

Glossary of Terms Defined in Hong Kong SSAPs

This glossary is extracted from the Statements of Accounting Standards (SSAPs) and Interpretations published in the HKSA Members' Handbook.

References to SSAPs are by Statement number and paragraph number. References to the Framework for the Preparation and Presentation of Financial Statements are preceded by "F". References set out below in brackets indicate minor variations in wording.

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| accounting policies | The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements. | 1.22, 2.5, 26.8 |
| accounting profit | The net profit or loss for a period before deducting tax expense. | 12.5 |
| accrual basis of accounting | The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. | F.22 |
| accumulating compensated absences | Compensated absences that are carried forward and can be used in future periods if the current period's entitlement is not used in full. | 34.13 |
| acquisition | A business combination in which one of the enterprises, the acquirer, obtains control over the net assets and operations of another enterprise, the acquiree, in exchange for the transfer of assets, incurrence of a liability or issue of equity. | 27.3, 30.11 |
| active market | A market where all the following conditions exist: <ul style="list-style-type: none"> (a) the items traded within the market are homogeneous; (b) willing buyers and sellers can normally be found at any time; and (c) prices are available to the public. | 29.7, 31.5, 36.8 |
| actuarial assumptions | An enterprise's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits. | 34.72-.73 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|---|-------------------------|
| actuarial gains and losses | Actuarial gains and losses comprise: <ul style="list-style-type: none"> (a) 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. | 34.7 |
| adjusting event after the balance sheet date | See events after the balance sheet date | |
| agricultural activity | The management by an enterprise of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets. | 36.5 |
| agricultural produce | The harvested product of the enterprise's biological assets. | 36.5 |
| amortisation | The systematic allocation of the depreciable amount of an asset over its useful life. In the case of an intangible asset or goodwill, the term 'amortisation' is generally used instead of 'depreciation'. Both terms have the same meaning. | 29.7, 31.5 |
| asset | A resource controlled by an enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise. | 29.7, F.49(a) |
| assets held by a long-term employee benefit fund | Assets (other than non-transferable financial instruments issued by the reporting enterprise) that: <ul style="list-style-type: none"> (a) are held by an entity (a fund) that is legally separate from the reporting enterprise 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 enterprise's own creditors (even in bankruptcy), and cannot be returned to the reporting enterprise, unless either: | 34.7 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|----------------------------------|---|-------------------------|
| | <p>(i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting enterprise; or</p> <p>(ii) the assets are returned to the reporting enterprise to reimburse it for employee benefits already paid.</p> | |
| associate | An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. | 10.2 |
| basic earnings per share | The amount of net profit for the period that is attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period. | 5.9 |
| biological asset | A living animal or plant. | 36.5 |
| biological transformation | The processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. | 36.5 |
| borrowing costs | Interest and other costs incurred by an enterprise in connection with the borrowing of funds. | 19.3 |
| business combination | The bringing together of separate enterprises into one economic entity as a result of one enterprise uniting with or obtaining control over the net assets and operations of another enterprise. | 27.3, 30.11 |
| business segment | A distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. | 26.9 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| capital | Under a financial concept of capital, such as invested money or invested purchasing power, the net assets or equity of the enterprise. The financial concept of capital is adopted by most enterprises. | F.102 |
| | Under a physical concept of capital, such as operating capability, the productive capacity of the enterprise based on, for example, units of output per day. | |
| capitalisation | Recognising a cost as part of the cost of an asset. | 19.8 |
| carrying amount | The amount at which an asset is recognised in the balance sheet, after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon. | 17.6, 29.7, 31.5, 36.8 |
| cash | Cash on hand and demand deposits. | 15.5 |
| cash equivalents | Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. | 15.5 |
| cash flows | Inflows and outflows of cash and cash equivalents. | 15.5 |
| cash generating unit | The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. | 31.5 |
| class of assets | Grouping of assets of a similar nature and use in an enterprise's operations. | 17.37 |
| closing rate | The spot exchange rate of two currencies at the balance sheet date. | 11.11 |
| consolidated financial statements | The financial statements of a group presented as those of a single enterprise. | 32.8 |
| construction contract | A contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. | 23.2 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|-----------------------------------|---|---------------------------------------|
| constructive obligation | <p>An obligation that derives from an enterprise's actions where:</p> <p>(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the enterprise has indicated to other parties that it will accept certain responsibilities; and</p> <p>(b) as a result, the enterprise has created a valid expectation on the part of those other parties that it will discharge those responsibilities.</p> | 28.10 |
| contingent asset | <p>A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.</p> | 28.10 |
| contingent liability | <p>(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or</p> <p>(b) a present obligation that arises from past events but is not recognised because:</p> <p>(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or</p> <p>(ii) the amount of the obligation cannot be measured with sufficient reliability.</p> | 28.10 |
| contingent rent | <p>That portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of time (e.g., percentage of sales, amount of usage, price indices, market rates of interest).</p> | 14.3 |
| control (of an enterprise) | <p>The power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.</p> | 10.2, 27.3, 30.11, 32.8, (20.5, 21.2) |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| corporate assets | Assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units. | 31.5 |
| ‘corridor’ | A range around an enterprise’s best estimate of post-employment benefit obligations. Outside that range, it is not reasonable to assume that actuarial gains or losses will be offset in future years. | 34.95 |
| 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. | 17.6, 17.16, 29.7 |
| cost (in relation to securities held) | The amount paid or payable for the acquisition of the holding, including any charges, taxes and duties, any option premium paid or received as a precursor to the holding, but net of any selling fee received or receivable and excluding accrued interest. Where part of a holding is sold, the cost of the holding should be calculated as the average cost of acquisition. | 24.3 |
| cost method | A method of accounting for investments whereby the investment is recorded at cost. The income statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition. | 10.2, 21.2 |
| cost of an acquisition | The amount of cash or cash equivalents paid or the fair value, at the date of exchange, of the other purchase consideration given by the acquirer in exchange for control over the net assets of the other enterprise, plus any costs directly attributable to the acquisition. | 30.20 |
| cost of an asset acquired in exchange or part exchange for dissimilar asset | The fair value of the asset received, which is equivalent to the fair value of the consideration given adjusted by the amount of any cash or cash equivalents received or paid. | 17.21 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|--|-------------------------|
| cost of an asset acquired in exchange or part exchange for similar asset | The carrying amount of the asset given up. However, the fair value of the asset received may provide evidence of an impairment in the asset given up. Under these circumstances the asset given up is written down and this written down value assigned to the new asset. | 17.22 |
| cost of conversion | Costs directly related to the units of production, such as direct labour together with a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. | 22.8 |
| cost of disposal | Incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. | 31.5 |
| cost of inventories | All costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. | 22.6 |
| cost of purchase | All of the purchase price, import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of the item. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. | 22.7 |
| cost plus contract | A construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee. | 23.2 |
| cost plus method | A pricing method which seeks to add an appropriate mark-up to the supplier's cost. | 20.15 |
| current asset | An asset that: <ul style="list-style-type: none"> (a) is expected to be realised in, or is held for sale or consumption in, the normal course of the enterprise's operating cycle; (b) is held primarily for trading purposes or for the short-term and expected to be realised within twelve months of the balance sheet date; or | 1.60 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|-----------------------------|--|-------------------------|
| | (c) is cash or a cash equivalent asset which is not restricted in its use. | |
| current cost | The amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. The undiscounted amount of cash or cash equivalents that would be required to settle an obligation currently. | F.100(b) |
| current liability | A liability that: (a) is expected to be settled in the normal course of the enterprise's operating cycle; or (b) is due to be settled within twelve months of the balance sheet date. | 1.63 |
| current service cost | The increase in the present value of the defined benefit obligation resulting from employee service in the current period. | 34.7 |
| current tax | The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. | 12.5 |
| curtailment | A curtailment occurs when an enterprise 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. | 34.111 |
| date of acquisition | The date on which control of the net assets and operations of the acquirer is effectively transferred to the acquirer. | 30.11 |
| debt security | A security representing a creditor relationship with an enterprise. | 24.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| deductible temporary difference | A temporary difference that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. | 12.5 |
| deferred tax assets | The amounts of income taxes recoverable in future periods in respect of: <ul style="list-style-type: none"> (a) deductible temporary differences; (b) the carryforward of unused tax losses; and (c) the carryforward of unused tax credits. | 12.5 |
| deferred tax liabilities | The amounts of income taxes payable in future periods in respect of taxable temporary differences. | 12.5 |
| defined benefit liability | The net total of the following amounts: <ul style="list-style-type: none"> (a) the present value of the defined benefit obligation at the balance sheet date; (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 balance sheet date of plan assets (if any) out of which the obligations are to be settled directly. | 34.54 |
| defined benefit obligation (present value of) | The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. | 34.7 |
| defined benefit plans | Post-employment benefit plans other than defined contribution plans. | 34.7 |
| defined contribution plans | Post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. | 34.7 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|--|-------------------------|
| demonstrably committed | <p>An enterprise is demonstrably committed to pay termination benefits when, and only when, an enterprise has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan should include, as a minimum:</p> <ul style="list-style-type: none"> (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 should begin as soon as possible and the period of time to complete implementation should be such that material changes to the plan are not likely. | 34.134 |
| depreciable amount | The cost of an asset, or other amount substituted for cost in the financial statements, less its (estimated) residual value. | 17.6, 29.7, 31.5 |
| depreciation | The systematic allocation of the depreciable amount of an asset over its (estimated) useful life. | 17.6, 31.5 |
| development | The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use. | 29.7 |
| diluted earnings per share | The amount of net profit for the period that is attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period, both adjusted for the effects of all dilutive potential ordinary shares. | 5.23 |
| dilutive potential ordinary shares | Potential ordinary shares whose conversion to ordinary shares would decrease net profit per share from continuing ordinary operations or increase loss per share from continuing ordinary operations. | 5.37 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| direct method of reporting cash flows from operating activities | A method which discloses major classes of gross cash receipts and gross cash payments. | 15.17(a) |
| discontinuing operation | A component of an enterprise: <ul style="list-style-type: none"> (a) that the enterprise, pursuant to a single plan, is: <ul style="list-style-type: none"> (i) disposing of substantially in its entirety, such as by selling the component in a single transaction, by demerger or spin-off of ownership of the component to the enterprise's shareholders; (ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or (iii) terminating through abandonment; (b) that represents a separate major line of business or geographical area of operations; and (c) that can be distinguished operationally and for financial reporting purposes. | 35.2 |
| discount or premium on a non-speculative forward contract | The foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate at the date of inception of the contract. | 11.14 |
| dividends | Distributions of profits to holders of equity investments in proportion to their holdings of a particular class of capital. | 18.4 |
| economic life | The period over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from the asset by one or more users. | 14.3 |
| employee benefits | All forms of consideration given by an enterprise in exchange for service rendered by employees. | 34.7 |
| equity | The residual interest in the assets of the enterprise after deducting all its liabilities. | F.49(c) |
| equity compensation benefits | Employee benefits under which either: | 34.7 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|---|-------------------------|
| | <p>(a) employees are entitled to receive equity financial instruments issued by the enterprise (or its parent); or</p> <p>(b) the amount of the enterprise's obligation to employees depends on the future price of equity financial instruments issued by the enterprise.</p> | |
| equity compensation plans | Formal or informal arrangements under which an enterprise provides equity compensation benefits for one or more employees. | 34.7 |
| equity instrument | Any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities. | 5.6 |
| equity method | A method of accounting whereby the investment (an interest in a jointly controlled entity) is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's (the venturer's) share of net assets of the investee (the jointly controlled entity). The income statement reflects the investor's (the venturer's) share of the results of operations of the investee (the jointly controlled entity). | 10.2, 21.2 |
| equity security | A security representing a residual interest in the assets of an enterprise after deducting all its liabilities. | 24.3 |
| events after the balance sheet date | <p>Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:</p> <p>(a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and</p> <p>(b) those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).</p> | 9.2 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|-----------------------------------|---|--|
| exchange rate | The rate at which two currencies may be exchanged for each other at a particular point in time. | 11.10 |
| expenses | Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. | F.70(b) |
| experience adjustments | The effect of differences between previous actuarial assumptions and what has actually occurred. | 34.7 |
| extraordinary items | Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly. | 2.5 |
| fair value | The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. | 5.6, 14.3, 17.6, 18.6, 24.3, 29.7, 30.11, 34.7, 35.3, 36.8 |
| FIFO (first-in, first-out) | The assumption that the items of inventory which were purchased first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced. | 22.20 |
| finance lease | A lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. | 14.3 |
| financial position | The relationship of the assets, liabilities, and equities of an enterprise, as reported in the balance sheet. | F.47 |
| financial statements | A complete set of financial statements includes the following components: <ul style="list-style-type: none"> (a) balance sheet; (b) income statement; (c) a statement showing either: <ul style="list-style-type: none"> (i) all changes in equity; or | 1.7, (F.7, 11.4) |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|-----------------------------------|---|-------------------------|
| | (ii) changes in equity other than those arising from capital transactions with owners and distributions to owners; | |
| | (d) cash flow statement; and | |
| financing activities | (e) accounting policies and explanatory notes. Activities that result in changes in the size and composition of the equity capital and borrowings of the enterprise. | 15.5 |
| fixed price contract | A contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses. | 23.2 |
| fixed production overheads | Those indirect costs of production that remain relatively constant regardless of the volume of production, such as depreciation and maintenance of factory buildings and equipment, and the cost of factory management and administration. | 22.8 |
| foreign currency asset | An equity investment or other long-term non-monetary asset, the holding or the use or the subsequent disposal of which will generate receipts in a foreign currency. | 11.7 |
| foreign enterprise | A subsidiary, associated company or branch whose operations are based in a country other than that of the investing company or whose assets and liabilities are denominated mainly in a foreign currency. | 11.6 |
| forgivable loans | Loans which the lender undertakes to waive repayment of under certain prescribed conditions. | 35.3 |
| forward contract | An agreement to exchange different currencies at a specified future date and at a specified rate. A non-speculative forward contract is one that is designated and effective as a hedge of a net investment in a foreign entity, of a foreign currency asset, of a net monetary asset or liability or of a firm commitment. All other forward contracts, or parts of forward contracts in excess of the amount hedged, are speculative. | 11.12 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|---|-------------------------|
| fundamental errors | Errors discovered in the current period that are of such significance as to invalidate the true and fair view of previously issued financial statements in respect of one or more prior periods. | 2.5 |
| funding | Contributions by an enterprise, and sometimes its employees, into an entity, or fund, that is legally separate from the reporting enterprise and from which the employee benefits are paid. | 34.49 |
| future economic benefit | The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the enterprise. The potential may be a productive one that is part of the operating activities of the enterprise. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative manufacturing process lowers the costs of production. | F.53 |
| gains | Increases in economic benefits and as such are no different in nature from revenue. | F.75 |
| gain or loss on a non-speculative forward contract | The foreign currency amount of the contract multiplied by the difference between the spot rate at the balance sheet date and the spot rate at the date of inception of the contract or at an intervening balance sheet date. | 11.13 |
| gain or loss on a speculative forward contract | The foreign currency amount of the contract multiplied by the difference between the forward rate for the balance of the contract at the balance sheet date and either the contracted forward rate or the forward rate used at an intervening balance sheet date. | 11.15 |
| geographical segments | A distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. | 26.9 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--------------------------------------|---|-------------------------|
| going concern | Financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed. | 1.24-.25, F.23 |
| goodwill | Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction. | 30.38 |
| government | Government, government agencies and similar bodies whether local, national or international. | 35.3 |
| government assistance | Action by government designed to provide an economic benefit specific to an enterprise or range of enterprises qualifying under certain criteria. | 35.3 |
| government grants | Assistance by government in the form of transfers of resources to an enterprise in return for past or future compliance with certain conditions relating to the operating activities of the enterprise. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise. | 35.3 |
| grants related to assets | Government grants whose primary condition is that an enterprise qualifying for them should purchase, construct or otherwise acquire non-current assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. | 35.3 |
| grants related to income | Government grants other than those related to assets. | 35.3 |
| gross investment in the lease | The aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor. | 14.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|---|-------------------------|
| group | A parent and all its subsidiaries. | 32.8 |
| group administration (employee benefit) plans | An aggregation of single employer plans combined to allow participating employers to pool their assets for investment purposes and reduce investment management and administration costs, but the claims of different employers are segregated for the sole benefit of their own employees. | 34.33 |
| group of biological assets | An aggregation of similar living animals or plants. | 36.5 |
| group reconstruction | A business combination resulting from transactions among enterprises under common control. | 27.3 |
| guaranteed residual value | In the case of the lessee, that part of the residual value which is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and in the case of the lessor, that part of the residual value which is guaranteed by the lessee or by a third party unrelated to the lessor who is financially capable of discharging the obligations under the guarantee. | 14.3 |
| harvest | The detachment of produce from a biological asset or the cessation of a biological asset's life processes. | 36.5 |
| hire-purchase contract | The definition of a lease includes contracts for the hire of an asset which contain a provision giving the hirer an option to acquire title to the asset upon the fulfilment of agreed conditions. These contracts are sometimes known as hire purchase contracts. | 14.4 |
| historical cost | Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. | F.100(a) |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| holding gain or loss | The net change in fair value of a security exclusive of dividend or other distribution or interest income recognised but not yet received and exclusive of any write-downs for other-than-temporary impairment. | 24.3 |
| impairment | When recoverable amount declines below carrying amount. | (31.5) |
| impairment loss | The amount by which the carrying amount of an asset exceeds its recoverable amount. | 17.6, 29.7, 31.5 |
| imputed rate of interest | The more clearly determinable of either: (a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or (b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. | 18.10 |
| inception of a lease | The earlier of the date of the lease agreement or of a commitment by the parties to the principal provisions of the lease. | 14.3 |
| income | Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. | F.70(a) |
| incremental borrowing rate of interest (lessee's) | The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset. | 14.3 |
| indirect method of reporting cash flows from operating activities | Under this method, net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. | 15.17(b) |
| initial disclosure event (for a discontinuing operation) | The occurrence of one of the following, whichever occurs earlier: | 33.16 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|--|-------------------------|
| | <p>(a) the enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the discontinuing operation; or</p> <p>(b) the enterprise's board of directors or similar governing body has both (i) approved a detailed, formal plan for the discontinuance and (ii) made an announcement of the plan.</p> | |
| intangible asset | An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. | 29.7 |
| interest cost (for an employee benefit plan) | The increase during a period in the present value of a defined benefit obligation that arises because the benefits are one period closer to settlement. | 34.7 |
| interest rate implicit in a lease | <p>The discount rate that, at the inception of the lease, causes the aggregate present value of:</p> <p>(a) the minimum lease payments; and</p> <p>(b) the unguaranteed residual value</p> <p>to be equal to the fair value of the leased asset.</p> | 14.3 |
| interim period | A financial reporting period shorter than a full financial year. | 25.4 |
| interim financial report | A financial report containing either a complete set of financial statements (as described in SSAP 1) or a set of condensed financial statements (as described in SSAP 25) for an interim period. | 25.4 |
| inventories | <p>Assets:</p> <p>(a) held for sale in the ordinary course of business;</p> <p>(b) in the process of production for such sale; or</p> <p>(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.</p> | 22.3, 22.4 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|------------------------------------|--|-------------------------|
| | Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the enterprise and include materials and supplies awaiting use in the production process. In the case of a service provider, inventories include the costs of the service for which the enterprise has not yet recognised the related revenue. | |
| investing activities | The acquisition and disposal of long-term assets and other investments not included in cash equivalents. | 15.5 |
| investment property | Investment property is an interest in land and/or buildings: (a) in respect of which construction work and development have been completed; and (b) which is held for its investment potential, any rental income being negotiated at arm's length. | SSAP 13.2 |
| investor in a joint venture | A party to a joint venture that does not have joint control over that joint venture. | 21.2 |
| joint control | The contractually agreed sharing of control over an economic activity. | 21.2 |
| joint venture | A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. | 21.2 |
| jointly controlled entity | A joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. | 21.20 |
| lease | An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. | 14.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| lease term | The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise. | 14.3 |
| legal merger | Usually a merger between two companies in which either: <ul style="list-style-type: none"> (a) the assets and liabilities of one company are transferred to the other company and the first company is dissolved; or (b) the assets and liabilities of both companies are transferred to a new company and both the original companies are dissolved. | 30.8 |
| legal obligation | An obligation that derives from: <ul style="list-style-type: none"> (a) a contract (through its explicit or implicit terms); (b) legislation; or (c) other operation of law. | 28.10 |
| liability | A present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits. | 28.10, F.49(b) |
| losses | Decreases in economic benefits and as such they are no different in nature from other expenses. | F.79 |
| matching of costs with revenues | Expenses are recognised in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income. This process involves the simultaneous or combined recognition of revenues and expenses that result directly and jointly from the same transactions or other events. However, the application of the matching concept does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities. | F.95 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|-------------------------------|---|-------------------------|
| materiality | Information is material if its non-disclosure could influence the economic decisions of users taken on the basis of the financial statements. | 1.32, F.30 |
| measurement | The process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the balance sheet and income statement. | F.99 |
| merger relief | <p>(a) Relief from a requirement, whether under the Hong Kong Companies Ordinance or under the applicable law of the country of incorporation, to record a premium in a non-distributable share premium account; or</p> <p>(b) The ability to record a premium in a share premium account that is distributable.</p> | 27.3 |
| minimum lease payments | <p>The payments over the lease term that the lessee is or can be required to make (excluding costs for services and taxes to be paid by and be reimbursable to the lessor) together with:</p> <p>(a) in the case of the lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or</p> <p>(b) in the case of the lessor, any residual value guaranteed to the lessor by either:</p> <p>(i) the lessee;</p> <p>(ii) a party related to the lessee; or</p> <p>(iii) an independent third party financially capable of meeting this guarantee.</p> <p>However, if the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised, the minimum lease payments comprise the minimum rentals payable over the lease term and payment required to exercise this purchase option.</p> | 14.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|---|-------------------------|
| minority interest | That part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent. | 30.11, 32.8 |
| monetary items (monetary assets; monetary financial assets and financial liabilities; monetary financial instruments) | Money held and assets (financial assets) and liabilities (financial liabilities) to be received or paid in fixed or determinable amounts of money. | 11.17, 29.7, 30.11 |
| multi-employer (benefit) plans | Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: <ul style="list-style-type: none"> (a) pool the assets contributed by various enterprises that are not under common control; and (b) use those assets to provide benefits to employees of more than one enterprise, on the basis that contribution and benefit levels are determined without regard to the identity of the enterprise that employs the employees concerned. | 34.7 |
| negative goodwill | Any (remaining) excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition. | 30.56 |
| net investment in a foreign enterprise | The effective equity stake in a foreign enterprise's net assets; in certain circumstances, intra-group loans and other deferred balances may be regarded as part of the effective equity stake. | 11.16 |
| net investment in a lease | The gross investment in the lease less unearned finance income. | 14.3 |
| net profit or loss | Comprises the following components: <ul style="list-style-type: none"> (a) profit or loss from ordinary activities; and (b) extraordinary items. | 2.9 |
| net realisable value | The estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. | 22.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|---|-------------------------|
| net selling price | The amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. | 31.5 |
| neutrality | Freedom from bias of the information contained in financial statements. | F.36 |
| non-adjusting events after the balance sheet date | See events after the balance sheet date | |
| non-cancellable lease | A lease that is cancellable only: <ul style="list-style-type: none"> (a) upon the occurrence of some remote contingency; (b) with the permission of the lessor; (c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or (d) upon payment by the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain. | 14.3 |
| normal capacity of production facilities | The production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. | 22.9 |
| obligating event | An event that creates a legal or constructive obligation that results in an enterprise having no realistic alternative to settling that obligation. | 28.10 |
| obligation | A duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner. | F.60 |
| onerous contract | A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. | 28.10 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| operating activities | The principal revenue-producing activities of an enterprise and other activities that are not investing or financing activities. | 15.5, 26.8 |
| operating cycle | The time between the acquisition of materials entering into a process and its realisation in cash or an instrument that is readily convertible into cash. | 1.62 |
| operating lease | A lease other than a finance lease. | 14.3 |
| option | A financial instrument that gives the holder the right to purchase ordinary shares. | 5.6 |
| ordinary activities | Any activities which are undertaken by an enterprise as part of its business and such related activities in which the enterprise engages in furtherance of, incidental to, or arising from these activities. | 2.5 |
| ordinary share | An equity instrument that is subordinate to all other classes of equity instruments. | 5.6 |
| other long-term employee benefits | Employee benefits (other than post-employment benefits, termination benefits and equity compensation benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. | 34.7 |
| parent | An enterprise that has one or more subsidiaries. | 30.11, 32.8 |
| 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). | 34.7 |
| percentage of completion method | A method by which contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. | 23.24 |
| performance | The relationship of the income and expenses of an enterprise, as reported in the income statement. | F.47 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|---|-------------------------|
| plan assets (of an employee benefit plan) | Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies. | 34.7 |
| post-employment benefits | Employee benefits (other than termination benefits and equity compensation benefits) which are payable after the completion of employment. | 34.7 |
| post-employment benefit plans | Formal or informal arrangements under which an enterprise provides post-employment benefits for one or more employees. | 34.7 |
| potential ordinary share | A financial instrument or other contract that may entitle its holder to ordinary shares. | 5.6 |
| present value | A current estimate of the present discounted value of the future net cash flows in the normal course of business. | F.100(d) |
| present value of a defined benefit obligation | See defined benefit obligation (present value of) | 34.7 |
| profit | The residual amount that remains after expenses (including capital maintenance adjustments, where appropriate) have been deducted from income. Any amount over and above that required to maintain the capital at the beginning of the period is profit. | F.105, F.107 |
| projected unit credit method | An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method). | 34.64-.66 |
| property, plant and equipment | Tangible assets that: (a) are held by an enterprise for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period. | 17.6 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|------------------------------------|---|-------------------------|
| prospective application | Application of a new accounting policy to the events and transactions occurring after the date of the change. | 2.41 |
| provision | A liability of uncertain timing or amount. | 28.10 |
| prudence | The inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated. | F.37 |
| qualifying insurance policy | An insurance policy issued by an insurer that is not a related party (as defined in SSAP 20, Related Party Disclosures) of the reporting enterprise, if the proceeds of the policy: <ul style="list-style-type: none"> (a) can be used only to pay or fund employee benefits under a defined benefit plan; (b) are not available to the reporting enterprise's own creditors (even in bankruptcy) and cannot be paid to the reporting enterprise, unless either: <ul style="list-style-type: none"> (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting enterprise to reimburse it for employee benefits already paid. | 34.7 |
| realisable value | The amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal. | F.100(c) |
| recognition | The process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition: <ul style="list-style-type: none"> (a) it is probable that any future economic benefit associated with the item will flow to or from the enterprise; and (b) the item has a cost or value that can be measured with reliability. | F.82, F.83 |
| recoverable amount | The higher of an asset's net selling price and its value in use. | 17.6, 31.5 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|----------------------------------|---|-------------------------|
| related parties | Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. | 20.5 |
| related party transaction | A transfer of resources or obligations between related parties, regardless of whether a price is charged. | 20.5 |
| relevance | Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations. | F.26 |
| reliability | Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. | F.31 |
| reportable segment | A business segment or a geographical segment for which segment information is required to be disclosed. | 26.9 |
| reporting enterprise | An enterprise for which there are users who rely on the financial statements as their major source of financial information about the enterprise. | F.8 |
| research | Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. | 29.7 |
| residual value | The net amount which an enterprise expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal. | 17.6, 29.7 |
| restructuring | A programme that is planned and controlled by management, and materially changes either: <ul style="list-style-type: none"> (a) the scope of a business undertaken by an enterprise; or (b) the manner in which that business is conducted. | 28.10 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|---|-------------------------|
| retrospective application | Application of a new accounting policy to events and transactions as if the new accounting policy had always been in use. | 2.41 |
| return on plan assets (of an employee benefit plan) | Interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself. | 34.7 |
| revaluation | Restatement of assets and liabilities. | F.81 |
| revalued amount of an asset | The fair value of an asset at the date of a revaluation less any subsequent accumulated depreciation. | 17.31 |
| revenue | The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating to contributions from equity participants. | 18.6, 26.8 |
| reverse acquisition | An acquisition when an enterprise obtains ownership of the shares of another enterprise but as part of the exchange transaction issues enough voting shares, as consideration, such that control of the combined enterprise passes to the owners of the enterprise whose shares have been acquired. | 30.15 |
| rewards associated with a leased asset | The expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realisation of a residual value. | 14.5 |
| risks associated with a leased asset | Possibilities of losses from idle capacity or technological obsolescence and of variations in return due to changing economic conditions. | 14.5 |
| sale and leaseback transaction | The sale of an asset by the vendor and the leasing of the same asset back to the vendor. The rentals and the sale price are usually interdependent as they are negotiated as a package and need not represent fair values. | 14.54 |
| security | A bond or share or other negotiable instrument evidencing debt or ownership. | 24.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|---|-------------------------|
| segment assets | Those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. | 26.16 |
| segment expense | Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the same enterprise. | 26.16 |
| segment result | Segment revenue less segment expense. Segment result is determined before any adjustments for minority interest. | 26.16 |
| segment revenue | Turnover and other revenue reported in the enterprise's income statement that is directly attributable to a segment and the relevant portion of enterprise revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the same enterprise. | 26.16 |
| settlement (of employee benefit obligations) | A transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits. | 34.112 |
| settlement value | The undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. | F.100(c) |
| short-term employee benefits | Employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service. | 34.7 |
| significant influence | The power to participate in the financial and operating policy decisions of an economic activity but not control or joint control over those policies. | 10.2, 21.2 (20.5) |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--|--|-------------------------|
| solvency | The availability of cash over the longer term to meet financial commitments as they fall due. | F.16 |
| state (employee benefit) plan | Employee benefit plans established by legislation to cover all enterprises (or all enterprises in a particular category, for example a specific industry) and operated by national or local government or by another body (for example an autonomous agency created specifically for this purpose) which is not subject to control or influence by the reporting enterprise. | 34.37 |
| subsidiary | An enterprise that is controlled by another enterprise (known as the parent). | 10.2, 30.11, 32.8 |
| substance over form | The principle that transactions and other events are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. | F.35 (1.20) |
| tax base of an asset or liability | The amount attributed to that asset or liability for tax purposes. | 12.5 |
| tax expense (tax income) | The aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax. Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income). | 12.5, 12.6 |
| taxable profit (tax loss) | The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable). | 12.5 |
| taxable temporary difference | A temporary difference that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled. | 12.5 |
| temporal method of translation | The translation of all assets, liabilities, revenue and expenses at the exchange rate ruling at the date on which the amount recorded in the financial statements was established. At the balance sheet date monetary assets and liabilities are retranslated at the closing rate and any resulting exchange difference is taken to the profit and loss account. | 11.9 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|---|-------------------------|
| temporary difference | A difference between the carrying amount of an asset or liability in the balance sheet and its tax base. A temporary difference may be either: <ul style="list-style-type: none"> (a) a taxable temporary difference; or (b) a deductible temporary difference. | 12.5 |
| termination benefits | Employee benefits payable as a result of either: <ul style="list-style-type: none"> (a) an enterprise's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept voluntary redundancy in exchange for those benefits. | 34.7 |
| transitional liability (defined benefit plans) | The following total: <ul style="list-style-type: none"> (a) the present value of the obligation at the date of adopting SSAP 34; (b) minus the fair value, at the date of adoption, of plan assets (if any) out of which the obligations are to be settled directly; (c) minus any past service cost that should be recognised in later periods. | 34.154 |
| translation | The process whereby financial data denominated in one currency are expressed in terms of another currency. It includes both the expression of individual transactions in terms of another currency and the expression of a complete set of financial statements prepared in one currency in terms of another currency. | 11.8 |
| turnover | Revenue arising from the principal activities of the enterprise. | 1.80-.81 |
| understandability | Information provided in financial statements has the quality of understandability when is comprehensible to users who have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. | F.25 |
| unearned finance income | The difference between: | 14.3 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|--------------------------------------|--|-------------------------|
| | (a) the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor; and | |
| | (b) the present value of (a) above, at the interest rate implicit in the lease. | |
| unguaranteed residual value | That portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor. | 14.3 |
| useful life | Either: | 14.3, 17.6, 29.7, 31.5 |
| | (a) the period of time over which an asset is expected to be used by the enterprise; or | |
| | (b) the number of production or similar units expected to be obtained from the asset by the enterprise. | |
| value in use | The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. | 31.5 |
| variable production overheads | Those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour. | 22.8 |
| venturer | A party to a joint venture that has joint control over that joint venture. | 21.2 |
| vested employee benefits | Employee benefits that are not conditional on future employment. | 34.7 |
| warrant | A financial instrument that gives the holder the right to purchase ordinary shares. | 5.6 |
| weighted average cost method | Under this method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the enterprise. | 22.20 |

| <u>Term</u> | <u>Definition</u> | <u>Reference</u> |
|---|---|-------------------------|
| weighted average number of ordinary shares outstanding during the period | Number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares cancelled, bought back or issued during the period multiplied by a time-weighting factor. | 5.14 |