, and long-term investments are any investments that mature in excess of 12 months. Another important condition a cash equivalent needs to satisfy is that the investment should have insignificant risk of change in value; thus, common stock cannot be considered a cash equivalent, but preferred stock acquired shortly before its redemption date can be.

weighted average of outstanding shares:

The amount of shares outstanding in a company will often change due to a company issuing new shares, repurchasing and retiring existing shares, and other financial instruments such as employee options being converted into shares. The weighted average of outstanding shares is a calculation that incorporates any changes in the amount of outstanding shares over a reporting period. It is an important number, as it is used to calculate key financial measures such as earnings per share (EPS) for the time period.

Price Risk

The risk of a decline in the value of a security or a portfolio. Price risk is the biggest risk faced by all investors. Although price risk specific to a stock can be minimized through diversification, market risk cannot be diversified away. Price risk, while unavoidable, can be mitigated through the use of hedging techniques.

Credit risk:

refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do. The risk is primarily that of the lender and include lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Market risk:

is the risk of losses in positions arising from movements in market prices.

Liquidity risk:

is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit).

Currency Risk:

A form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

Financial risk:

is an umbrella term for multiple types of risk associated with financing, including financial transactions that include company loans in risk of default. Risk is a term often used to imply downside risk, meaning the uncertainty of a return and the potential for financial loss.

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (e.g. through an interest rate swap).

Inventory:

The raw materials, work-in-process goods and completely finished goods that are considered to be the portion of a business's assets that are ready or will be ready for sale. Inventory represents one of the most important assets that most businesses possess, because the turnover of inventory represents one of the primary sources of revenue generation and subsequent earnings for the company's shareholders/owners.

Provision:

is an account which records a present liability of an entity to another entity. The recording of the liability affects both the current liability side of an entity's Balance Sheet as well as an appropriate expense account in the entity's Income.

financial position:

The state of and the relationships among the various financial data found on a firm's balance sheet. For example, a company with fairly valued and relatively liquid assets, combined with a small amount of debt compared to owner's equity, is generally described as being in a strong financial position. Also called *financial condition*.

Other Post-Employment Benefits – OPEB:

Post-employment benefits that an employee will begin to receive at the start of retirement. This does not include pension benefits paid to the retired employee. Other post-employment benefits that a retiree can be compensated for are life insurance premiums, healthcare premiums and deferred-compensation arrangements.

Vested Benefit:

A financial incentive of employment that an employee is fully entitled to. Employers sometimes offer their employees benefits that they acquire full ownership of gradually or suddenly, as they accumulate more time with the company. This process is called graduated vesting or cliff vesting, and its purpose is to give employees a reason to stay with the company long term. When the employee has earned full rights to the incentive after a predetermined number of years of service, those benefits are called fully vested.

Employee benefits:

and (especially in British English) benefits in kind (also called fringe benefits, perquisites, perqs or perks) are various non-wage compensations provided to employees in addition to their normal wages or salaries. In instances where an employee exchanges (cash) wages for some other form of benefit is generally referred to as a 'salary packaging' or 'salary exchange' arrangement. In most countries, most kinds of employee benefits are taxable to at least some degree.

Short-Term Employee Benefits:

- *Absences*. Compensated absences where payment is settled within 12 months of when employees render related services, for example, vacation, short-term disability, jury service, and military service.
- *Base pay*. Wages and social security contributions.
- *Nonmonetary benefits*. Medical care, housing, cars, and various subsidies for other goods or services.
- *Performance pay*. Profit sharing and bonuses payable within 12 months of when employees render related services.

The entitlement to compensated absences can be accumulating or non-accumulating. An *accumulating compensated absence* is carried forward and can be used in future periods. An accumulating compensated absence can be vesting, so that employees are entitled to a cash payment for unused entitlement when they leave the entity. If an accumulating compensated absence is non-vesting, then employees do not receive such a cash payment when they leave the entity.

Post-employment benefits and other long-term employee benefits:

Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable after the completion of employment. Other long-term employee benefits are employee benefits which do not fall due fully within twelve months of the period in which the employees rendered the related service, including jubilee premiums and long-term disability benefits.

A derivative :

is a financial instrument which *derives* its value from the value of underlying entities such as an asset, index, or interest rate. "A derivative is a financial contract whose value is derived from the performance of underlying market factors, such as interest rates, currency exchange rates, and commodity, credit, and equity prices. Derivative transactions include an assortment of financial contracts, including structured debt obligations and deposits, swaps, futures, options, caps, floors, collars, forwards, and various combinations thereof."

In practice, it is a contract between two parties that specifies conditions (especially the dates, resulting values and definitions of the underlying variables, the parties' contractual obligations, and the notional) under which payments are to be made between the parties. The most common underlying assets include: commodities, stocks, bonds, interest rates and currencies.

There are two groups of derivative contracts, the privately traded Over-the-counter (OTC) derivatives such as swaps that do not go through an exchange or other intermediary and exchange-traded derivatives (ETD) that are traded through specialized derivatives exchanges or other exchanges.

Derivatives are more common in the modern era, but their origins trace back several centuries. One of the oldest derivatives is rice futures, which have been traded on the Dojima Rice Exchange since the eighteenth century. Derivatives are broadly categorized by the relationship between the underlying asset and the derivative (such as forward, option, swap); the type of underlying asset (such as equity derivatives, foreign exchange derivatives, interest rate derivatives, commodity derivatives, or credit derivatives); the market in which they trade (such as exchange-traded or over-the-counter); and their pay-off profile.

Derivatives may broadly be categorized as "lock" or "option" products. Lock products (such as swaps, futures, or forwards) obligate the contractual parties to the terms over the life of the contract. Option products (such as interest rate caps) provide the buyer the right, but not the obligation to enter the contract under the terms specified.

Derivatives can be used either for risk management (i.e. to "hedge" by providing offsetting compensation in case of an undesired event, "insurance") or for speculation (i.e. making a financial "bet"). This distinction is important because the former is a legitimate, often prudent aspect of operations and financial management for many firms across many industries; the latter offers managers and investors a seductive opportunity to increase profit, but not without incurring additional risk that is often undisclosed to stakeholders.

A joint venture:

(JV) is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. There are other types of companies such as JV limited by guarantee, joint ventures limited by guarantee with partners holding shares.

Expense:

1. The economic costs that a business incurs through its operations to earn revenue. In order to maximize profits, businesses must attempt to reduce expenses without also cutting into revenues. Because expenses are such an important indicator of a business's operations, there are specific accounting rules on expense recognition.

   2. Money spent or costs incurred that are tax-deductible and reduce taxable income.

Anti-Dilution Provision:

A provision in an option or a convertible security. It protects an investor from dilution resulting from later issues of stock at a lower price than the investor originally paid. Also known as an "anti-dilution clause."

Related-Party Transaction:

A business deal or arrangement between two parties who are joined by a special relationship prior to the deal. For example, a business transaction between a major shareholder and the corporation, such as a contract for the shareholder's company to perform renovations to the corporation's offices, would be deemed a related-party transaction.

Forecast transaction:
An uncommitted but anticipated future transaction.

Imputed Interest:
A term that describes interest that is considered to be paid for tax purposes even though no interest payment has been made. Imputed interest is used by the Internal Revenue Service (IRS) as a means of collecting tax revenues on loans or securities that do not pay interest, or where the stated interest is particularly low. Imputed interest is calculated based on the actual payments that will be - but have not yet been - paid. The interest is important for discount bonds, such as zero-coupon bonds, and other securities that are sold below face value and mature at par. The effective interest rate, effective annual interest rate, annual equivalent rate (AER) or simply effective rate: is the interest rate on a loan or financial product restated from the nominal interest rate as an interest rate with annual compound payable in arrears.It is used to compare the annual interest between loans with different compounding terms (daily, monthly, annually, or other). The effective interest rate differs in two important respects from the annual percentage rate (APR):

1. the effective interest rate generally does not incorporate one-time charges such as front-end fees;
2. the effective interest rate is (generally) not defined by legal or regulatory authorities (as APR is in many jurisdictions).

By contrast, the effective APR is used as a legal term, where front-fees and other costs can be included, as defined by local law.

Annual percentage yield or effective annual yield is the analogous concept used for savings or investment products, such as a certificate of deposit. Since any loan is an investment product for the lender, the terms may be used to apply to the same transaction, depending on the point of view.

Effective annual interest or yield may be calculated or applied differently depending on the circumstances, and the definition should be studied carefully. For example, a bank may refer to the yield on a loan portfolio after expected losses as its effective yield and include income from other fees, meaning that the interest paid by each borrower may differ substantially from the bank's effective yield.

Cedent:

A party to an insurance contract who passes financial obligation for certain potential losses to the insurer. In return for bearing a particular risk of loss, the cedent pays an insurance premium. The term cedent is most often used in the reinsurance industry, although the term could apply to any insured party.

A gain:

is a change in the value of an asset (increase) or liability (decrease) resulting from something other than the earnings process. While gains are often associated with investments, derivatives and other financial instruments, they can also result from something as simple as selling a production asset (such as a machine) for more than its net book (accounting) value.

The difference between gains and profits lies in the intent to earn a profit. Thus, revenues result from the intentional producing and delivering of goods and/or rendering services, while gains can result from external factors such as the change in a stock’s market price, a gift or a chance discovery.

Finally, the term “realized” also has a slightly different meaning when used in the accounting context (the accounting context; that income/revenue should only be counted when realized, if unrealized the item should be counted as an asset [income receivable] on the Balance Sheet). Under US GAAP (US Generally Accepted Accounting Principles) or IFRS (International Financial Reporting Standards), a gain is “realized” when the market value of some asset or liability (such as a financial instrument) changes, even if the reporting entity continues to hold that asset or liability.

Demonstrably committed:

An entity is demonstrably committed to pay termination benefits when, and only when, an entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan shall include, as a minimum: (a) the location, function, and approximate number of employees whose services are to be terminated; (b) the termination benefits for each job classification or function; and (c) the time at which the plan will be implemented. Implementation shall begin as soon as possible and the period of time to complete implementation shall be such that material changes to the plan are not likely.

A subsidiary company:

subsidiary, or daughter company is a company that is completely or partly owned and partly or wholly controlled by another company that owns more than half of the subsidiary's stock. The subsidiary can be a company, corporation, or limited liability company. In some cases it is a government or state-owned enterprise. The controlling entity is called its *parent company*, *parent*, or *holding company*.

Jointly controlled entity :

A joint venture that 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 entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

A reporting entity:

is a business with an obligation to prepare external financial reports for the benefit of parties with an interest in its operations, such as suppliers and investors. The term “accounting entity” can be used in a similar way. Among accountants, including those involved in setting standards and practices, there is some debate about the precise definition of a reporting entity. The latest opinions of the industry are available from professional accounting organizations.

Reporting entities have what are known as “dependent users,” or individuals, companies, and organizations that need access to financial information but may not be able to obtain it directly. Investors are an excellent example; they need information about how well a company is performing so they can make investment decision, but they don't have access to the company's internal accounting records. These entities are also distinct from their owners and employees. A chain of grocery stores, for example, has finances separate from those of the owners and workers. Sometimes a reporting entity is very easy to identify. A publicly traded company meets the basic standards, for example. Investors need access to financial information, suppliers need to know how well the company is doing to decide whether to offer credit, and other companies need recent information to negotiate deals with the company. With a privately held company, some of these criteria may still be met; for example, suppliers who offer letters of credit need to know that the company is not a big risk.

Future Economic Benefit:

The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity or with respect of not-for-profit entities, whether in the public or private sector, the future economic benefits are also used to provide goods and services in accordance with the entities' objectives.

A business:

(also known as enterprise or firm) is an organization involved in the trade of goods, services, or both to consumers. Business planned .Business model determine the outcome of an active business operation. Businesses are predominant in capitalist economies, where most of them are privately owned and administered to earn profit to increase the wealth of their owners. Businesses may also be not-for-profit or State-owned. A business owned by multiple individuals may be referred to as a company, although that term also has a more precise meaning.

The etymology of "business" relates to the state of being busy either as an individual or society, as a whole, doing commercially viable and profitable work. The term "business" has at least three usages, depending on the scope — the singular usage to mean a particular organization; the generalized usage to refer to a particular market sector, "the music business" and compound forms such as agribusiness; and the broadest meaning, which encompasses all activity by the community of suppliers of goods and services. However, the exact definition of business, like much else in the philosophy, is a matter of debate and complexity of meanings.

Basic Earnings per Share:

A rough measurement of the amount of a company's profit that can be allocated to one share of its stock. Basic earnings per share (EPS) do not factor in the dilutive effects on convertible securities. Basic EPS is calculated as follows:
Basic EPS = (net income – preferred dividends) / weighted average number of common shares outstandingIf a company has a simple capital structure, meaning that it has not issued any potential dilutive securities, basic EPS can be a useful metric on its own.

Diluted Earnings per Share - Diluted EPS:

A performance metric used to gauge the quality of a company's earnings per share (EPS) if all convertible securities were exercised. Convertible securities refers to all outstanding convertible preferred shares, convertible debentures, stock options (primarily employee based) and warrants. Unless the company has no additional potential shares outstanding (a relatively rare circumstance) the diluted EPS will always be lower than the simple EPS.

A defined contribution plan:

is a type of retirement plan in which the amount of the employer's annual contribution is specified Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings on the money in the account. Only employer contributions to the account are guaranteed, not the future benefits. In defined contribution plans, future benefits fluctuate on the basis of investment earnings. The most common type of defined contribution plan is a savings and thrift plan. Under this type of plan, the employee contributes a predetermined portion of his or her earnings (usually pretax) to an individual account, all or part of which is matched by the employer. In the United States, specifies a defined contribution plan as a *plan which provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant's account.*