

## GLOSSARY

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Institute of Chartered Accountants of New Zealand

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### GLOSSARY OF DEFINED TERMS IN FRSs AND SSAPs

*Following is a list of definitions (arranged alphabetically)  
which appear in Financial Reporting Standards and  
Statements of Standard Accounting Practice.*

#### A

**Accounting policies** (FRS-1) are the bases, rules, and procedures adopted in preparing and presenting financial reports.

**Accounting profit** (SSAP-12) is the aggregate of operating profit, other net income and extraordinary items for any period, before charging and/or crediting any amounts in respect of either current or deferred income tax.

**Accounting results** (SSAP-12) include accounting profit and all movements in reserves.

**Accrued benefits** (FRS-32) in a defined benefit superannuation scheme are benefits that the scheme is presently obliged to transfer in the future to members and beneficiaries as a result of membership of the scheme up to the measurement date.

**Accrued benefits** (FRS-32) in a defined contribution superannuation scheme include benefits that the scheme is presently obliged to transfer in the future to members and beneficiaries as a result of membership of the scheme up to the balance date. Accrued benefits encompass benefits that have been allocated, where appropriate, to individual members' accounts, sponsors' accounts and reserves.

**Acquirer** or **acquiring entity** (SSAP-8) is an entity which, as the result of an acquisition of an interest in another entity, either directly or indirectly gains control of the other entity.

**Acquisition** (FRS-36, FRS-37 and FRS-38) means obtaining an asset, a group of assets, or net assets.

**Acquisition costs** (FRS-34) means the fixed and variable costs of acquiring new business, including commissions and similar distribution costs, and costs of accepting, issuing and initially recording policies.

## GLOSSARY

(A)

**Acquisition date** (FRS-36, FRS-37 and FRS-38) is the date on which a transferee becomes entitled to the benefits associated with an asset, a group of assets, or net assets.

**Appraisal value** (FRS-34) means the embedded value of a life insurer together with the present value of expected profits from future new business.

**Assessable income** (SSAP-12) is the amount upon which current income tax will be assessed.

**Asset acquired through the enforcement of security** (FRS-33) is any asset which is legally owned as the result of enforcing security, other than a building occupied by the financial institution.

**Assets** (Statement of Concepts) are service potential or future economic benefits controlled by the entity as a result of past transactions or other past events.

**Assets** (FRS-34) means future economic benefits or service potential controlled by the entity as a result of past transactions or other past events.

**Associate** (SSAP-8) means an investee, not being a subsidiary or an in-substance subsidiary of the investor, in respect of which both of the following conditions are met:

- (a) the investor is in a position to exercise significant influence over the investee; and
- (b) the investor intends to retain its interest in the investee as a long-term investment.

**Associate** (FRS-37 and FRS-38) is an investee (not being a subsidiary of the investor or joint venture entered into by the investor) over which the investor has the capacity to exercise significant influence.

**Attachment date** (FRS-35) (sometimes referred to as “inception date”) is, for a direct insurer, the date from which the insurer accepts risk from the insured under an insurance policy or endorsement or, for a reinsurer, the date from which the reinsurer accepts risk from the direct insurer or another reinsurer under a reinsurance arrangement.

**Auditor** (FRS-9) in relation to an entity means:

- (a) a person who has or shares the duty; or
- (b) a firm or an organisation which has or shares the duty;

of providing the audit report required by legislation, constitution or otherwise on the financial report of that entity.

## GLOSSARY

(B-C)

### B

**Beneficiaries** (FRS-32) are those persons who are currently receiving benefits, or are currently or contingently entitled to receive benefits in the future, from the superannuation scheme.

**Borrowing Costs** (FRS-3) are interest and other costs incurred by an entity in connection with the borrowing of funds.

**Business combination** (SSAP-8) includes any transaction whereby one business unites with, obtains significant influence in, or obtains control over the assets of another business. Although the transaction may be achieved through various legal avenues, the result of the combination is the bringing together of separate businesses into one economic entity.

**Business segment** (FRS-9) is a distinguishable component of an entity, the activities of which represent a line of business significant to the entity as a whole and/or are directed to a particular class of customer significant to the entity as a whole.

### C

**Capacity** (FRS-37 and FRS-38) is an ability or power, whether direct or indirect, and includes an ability or power that is presently exercisable in accordance with a formal constitution, agreement, or practice, whether or not such ability or power is legally enforceable.

**Capital maintenance adjustments** (Statement of Concepts) are adjustments made under certain accounting models to the entity's capital to take account of the effects of price changes on the entity's assets and liabilities.

**Capitalisation** (FRS-3) is the process of including incurred costs in the carrying amount of an asset. **Capitalised** has a corresponding meaning.

**Carrying amount** (FRS-3 and FRS-38) is the amount at which an asset or liability is included in the statement of financial position.

**Carrying amount** (SSAP-8) of an asset or liability is the amount at which the item appears in an entity's records. It has the same meaning as the term "book value".

**Carrying amount** (FRS-32) of an asset or liability is the amount at which the item appears in a scheme's records. It has the same meaning as the term "book value."

**Cash** (FRS-10) means coins and notes, demand deposits and other highly liquid investments in which an entity invests as part of its day-to-day cash management. "Cash" includes borrowings from financial institutions such as bank overdrafts, where such borrowings are at call and are used as part of day-to-day cash management.

## GLOSSARY

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**Cash balances** (FRS-26) means balances which are held:

- (a) with a creditworthy bank which is unrelated to the debtor; and
- (b) by a trust (that qualifies in terms of paragraph 5.4) for meeting debt servicing requirements or the costs of administering the trust

for the minimum period practicable, usually not exceeding seven days, for the purpose of matching the maturities of the securities acquired with the debt servicing requirements and the costs of administering the trust.

**Cash flow** (FRS-10) means the movement of cash resulting from transactions with parties external to the entity reporting.

**Claim** (FRS-35) is a demand by any party external to the entity for payment by the insurer of a policy benefit on account of an alleged loss resulting from an event or events alleged to be covered by a policy of insurance.

**Class** (FRS-3) is a category of assets or liabilities that have a similar nature or function in the operations of the entity.

**Class of assets or liabilities** (FRS-32) is a category of assets or liabilities that have a similar nature or function in the operations of a superannuation scheme.

**Class of assets or liabilities** (FRS-33) is a category of assets or liabilities which has a similar nature or function in the operations of the reporting entity.

**Class of financial assets or liabilities** (FRS-31) is a category of financial assets or financial liabilities which have a similar nature or function in the operations of the reporting entity.

**Closing rate** (FRS-21) is the spot rate at the balance date of the entity reporting.

**Closing rate** (SSAP-21) is the exchange rate in effect for spot transactions at the balance date of the reporting entity.

**Combination of entities or operations** (FRS-36) is the grouping together of separate entities, or of operations of separate entities, into one reporting entity where the grouping is a consequence of either the acquisition of an ownership interest which establishes control over another entity or the acquisition of an operation.

**Commodity instrument** (FRS-33) is any contract that provides for settlement only by receipt or delivery of a physical asset.

**Completed contract method** (FRS-14) is a method of accounting by which the profit on a construction contract is recognised only when the contract is completed or substantially completed, subject always to the requirements of paragraph 5.17 of FRS-14 to recognise any loss as soon as it is foreseen.

**Consolidated entity** (FRS-37) is a reporting entity comprising a parent and each of its subsidiaries that are required to be consolidated in the consolidated financial statements.

## GLOSSARY

(C)

**Consolidated financial statements** (SSAP-8) are the financial statements of the group presented without regard to the legal boundaries of the separate entities comprising the group. The statements present the assets, liabilities, revenue and expenses of the investor and its subsidiaries and in-substance subsidiaries and also the share of results and net assets of associates.

**Consolidated financial statements** (FRS-36, FRS-37 and FRS-38) are the financial statements of the group presented without regard to the legal boundaries of the separate entities that are consolidated.

**Construction contract** (FRS-14) means a contract negotiated specifically 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. The term includes contracts for the rendering of services which are directly related to the construction of the asset(s).

**Construction contract costs** (FRS-14) means the total of:

- (a) costs that relate directly to the specific contract;
- (b) costs that are attributable to the entity's contract activity in general and can be allocated to the specific contract; and
- (c) other costs chargeable to the customer in terms of the contract.

For the purposes of this Standard, "construction contract costs" shall only include costs attributable to securing a contract when:

- (i) those costs are specifically identifiable; and
- (ii) the contract has been secured or there is reasonable certainty that the contract will be secured.

**Construction contract revenue** (FRS-14) means the net total of:

- (a) the initially agreed contract price; and
- (b) variations in contract work approved by the customer, other claims made by the contractor, and incentive payments.

The components in sub-paragraphs (a) and (b) are only to be included in "construction contract revenue" to the extent that:

- (i) it is probable that they will result in revenue; and
- (ii) they are capable of being reliably measured.

**Constructive obligation** (FRS-15) is 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.

## GLOSSARY

(C)

**Consumable stores and supplies** (FRS-4) are aids to manufacture or service, such as fuels and oil, which are absorbed in the production of goods and services for realisation and which do not become part of the finished product or service.

**Contingent asset** (FRS-15) is:

- (a) 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 entity; or
- (b) an asset that is not recognised because:
  - (i) it is not probable that the economic benefits embodied in the asset will eventuate; or
  - (ii) the asset possesses a cost or other value that cannot be measured reliably.

**Contingent liability** (FRS-15) is:

- (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 outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured reliably.

**Contingent rental** (SSAP-18) is a rental that is not fixed in amount but is based on a factor other than just the passage of time (for example, percentage of sales, amount of usage, price indices, market rates of interest).

**Contract** (FRS-31 and FRS-33) includes any agreement, commitment or obligation.

**Contributions by owners** (Statement of Concepts) means service potential or future economic benefits that have been contributed to the entity by parties external to the entity, other than those which result in liabilities of the entity, that establish a financial interest in the net assets of the entity which:

- (a) conveys entitlement both to distributions of service potential or future economic benefits by the entity during its life, such distributions being at the discretion of the ownership group or its representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
- (b) can be sold, transferred or redeemed.

**Control** (SSAP-8) means the power to govern the financial and operating policies of another entity for the purpose of obtaining the benefits and/or assuming the risks normally associated with ownership.

**Control** (SSAP-22) is the power to govern directly or indirectly the financial and operating policies of another party so as to obtain benefits from the activities of that party.

## GLOSSARY

(C)

**Control** (FRS-30) over an ESOP by an entity means the power to appoint or remove a majority of the trustees (or the equivalent of the trustees) of any employee share ownership plan or share ownership arrangement or any other scheme or arrangement whereby an entity is able to direct the decisions of the governing body of the ESOP.

**Control** (FRS-34) means the power to govern the financial and operating policies of another entity for the purpose of obtaining the benefits and/or assuming the risks normally associated with ownership.

**Control** (FRS-26 and FRS-37) by one entity over another entity exists in circumstances where the following parts (a) and (b) are both satisfied:

- (a) the first entity has the capacity to determine the financing and operating policies that guide the activities of the second entity, except in the following circumstances where such capacity is not required:
  - (i) where such policies have been irreversibly predetermined by the first entity or its agent; or
  - (ii) where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the second entity.
- (b) the first entity has an entitlement to a significant level of current or future ownership benefits, including the reduction of ownership losses, which arise from the activities of the second entity.

**Cost of acquisition** (FRS-36, FRS-37 and FRS-38) is the aggregate of the following amounts:

- (a) the value of consideration attributable to the acquisition plus any directly attributable costs; and
- (b) the fair value of the asset, group of assets, or net assets obtained as a result of the acquisition to the extent that they have been acquired through a donation or subsidy.

**Cost of conversion** (FRS-4) includes:

- (a) the cost of labour (including any charges directly incurred in connection with such labour) and of sub-contract work; and
- (b) other production costs.

**Cost of inventories** (FRS-4) is the total of:

- (a) cost of purchase;
- (b) cost of conversion; and
- (c) other costs incurred in bringing the inventories to their present location and condition.

## GLOSSARY

(C-D)

*Cost of purchase* (FRS-4) includes:

- (a) import duties and other purchase taxes (other than those subsequently recoverable);
- (b) transport and handling costs;
- (c) any other directly attributable costs of acquisition; and
- (d) deductions for immediate or deferred discounts (other than settlement discounts), rebates and subsidies received.

*Counterparty* (FRS-33) is any other party to a contract with the entity reporting.

*Credit exposure* (FRS-33) is the amount of the maximum loss that a party to a contract could incur as a result of the counterparty to that contract failing to discharge its obligations.

*Credit exposure to an individual counterparty or group of closely related counterparties* (FRS-33) is the amount of the maximum loss that could be incurred under all contracts with that counterparty or group of closely related counterparties in the event of those counterparties failing to discharge their obligations.

*Credit risk* (FRS-33) is the risk of loss arising from one party to a contract failing to discharge its obligations under that contract.

*Creditworthy bank* (FRS-26) means a deposit-taking institution rated by an internationally recognised credit rating agency as an investment grade risk.

*Creditworthy government* (FRS-26) means a government with a credit rating from an internationally recognised credit rating agency, no less than the rating afforded to the long-term foreign currency denominated debt securities of the New Zealand Government.

*Currency risk* (FRS-33) is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

*Current asset* (FRS-9) is an asset, or part of an asset, which is expected to be realised in cash or sold or consumed within one year after the date of the statement of financial position.

*Current liability* (FRS-9) is a liability, or part of a liability, which is expected to be settled or extinguished within one year after the date of the statement of financial position.

## D

*Date of acquisition* (SSAP-8) means the date on which the risks and rights to benefits, as would be conferred with ownership, pass to the acquiring entity. (The term “pre-acquisition” is to be read as deriving from this definition.)

## GLOSSARY

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**Debt servicing requirements** (FRS-26) means obligations for principal, interest, other related liabilities under the debt, and includes any related foreign exchange exposure.

**Defeasance** (FRS-26) means the release of a debtor from the primary obligation for a debt other than by repayment.

**Deferred tax** (SSAP-12) is income tax attributable to timing differences.

**Defined benefit superannuation schemes** (FRS-32) are superannuation schemes under which amounts to be paid as retirement benefits are determinable usually by reference to the member's salary level and/or years of service, and for which actuarial valuations are necessary. Defined benefit superannuation schemes encompass all schemes other than defined contribution superannuation schemes.

**Defined contribution superannuation schemes** (FRS-32) are superannuation schemes under which amounts to be paid as retirement benefits are determined by accumulated contributions to a scheme together with net investment earnings thereon.

**Deposit premium** (FRS-35) is the premium charged by the insurer at the inception of a policy under which the final premium depends on conditions prevailing over the policy period and so is not determined until the expiry of that period.

**Depreciable amount** (FRS-3) is the gross carrying amount of an asset less its residual value.

**Depreciable amount** (SSAP-3) is the historical cost (or revalued amount) of a depreciable asset in the financial statements, less the residual value.

**Depreciable asset** (SSAP-3) is an asset which –

- (a) is expected to be used during more than one accounting period, and
- (b) has a limited useful life, and
- (c) is held by an enterprise for use in the production or supply of goods and services, or for administrative purposes.

**Depreciated replacement cost** (FRS-3) is a method of valuation that is based on an estimate of:

- (a) in the case of property:
  - (i) the fair value of land; plus
  - (ii) the current gross replacement costs of improvements less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity;
- (b) in the case of plant and equipment, the current gross replacement cost less allowances for physical deterioration, and optimisation for obsolescence and relevant surplus capacity.

## GLOSSARY

(D)

**Depreciation** (FRS-3) is the measure of the consumption of the economic benefits embodied in an asset whether arising from use, the passing of time or obsolescence.

**Depreciation** (SSAP-3) is the wearing out, consumption or other loss of value of an asset whether arising from use, effluxion of time or obsolescence through technological and market changes. It is accounted for by the allocation of the depreciable amount of a depreciable asset over its useful life. (The term “amortisation” is sometimes used as an alternative term to depreciation.)

**Development** (FRS-13) is 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.

**Development margin** (SSAP-17) on a development property is the difference between (i) expected net current value on completion and expected cost in the case of investment property, or (ii) net sale price and expected cost in the case of property intended for sale.

**Development property** (SSAP-17) is either investment property or property intending for sale, depending on the intention of the reporting entity, which is both being developed and is identifiable as a separate project.

**Director** (FRS-9) includes any person occupying the position of a member (by whatever name called) of the governing body of the entity reporting.

**Director's remuneration** (FRS-9) means any consideration or benefit, whether monetary or non-monetary derived by a director:

- (a) in connection with directing the affairs of the entity, whether as director, executive officer or otherwise; and
- (b) by way of bonuses, commissions, salaries or employers' contributions to superannuation schemes; and
- (c) by way of brokerage or commission in consideration of:
  - (i) subscribing or agreeing to subscribe, whether absolutely or conditionally, for equity in or debt of the entity or any other entity in the group; or
  - (ii) procuring, or agreeing to procure, subscription for equity in or debt of the entity or any other entity in the group;

but does not include any amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity.

**Discontinued activities** (FRS-9) are the activities of a business segment that have been sold or terminated.

**Discount on acquisition** (FRS-36, FRS-37 and FRS-38) is the excess of the investor's share of the fair value of the recognised identifiable assets and liabilities over the cost of acquisition.

## GLOSSARY

(D-E)

**Distributions to owners** (Statement of Concepts) means service potential or future economic benefits distributed by the entity to all or part of its ownership group, either as a return on investment or as a return of investment.

**Dividend election plan** (FRS-20) is any plan under which shareholders are offered the choice of receiving dividends (whether interim or final) in cash, or in shares, or in a combination of cash and shares.

### E

**Embedded Value** (FRS-34) means the net present value of the shareholders' entitlements from existing assets and future cash flows from life insurance policies in force at the reporting date.

**Employee** (FRS-30) means any person who supplies services to the entity or related parties by way of an employee/employer relationship. Employee includes all officers of the entity and related parties and all executive or non-executive directors or their equivalents.

**Employee entitlements** (FRS-9) means liabilities of the entity for benefit entitlements which employees accumulate as a result of the rendering of their services to an employer up to the reporting date.

**Employee share ownership plan (ESOP) or share ownership arrangement** (FRS-30) means:

- (a) any scheme, formal or informal, by which an entity, through sponsorship, promotion, or commitment of its own resources or those of a related party, enables employee(s) to have an interest in or derive any benefit from shares (as defined in paragraph 4.7 of FRS-30) either directly or indirectly whether utilising a trust or some other entity structure; or
- (b) any arrangement, formal or informal, by which an entity controls or provides financial assistance to any other entity which has an interest in the first entity's shares.

This meaning does not include temporary arrangements for immediate transfer of majority ownership and control of an entity to employees ("management buy-outs").

**Entity** (SSAP-8 and FRS-34) means any legal, administrative or fiduciary arrangement, organisational structure or other party.

**Entity** (FRS-36 and FRS-37) includes any legal, administrative, or fiduciary arrangement, organisational structure, or other party.

**Entity reporting** (FRS-21) for the purposes of this Standard only, and when used in context that addresses the relationship between a foreign operation and the rest of the entity or group entity, shall be taken to mean the entity excluding the foreign operation.

## GLOSSARY

(E)

**Equity** (Statement of Concepts) is the residual interest in the assets of the entity after deduction of its liabilities.

**Equity** (FRS-33 and FRS-37) is the residual interest in the assets of the entity after deduction of its liabilities.

**Equity** (FRS-34) means the residual interest in the assets of the entity after deduction of its liabilities.

**Equity instrument** (FRS-31) is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**Equity instrument** (FRS-33) is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities, but does not include the following financial instruments:

- (a) investments in subsidiaries, in-substance subsidiaries and associates;
- (b) investments in partnerships and joint ventures.

**Equity method** (FRS-36, FRS-37 and FRS-38) is the method of accounting whereby an investment in an investee is initially recognised at cost and is adjusted thereafter for post-acquisition changes in the investor's share of the net assets of the investee, with:

- (a) the investor's share of the net surplus or deficit of the investee recognised in the investor's statement of financial performance; and
- (b) the investor's share of the total recognised revenues and expenses of the investee recognised in the investor's statement of movements in equity.

**Equity share capital** (SSAP-8) of a company is the issued share capital excluding any part thereof which, neither as respects dividends nor as respects capital, earns any right to participate beyond a specified amount in a distribution.

**Errors in prospective financial information** (FRS-29) occur where:

- (a) in the case of a forecast:
  - (i) an arithmetic error is made in the preparation of the forecast; or
  - (ii) an error is made in the process of deriving the assumptions underlying the forecast; or
  - (iii) one or more of the assumptions as to future events on which the forecast is based are subsequently deemed not to be reasonably expected.
- (b) in the case of a projection:
  - (i) an arithmetic error is made in the preparation of the projection; or
  - (ii) an error is made in the process of deriving the assumptions underlying the projection; or
  - (iii) one or more of the assumptions as to future courses of action on which the projection is based are subsequently deemed not to be realistic or deemed not to reflect possible courses of action.

## GLOSSARY

(E-F)

**Events after balance date** (FRS-5) are those events, both favourable and unfavourable, that occur between balance date and the date when the financial report is authorised for issue. Two types of events can be identified:

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

**Exchange difference** (FRS-21 and SSAP-21) is the difference resulting from translating the same number of units of foreign currency at differing exchange rates.

**Exchange rate** (FRS-21) is the ratio for exchange of two currencies.

**Exchange rate** (SSAP-21) is the ratio at which the currencies of two countries are exchanged at a particular time.

**Exempt company** (Framework for Differential Reporting) is a company in terms of section 2 of the Financial Reporting Act 1993. (The text of section 2 is at Appendix 2).

**Expenses** (Statement of Concepts) are consumptions or losses of service potential or future economic benefits in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period.

**Expenses** (FRS-34) means consumptions or losses of future economic benefits or service potential in the form of reductions in assets or increases in liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in equity during the reporting period.

**Extraordinary items** (FRS-7) are those items of revenue or expense which derive from events or transactions that:

- (a) are not expected to occur frequently, and
- (b) are distinct from the ordinary operations of the entity, and
- (c) are outside the control or influence of managers or owners.

## F

**Fair value** (FRS-3, FRS-31, FRS-33, FRS-36, FRS-37 and FRS-38) is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Fair value** (SSAP-8 and SSAP-18) is the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction.

## GLOSSARY

(F)

**Fair value** (FRS-30) is the amount for which an item could be exchanged between knowledgeable and willing parties in an arm's length transaction.

**Finance lease** (SSAP-18) is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title may or may not eventually be transferred. This definition of a finance lease includes contracts for the hire of assets which contain a provision transferring title to the asset upon the fulfilment of agreed conditions.

**Financial asset** (FRS-31 and FRS-33) is any asset that is:

- (i) cash;
- (ii) a contractual right to receive cash or another financial asset from another entity;
- (iii) a contractual right to exchange other financial instruments with another entity under conditions that are potentially favourable; or
- (iv) an equity instrument of another entity.

**Financial institution** (FRS-33) is any entity whose principal activity is to obtain funds with the objective of lending or investing in financial assets other than equity instruments, but excluding:

- (a) entities which are wholly funded and controlled by a related party or parties and which do not engage in activities that give rise to material unrecognised financial liabilities with counterparties which are not related parties; or
- (b) general insurers, life insurers, and superannuation schemes.

**Financial instrument** (FRS-31) is any contract that gives rise to both a (recognised or unrecognised) financial asset of one entity and a (recognised or unrecognised) financial liability or equity instrument of another entity.

**Financial instrument** (FRS-33) is any contract that gives rise to both a recognised or unrecognised financial asset of one entity and a recognised or unrecognised financial liability or equity instrument of another entity.

**Financial liability** (FRS-31 and FRS-33) is any liability that is a contractual obligation:

- (i) to deliver cash or another financial asset to another entity; or
- (ii) to exchange financial instruments with another entity under conditions that are potentially unfavourable.

**Financial measurement** (Statement of Concepts) is the process of determining the monetary amounts at which financial elements are to be recognised.

**Financial statements** (FRS-2) are the statements prepared by an entity to communicate information about its financial performance, financial position and cash flows.

## GLOSSARY

(F)

**Financial statements** (FRS-34) means the statements prepared by an entity to communicate information about its financial performance, financial position and cash flows.

**Financing activities** (FRS-10) are those activities relating to changes in equity and debt capital structure of the entity and those activities relating to the cost of servicing the entity's equity capital.

**Forecast** (FRS-29) means prospective financial information prepared on the basis of assumptions as to future events that the governing body reasonably expects to occur associated with the actions the governing body reasonably expects to take as at the date that the information is prepared (best-estimate assumptions).

**Foreign asset** (SSAP-21) is an asset usually permanently located in a foreign jurisdiction. The economic worth of such an asset is almost wholly determined by the economic environment of the foreign jurisdiction rather than the economic environment of the reporting entity.

**Foreign currency** (FRS-21) is a currency other than the reporting currency of the entity reporting.

**Foreign currency** (SSAP-21) is a currency other than the reporting currency of an entity.

**Foreign currency loan** (SSAP-21) is a loan repayable in a foreign currency, regardless of the currency, or form, in which the loan was received.

**Foreign currency monetary liability** (FRS-21) is a monetary liability denominated in a foreign currency, regardless of the form in which the liability originated.

**Foreign geographical segment** (SSAP-23) means a geographical segment, other than New Zealand, which serves a purpose beyond facilitating export sales from the reporting entity's domestic operations.

**Foreign operation** (FRS-21) is a subsidiary, in-substance subsidiary, associate, joint venture, branch or other form of operation, whose activities are based or conducted in, and whose financial report is prepared in, a foreign currency.

**Foreign operation** (SSAP-21) is a subsidiary, associate company, joint venture, branch or other form of operation, whose activities are based or conducted in a country other than that of the reporting entity. If the activities of a foreign operation are an integral part of those of the reporting entity, the operation is described as an integrated foreign operation; otherwise it is described as an independent foreign operation.

**Forward rate** (SSAP-21) is the exchange rate available by the terms of an agreement for the exchange of two currencies at a future date.

**Full financial reports** (FRS-39) are the annual general purpose financial reports of an entity that are required to comply with all the requirements under generally accepted accounting practice.

## GLOSSARY

(F-G)

**Fundamental error** (FRS-7) An error is considered to be fundamental where it is so significant that it destroys the fair presentation of the financial report taken as a whole.

**Future economic benefits** (FRS-3) is synonymous with the term *service potential*.

### G

**General provision** (FRS-33) is an amount that has been created to meet unidentified credit losses.

**General purpose financial reports** (Framework for Differential Reporting) are financial reports which are intended to provide information to meet the needs of those external users who are unable to require, or contract for, the preparation of special reports to meet their specific information needs.

**General purpose financial reports** (FRS-2 and FRS-39) are financial reports which are intended to provide information to meet the needs of external users who are unable to require, or contract for, the preparation of special reports to meet their specific information needs.

**General purpose financial reports** (FRS-32) are financial reports that are intended to provide information to meet the needs of external users who are unable to require, or contract for, the preparation of special reports to meet their specific information needs.

**General purpose financial reports** (FRS-34) means financial reports which are intended to provide information to meet the needs of external users who are unable to require the preparation of special reports to meet their specific information needs.

**Geographical segment** (SSAP-23) means a distinguishable component of a reporting entity engaged in operations in individual countries or groups of countries.

**Goodwill** (FRS-36, FRS-37 and FRS-38) is the excess of the cost of acquisition over the investor's share of the fair value of the recognised identifiable assets and liabilities.

**Governing body** (Framework for Differential Reporting) means the body responsible for the financial, investing or operating policies of an entity; for example, the board of directors of a company, or its equivalent in other entities, in both the private and public sectors.

**Gross carrying amount** (FRS-3) of an item of property, plant and equipment is the amount at which the item is included in the financial statements before deducting accumulated depreciation and accumulated impairment losses.

**Gross investment in the lease** (SSAP-18) is the aggregate of the remaining minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor.

## GLOSSARY

(G-I)

**Group** (SSAP-8 and SSAP-17) comprises the investor, subsidiaries, in-substance subsidiaries and associates.

**Group** (FRS-34) means an entity reporting that comprises an investor and each of its subsidiaries.

**Group** (FRS-36, FRS-37 and FRS-38) is an entity that comprises an investor and all of its subsidiaries.

**Group of closely related counterparties** (FRS-33) is a group of legal or natural persons, one or more of which is a counterparty, who are related in such a way that:

- (a) the financial soundness of any one of them may materially affect the financial soundness of the other(s); or
- (b) one has the power to control the other(s); or
- (c) one has the capacity to exercise significant influence over the other(s).

**Guaranteed residual value** (SSAP-18) is the value of the leased asset guaranteed to the lessor on expiry of the lease term.

### I

**Identifiable assets and liabilities** (FRS-36) consist of:

- (a) the individual assets and liabilities that correspond to the acquisition, that are capable of being disposed of, or settled, individually; and
- (b) planned amounts for terminating or reducing activities required to be recognised as a provision under paragraph 5.11.

**Identifiable assets and liabilities** (FRS-37 and FRS-38) consist of:

- (a) the individual assets and liabilities that correspond to the acquisition, that are capable of being disposed of, or settled, individually; and
- (b) planned amounts for terminating or reducing activities required to be recognised as a provision under paragraph 5.11 of FRS-36: *Accounting for Acquisitions Resulting in Combinations of Entities or Operations*.

**Impaired asset** (FRS-33) is a non-accrual asset, a restructured asset, a real estate asset acquired through the enforcement of security, or an other asset acquired through the enforcement of security.

**Impairment loss** (FRS-3) is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**Improvements** (SSAP-28) are enhancements of the service potential of a fixed asset.

**Imputation credits** (SSAP-12) are credits attached to the gross amount of dividends. Examples include New Zealand imputation credits and Foreign Dividend Withholding Payments (section 349ZM of the Income Tax Act 1976).

## GLOSSARY

(l)

***Inception of the lease*** (SSAP-18) is the earlier of the date of the lease agreement or of commitment by the parties to the principal provisions of the lease.

***Income tax*** (SSAP-12) includes all taxes levied on or in respect of assessable income. It also includes New Zealand Foreign Dividend Withholding Payments but excludes Goods and Services Tax, “Use of Money” charges (tax financing charges) and similar taxes.

***Income tax expense (benefit)*** (SSAP-12) for the period is the amount of income tax charged or credited (at current rates of tax), in the profit and loss or operating statement.

***Income tax loss*** (SSAP-12) is the amount which may be carried forward to a subsequent period or periods for income tax purposes and applied against future assessable income, thus reducing the income tax payable in respect of that period or periods.

***Industry segment*** (SSAP-23) means a distinguishable component of a reporting entity, where such component is engaged in providing product(s) and/or service(s) primarily to customers outside the reporting entity.

***Inputs*** (Statement of Concepts) are the resources used to produce the goods and services which are the outputs of the reporting entity.

***In-substance defeasance*** (FRS-26) means a defeasance other than a “legal defeasance” in which the debtor effectively and irrevocably achieves release from the primary obligation for a debt, by either:

- (a) having a risk-free entity assume the debt; or
  - (b) by employment of a trust
- in accordance with paragraphs 5.3 and 5.4 respectively.

***In-substance subsidiary*** (SSAP-8) means an entity (other than a subsidiary) which is controlled by another entity.

***Insurance contract*** (FRS-35) is a contract under which one party (the insurer) agrees with another party (the policyholder) to make payment if a specified uncertain future event occurs.

***Inter-entity*** (FRS-9) refers to balances between:

- (a) a parent company and its subsidiaries or in-substance subsidiaries;
- (b) a subsidiary or in-substance subsidiary and other subsidiaries or in-substance subsidiaries in the group;
- (c) non-company entities with arrangements similar to (a) or (b).

***Interest rate implicit in the lease*** (SSAP-18) is the discount rate that, at the inception of the lease, causes the aggregate present value of -

- (a) the minimum lease payments, from the standpoint of the lessor, and
- (b) the unguaranteed residual value

to be equal to the fair value of the leased asset.

## GLOSSARY

(l)

**Interest rate risk** (FRS-33) is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

**Interim financial report** (FRS-24) means a general purpose financial report which covers a period within an annual reporting period other than the annual reporting period.

**Interim financial statements** (FRS-24) means statements included in an interim financial report that are prepared to communicate information about the interim financial performance, interim financial position and interim cash flows of the entity reporting.

**Intra-group reconstruction** (FRS-36) in relation to an entity reporting, is:

- (a) a transfer of ownership interest in an entity or transfer of an operation, where:
  - (i) the transfer occurs wholly within the entity reporting; and
  - (ii) the transfer does not result in a change in either:
    - the ultimate ownership of the entity or operation that is being transferred; or
    - the relative interests in the ownership of the entity reporting.
- (b) a transfer of ownership interest in an entity or transfer of an operation, where:
  - (i) the transfer does not occur wholly within the entity reporting but occurs wholly within an ultimate group which includes the entity reporting; and
  - (ii) the transfer does not result in a change in the net assets that are under the direct or indirect control of the entity reporting; and
  - (iii) the transfer does not result in a change in any of:
    - the ultimate ownership of the entity or operation that is being transferred;
    - the relative interests in the ownership of the entity reporting;
    - the relative interests in the ownership of the ultimate group which includes the entity reporting.
- (c) the complete replacement of the entity reporting or of a parent within the entity reporting, with a newly formed entity, or the interposing between a parent and its shareholder(s) or between a parent and its subsidiary, of a newly formed entity, in circumstances where there is no change in either:
  - the relative interests in the ownership of the entity reporting; or
  - the relative interests in the ownership of the ultimate group which includes the entity reporting.

## GLOSSARY

(I-J)

**Inventories** (FRS-4) are assets which are:

- (a) held for realisation in the ordinary course of business; or
- (b) in the process of production for realisation in the ordinary course of business; or
- (c) to be absorbed into goods and services for realisation in the ordinary course of business.

“Inventories” includes consumable stores and supplies but does not include depreciable assets as defined in SSAP-3: *Accounting for Depreciation*.

**Investee** (FRS-36, FRS-37 and FRS-38) is an entity in which an investor has an ownership interest.

**Investing activities** (FRS-10) are those activities relating to the acquisition and disposal of current and non-current securities and advances (other than securities and advances included within cash) and any other non-current assets.

**Investment** (FRS-34 and FRS-35) means an asset held by the entity for the accretion of wealth by way of revenues such as interest, royalties, dividends, rentals and capital appreciation, but do(es) not include operating assets.

**Investments integral to the entity’s insurance activities** (FRS-35) are investments controlled by the entity in the conduct of its insurance activities.

**Investment-linked business** (FRS-34) means business for which the life insurer issues a contract where the benefit amount is directly linked to the market value of the investments held in the particular investment-linked fund.

**Investment property** (SSAP-17) is property which is held, or development property intended to be held, primarily for capital growth or rental or similar income.

**Investment security** (FRS-33) is a security which a financial institution intends to hold for the long term or to maturity.

**Investor** (FRS-36, FRS-37 and FRS-38) is an entity that has an ownership interest in the equity of another entity or that has acquired an operation.

## J

**Joint venture** (SSAP-25) is that form of joint arrangement in which there is a contractual association, other than a partnership, between two or more parties to undertake a specific business project in which the venturers have several liability in respect of the costs and liabilities of the project and share any resulting output.

**Joint venture** (FRS-38) is that form of arrangement in which there is a contractual association, other than a partnership, between two or more parties to undertake a specific business project in which the venturers have several liability in respect of the costs and liabilities of the project and share any resulting output.

## GLOSSARY

(L)

### L

**Lease** (SSAP-18) is an agreement whereby the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time.

**Lease term** (SSAP-18) is 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, when, at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

**Legal defeasance** (FRS-26) means a defeasance in which the release of the debtor from the primary obligation for a debt is either:

- (a) acknowledged formally by:
  - (i) the creditor; or
  - (ii) a duly appointed trustee or agent of the creditor; or
- (b) established by legal judgment.

**Legal obligation** (FRS-15) is an obligation that derives from:

- (a) a contract (through its explicit or implicit terms);
- (b) legislation; or
- (c) other operation of law.

**Lessee's incremental borrowing rate of interest** (SSAP-18) is the rate of interest the lessee would incur to borrow the funds necessary to purchase the asset over a similar term and with a similar security.

**Liabilities** (Statement of Concepts) are the future sacrifices of service potential or of future economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events.

**Liabilities** (FRS-34) means future sacrifices of economic benefits or service potential that the entity is presently obliged to make to other entities as a result of past transactions or other past events.

**Life fund** (FRS-34) means a Life Insurance Fund under the *Life Insurance Act 1908*.

**Life insurance business** (FRS-34) means all business conducted by a life insurer.

**Life insurer** (FRS-34) means an entity operating under the *Life Insurance Act 1908* and similar entities operating outside New Zealand.

**Long-tail business** (FRS-35) is insurance business under which claims are typically not settled within one year of the occurrence of the events giving rise to those claims.

**Long-term items** (SSAP-21) are those assets and liabilities not expected to be realised or settled within one year from balance date.

## GLOSSARY

(L-M)

**Loans to directors** (FRS-9) includes loans to, or guarantees given by the entity for debts incurred by, or other direct or indirect financial assistance given by the entity to or for the benefit of:

- (a) a director of the entity, a spouse of such a director, or any dependants of the director whether or not related to the director; or
- (b) a director of any other entity in the group, a spouse of such a director, or any dependants of the director whether or not related to the director; or
- (c) a trustee of a trust under which a person referred to in paragraph (a) or (b) has a direct or indirect beneficial interest, if the loan is made to, or guarantee or other financial assistance is given on behalf of or to, the trustee in their capacity as trustee; or
- (d) an entity, if a person referred to in paragraph (a) or (b) has a direct or indirect beneficial interest in not less than 10 percent of the entity.

**Loss on a construction contract** (FRS-14) means the loss that will arise when the contract is completed and is the difference between construction contract revenue and construction contract costs when construction contract costs exceed construction contract revenue.

## M

**Market value accounting** (FRS-38) is the method of accounting whereby an investment is recognised in the investor's statement of financial position at net market value and changes in net market value are recognised as revenues or expenses in the period in which the changes occur.

**Market value of shares** (FRS-30) means, for entities listed on a stock exchange, the quoted price of shares on the stock exchange; for unlisted entities, it means the fair value of shares.

**Material** (SSAP-6) - A statement, fact, or item is material if, given full consideration of the surrounding circumstances at the time of completion of the financial statements, it is of such a nature that its disclosure, or the method of treating it, would be likely to influence the making of decisions by the users of the financial statements

**Maximum loss** (FRS-33) in relation to paragraphs 4.7 and 4.9 [FRS-33], is the loss to which a party is exposed without taking into account the value of collateral, guarantees, indemnities, other support arrangements, and any potential recoveries. However, a financial asset may be offset against the amount of the maximum loss if the criteria for offsetting monetary items, specified in FRS-27: *Right of Set-off*, are met.

**Measurement date** (FRS-32) of accrued benefits of a defined benefit superannuation scheme is the date at which the actuarial valuation of accrued benefits is determined.

## GLOSSARY

(M)

**Measurement period** (FRS-32) of accrued benefits is the time between two measurement dates.

**Members** (FRS-32) are those persons in respect of whom contributions are, have been or will be, made under the terms of a superannuation scheme, and who, as a consequence, expect to receive benefits from the scheme.

**Minimum lease payments** (SSAP-18) are the payments that the lessee can be required to make over the lease term (excluding insurance, maintenance and similar costs incurred by the lessor and rechargeable to the lessee) together with any residual value guaranteed by or on behalf of the lessee. The lessee may have 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, such that at the inception of the lease it is reasonably certain that the option will be exercised. In this circumstance the minimum lease payments comprise the minimum rentals payable over the lease term plus the payment required to exercise this purchase option.

**Minority interest** (SSAP-8) is that part of the profits and net assets of a subsidiary or in-substance subsidiary attributable to shares (or their equivalent) directly, indirectly or beneficially owned by entities other than the investor.

**Minority interest** (FRS-36 and FRS-37) is the equity of a subsidiary other than that corresponding to the ownership interest of the investor.

**Monetary assets** (FRS-27) are items held or to be received in money where the amounts to be received are fixed. "Monetary assets" include:

- cash
- bank balances
- accounts receivable
- bills receivable
- term deposits.

"Monetary assets" may include such assets denominated in foreign currency.

**Monetary items** (FRS-21) is money held and items to be received or paid in fixed or determinable amounts of money. All other assets and liabilities are non-monetary items.

**Monetary items** (SSAP-21) are money held and items to be received or paid in money. All other assets and liabilities are non-monetary items.

## GLOSSARY

(M-N)

**Monetary liabilities** (FRS-27) are items to be paid in money where the amounts to be paid are fixed. “Monetary liabilities” include:

- bank overdrafts
- accounts payable
- bills payable
- term loans.

“Monetary liabilities” may include such liabilities denominated in foreign currency.

## N

**Net cash investment** (SSAP-18) is the balance of the cash outflows and inflows in respect of the lease excluding flows relating to insurance, maintenance and similar costs incurred by the lessor and rechargeable to the lessee. The cash outflows include payments made to acquire the asset, interest and principal on third party financing and tax payments relative to the lease. Inflows include rental receipts, receipts from residual values, and any other receipts arising from the lease.

**Net claims incurred** (FRS-35) are direct claims costs, net of reinsurance and other recoveries, and indirect claims settlement costs, all determined on a discounted basis.

**Net current value** (SSAP-17) is the open market value, less the costs of disposal that could reasonably be anticipated. Open market value is the price for which a property might reasonably be expected to be sold at the operative date.

**Net investment in a foreign operation** (FRS-21) is the entity reporting’s share in the reported net assets of the foreign operation together with any long-term, intra-group balances that are in effect equity related to the acquisition or financing of that operation.

**Net investment in a foreign operation** (SSAP-21) is the reporting entity’s equity share in the net assets of that operation.

**Net investment in the lease** (SSAP-18) is the gross investment in the lease less unearned finance income.

**Net market value** (FRS-3) is the fair value at a particular date less the costs of disposal that could reasonably be anticipated at that date.

**Net market value** (FRS-32 and FRS-35) is the price for which an asset might reasonably be expected to be sold at a particular date in an orderly market, less the costs of disposal that could reasonably be anticipated at that date.

**Net market value** (FRS-34) means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

## GLOSSARY

(N-O)

**Net market value** (FRS-38) is the fair value at a particular date less the costs of disposal that could reasonably be anticipated at that date.

**Net realisable value** (FRS-4) is the estimated selling price in the ordinary course of business less costs of completion and less costs necessarily to be incurred in order to make the sale.

**Net surplus (deficit)** (FRS-2 and FRS-24) is the sum of an entity's operating surplus (deficit) and extraordinary items.

**Non-accrual asset** (FRS-33) is any asset for which the financial institution will not be able to collect all amounts owing in accordance with the terms of the contract with the counterparty.

**Non-cancellable lease** (SSAP-18) is a lease that may be cancelled only -

- (a) upon the concurrence of some remote contingency; or
- (b) with the permission of the lessor; or
- (c) if the lessee enters into a new lease for the same or any equivalent asset with the same lessor; or
- (d) upon payment of the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain.

**Non-current assets** (FRS-9) are those assets which are not included in the definition of "current asset".

**Non-current liabilities** (FRS-9) are those liabilities which are not included in the definition of "current liability".

**Non-financial statements** (FRS-2) are the statements prepared by an entity to communicate information about its non-financial performance.

**Non-investment-linked business** (FRS-34) means life insurance business other than investment-linked business.

**Non-participating business** (FRS-34) means life insurance business that consists of the provision of non-participating benefits under life insurance policies.

### O

**Obligating event** (FRS-15) is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

**Onerous contract** (FRS-15) is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## GLOSSARY

(O)

**Operating activities** (FRS-10) include all transactions and other events that are not investing or financing activities. Transactions relating to operating transactions and other events include:

- interest received and dividends received;
- interest paid other than interest capitalised;
- dividends and interest paid on capital shown as a liability in the statement of financial position.

**Operating expense** (FRS-9) means the amount of expense entering into the determination of operating surplus (or deficit).

**Operating lease** (SSAP-18) is a lease other than a finance lease.

**Operating revenue** (FRS-9) means the amount of revenue entering into the determination of operating surplus (or deficit).

**Operating surplus (deficit)** (FRS-2, FRS-9, and FRS-24) is a measure of financial performance resulting from transactions and other events during a period, excluding:

- (a) changes in equity resulting from the effect of extraordinary items;
- (b) changes in reserves recognised in the statement of movements in equity;
- (c) currency translation differences permitted to be recognised in the statement of movements in equity; and
- (d) distributions to and contributions by owners.

**Operation** (FRS-36) is a group of assets, and liabilities if any, which have been previously managed in combination in the conduct of an activity involving a supply of goods or services for internal or external purposes.

**Other asset acquired through the enforcement of security** (FRS-33) is any asset acquired through the enforcement of security, other than a “real estate asset acquired through the enforcement of security”.

**Other security** (FRS-33) is a security which a financial institution does not intend to hold for the long term or to maturity.

**Outcomes** (Statement of Concepts) are the impacts on, or consequences for, the community resulting from the existence and operations of the reporting entity.

**Outputs** (Statement of Concepts) are the goods and services produced by the reporting entity.

**Owner** (Framework for Differential Reporting) is a party which has:

- (a) an equitable or beneficial interest in the residual value of an entity’s assets;  
or
- (b) the right to participate in the election or appointment of an entity’s governing body.

## GLOSSARY

(O-P)

**Ownership interest** (FRS-36, FRS-37 and FRS-38) is the percentage of the equity of an investee attributable to an investor, whether the equity is attributable to the investor directly, or indirectly through its subsidiaries.

### P

**Parent** (FRS-37) is an entity that controls one or more other entities.

**Participant** (SSAP-25) is a party to or investor in a joint venture (venturer) or partnership (partner).

**Participating business** (FRS-34) means life insurance business that consists of the provision of participating benefits under life insurance policies.

**Parties** (FRS-27) means accounting entities. The term is not restricted to legal entities but includes partnerships and consolidated corporate entities.

**Partnership** (SSAP-25) is the relationship which subsists between persons carrying on a business in common with a view to profit. An essential characteristic of a partnership is that each partner has a joint and several obligation for the costs and liabilities of the partnership.

**Past-due asset** (FRS-33) is any asset which has not been operated by the counterparty within its key terms for at least 90 days and which is not an impaired asset.

**Percentage of completion method** (FRS-14) means recognition of a proportion of profit on a construction contract by reference to the stage of completion of the contract.

**Permanent differences** (SSAP-12) are differences between the accounting results and assessable income for a period that originate in the current period and do not reverse in subsequent periods.

**Premium** (FRS-35) is the amount charged in relation to accepting risk from the insured, but does not include amounts collected on behalf of third parties.

**Primary obligation** (FRS-26) for a liability comprises the debt servicing requirements and associated fees contracted for between debtor and creditor parties or agencies thereof.

**Profit on a construction contract** (FRS-14) means the profit that will arise when the contract is completed and is the difference between construction contract revenue and construction contract costs when construction contract revenue exceeds construction contract costs.

**Projection** (FRS-29) means prospective financial information prepared on the basis of one or more hypothetical but realistic assumptions, (or “what-if” scenarios), that reflect possible courses of action for the reporting periods concerned as at the date that the information is prepared.

## GLOSSARY

(P-Q-R)

**Property** (SSAP-17) is an interest in land or buildings in which the reporting entity, or any of the members of a group, singly or in combination, does not occupy or intend to occupy more than 20 percent of the area of the land or buildings.

**Property intended for sale** (SSAP-17) is all property, other than investment property, held within the intention of realisation in the ordinary course of business.

**Property, plant and equipment** (FRS-3) are tangible assets that:

- (a) are held by an entity for use in the production or supply of goods and services, for rental to others or for administrative purposes, and may include items held for the maintenance or repair of such assets; and
- (b) have been acquired or constructed with the intention of being used on a continuing basis.

**Prospective financial information** (FRS-29) means information about future financial performance, future financial position, future cash flows, and future movements in equity based on assumptions about future events and courses of action. Prospective financial information includes prospective financial statements, the notes to the prospective financial statements, and any narrative relating directly to the prospective financial statements.

**Provision** (FRS-15) is a liability of uncertain timing or amount.

## Q

**Qualifying entities** (Framework for Differential Reporting) are entities which meet the requirements of the *Framework for Differential Reporting*, to qualify for differential reporting exemptions in financial reporting standards.

**Qualifying entity** (FRS-1) means an entity which qualifies for differential reporting exemptions in terms of the *Framework for Differential Reporting*.

## R

**Real estate asset acquired through the enforcement of security** (FRS-33) is a land or building asset acquired through the enforcement of security.

**Recognised** (FRS-34) means reported on, or incorporated in amounts reported on, the face of the statement of financial performance or of the statement of financial position (whether or not further disclosure of the item is made in notes).

**Recoverable amount** (FRS-3 and FRS-38) is the greater of:

- (a) net market value; and
- (b) value-in-use.

**Recoverable amount** (SSAP-3) is the greater of the amount recoverable from an asset's further use and ultimate disposal, and its current net realisable value.

## GLOSSARY

(R)

**Related party** (SSAP-22, FRS-30, FRS-32) – parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making operating, investing and financing decisions to the extent that one of the parties might be prevented from fully pursuing its own separate interests. Parties are also considered to be related when they are subject to common outside control or significant influence. In considering each possible related party relationship, attention should be directed to the substance of the relationship and not merely to the legal form.

**Related party transaction** (SSAP-22) is a transfer of resources or obligations between related parties, regardless of whether a price is charged.

**Reportable segment** (SSAP-23) means a segment for which financial information is significant to an understanding of the financial statements.

**Reporting currency** (FRS-21) is the currency used in presenting the financial report.

**Reporting currency** (SSAP-21) is the currency used in presenting financial statements.

**Reporting date** (FRS-34) means the end of the reporting period to which the financial report relates.

**Research** (FRS-13) is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

**Research and development costs** (FRS-13) shall comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities.

**Residual value** (FRS-3) is the net amount that the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal, to the extent that such costs have not been capitalised as part of the cost of the asset.

**Residual value** (SSAP-3) is the estimated realisable value (less costs of disposal) of a depreciable asset at the end of its useful life. Residual value is estimated at the date of acquisition, and may be re-estimated at any later time, when, as a result of experience or changed circumstances, it is considered that the original estimate of residual value requires revision.

**Restructured asset** (FRS-33) is any asset which is not a non-accrual asset and for which:

- (a) the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms; and
- (b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and
- (c) the yield on the asset following restructuring is equal to, or greater than, the institution's average cost of funds, or that a loss is not otherwise expected to be incurred.

## GLOSSARY

(R)

**Restructuring** (FRS-15) is all 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** (FRS-3) means recognition in the financial statements of an upwards or downwards valuation of an asset at a particular date subsequent to its acquisition or construction.

**Revaluation deficit** (FRS-3) is the net decrement that arises, in respect of a class of assets, when the accumulated sum of all revaluation decrements recognised in the financial statements exceeds the accumulated sum of all revaluation increments recognised in the financial statements. The accumulated sum of revaluation decrements excludes revaluation decrements that have been previously recognised in the statement of financial performance to the extent that those decrements have not been offset by revaluation increments that have been subsequently recognised in the statement of financial performance.

**Revaluation surplus** (FRS-3) is the net increment that arises, in respect of a class of assets, when the accumulated sum of all revaluation increments recognised in the financial statements exceeds the accumulated sum of all revaluation decrements recognised in the financial statements.

**Revenues** (FRS-34) means inflows or other enhancements, or savings in outflows, of future economic benefits or service potential in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period.

**Revenues** (Statement of Concepts) are inflows or other enhancements, or savings in outflows, of service potential or future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the reporting period.

**Right of set-off** (FRS-27) means that right which exists when:

- (i) parties to an agreement owe each other fixed amounts of money; and
- (ii) the parties acknowledge (in writing or through common practice) the right to set off amounts owed to and owing from other parties to the agreement; and
- (iii) the entity intends to set off; and
- (iv) the right to set off is enforceable at law.

**Risk-free assets** (FRS-26) means monetary assets held in risk-free securities and cash balances.

**Risk-free entity** (FRS-26) means a creditworthy government or a body guaranteed by a creditworthy government.

## GLOSSARY

(R-S)

**Risk-free securities** (FRS-26) means the securities of a creditworthy government or securities guaranteed by a creditworthy government.

### S

**Secondary obligations** (FRS-26) for a liability comprise undertakings that support the performance of a debtor under specific primary obligations.

**Segment assets** (SSAP-23) means all assets used exclusively by a segment and that portion of assets used jointly by two or more segments that can be allocated to individual segments on a reasonable basis.

**Segment expense** (SSAP-23) means an operating expense that is directly attributable to a segment, or the relevant portion of an operating expense that can be allocated on a reasonable basis to a segment for whose benefit the expense was incurred.

**Segment result** (SSAP-23) means the difference between segment revenue and segment expenses.

**Segment revenue** (SSAP-23) means operating revenue that is directly attributable to a segment; including revenue from sales to customers outside the reporting entity, and from intersegment sales and transfers of products and services, other than intersegment billings for the cost of shared facilities or other jointly incurred costs.

**Set-off** (FRS-27) is the presentation of the reduction of an asset by a liability or of a liability by an asset so that the net amount only is disclosed.

**Settlement date** (FRS-21 and SSAP-21) is the date at which a receivable is collected or a payable is paid.

**Shares** (FRS-30) are any shares, rights to shares, potential rights to shares or their equivalent in an entity with an ESOP or in the entity's parent or subsidiary or in-substance subsidiary or associate entity or related party.

**Short-tail business** (FRS-35) is insurance business under which claims are typically settled within one year of the occurrence of the events giving rise to those claims.

**Significant influence** (SSAP-8) means the capacity of an investor to influence the financial and operating policies of an investee. (Note: The implications of this concept are explained in paragraphs 4.9 to 4.15 of SSAP-8.)

**Significant influence** (SSAP-22) means the capacity of one party to influence the financial and operating policies of another party.

**Significant influence** (FRS-37 and FRS-38) is the capacity of one entity to affect substantially, but not unilaterally determine, either or both the financial and operating policies of another entity.

## GLOSSARY

(S)

**Special purpose financial reports** (Framework for Differential Reporting) are financial reports tailored to meet the specific information needs of a particular user.

**Specific provision** (FRS-33) is an amount which has been created against identified credit losses or in respect of an identified deterioration in the value of any asset or class of asset attributable to an increase in credit risk.

**Sponsor** (FRS-32:) In an employer superannuation scheme, the sponsor is the employer. In any other superannuation scheme, the sponsor is the association, committee, or other parties (including employers) who administer and/or fund the superannuation scheme.

**Spot rate** (FRS-21 and SSAP-21) is the exchange rate for immediate delivery of currencies to be exchanged.

**Spouse** (FRS-9) in relation to a person includes a person with whom that person has a relationship in the nature of marriage.

**Strike price** (FRS-20) is the share price specified in a dividend election plan to establish equivalence between the alternatives of dividends in cash or dividends in shares.

**Subsidiary** (SSAP-8) – a company shall be deemed to be a subsidiary of another company if the company is defined as a subsidiary of another in terms of s.158 of the *Companies Act 1955*, that is:

- (a) that other company either:
  - (i) is a member of it and controls (via ownership) the composition of its board of directors; or
  - (ii) holds more than half in nominal value of its equity share capital; or
- (b) the first mentioned company is a subsidiary of any company which is that other's subsidiary.

**Subsidiary** (FRS-34) means an entity (not being a joint venture entered into by the investor) that is controlled by the investor.

**Subsidiary** (FRS-36, FRS-37 and FRS-38) is an entity that is controlled by another entity.

**Subvention payment** (SSAP-12) is an amount paid by one company to another within the same taxation group, as referred to in section 191 of the *Income Tax Act 1976*.

**Summary financial reports** (FRS-39) are financial reports covering an annual reporting period that:

- (a) are prepared for the users of a general purpose financial report of an entity; and
- (b) present a précis of the information contained in the full financial report for the same period.

## GLOSSARY

(S-T)

***Superannuation (pension or retirement) schemes*** (FRS-32) are arrangements between trustees, sponsors, employers, employees, self-employed persons or other participants, that primarily provide retirement benefits as a consequence of membership (either in the form of an annual income or as a lump sum) when such benefits can be determined or estimated in advance of termination of membership from the provisions of documents or from the sponsors' practices.

### T

***Time of completion*** (FRS-5) of a financial report is the date when the financial report is approved by the governing body of the entity reporting or is otherwise authorised for issue.

***Timing differences*** (SSAP-12) are differences between the accounting results and assessable income for a period that originate in one period and reverse in one or more subsequent periods.

***Total assets*** (Framework for Differential Reporting) is the value of all assets (including intangible assets) reported in the entity's statement of financial position at the end of the current reporting period.

***Total employees*** (Framework for Differential Reporting) comprise the number of full-time equivalent persons in the paid employment of the entity, calculated on an annual basis.

***Total revenue*** (Framework for Differential Reporting) comprises the annualised gross operating revenue based on the amount reported in the entity's statement of financial performance for the current reporting period. Total revenue includes, but is not limited to, sales, fee income, grants, output appropriations, cost recoveries, donations, dividends, interest, and subscriptions.

***Transaction date*** (FRS-21) is the date at which a transaction is recognised in the accounting records of the entity reporting, in conformity with generally accepted accounting practice.

***Transaction date*** (SSAP-21) is the date at which a transaction is recorded in the accounting records of the reporting entity in conformance with generally accepted accounting principles.

***Translation*** (FRS-21 and SSAP-21) is the process by which financial data measured 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.

## GLOSSARY

(U-V-W)

### U

**Unearned finance income** (SSAP-18) is the difference between the lessor's gross investment in the lease and its present value.

**Unguaranteed residual value** (SSAP-18) is that portion of the value of the leased asset (estimated at the inception of the lease), the realisation of which by the lessor, at the expiry of the lease term, is not assured, or is guaranteed only by a party related to the lessor.

**Useful life** (FRS-3) is either –

- (a) the period of time over which the future economic benefits embodied in an asset are expected to be consumed by the entity; or
- (b) the total service, expressed in terms of production or similar units, expected to be obtained from an asset by the entity.

**Useful life** (SSAP-3) is either –

- (a) the period over which a depreciable asset is expected to be used by the enterprise; or
- (b) the number of production or similar units expected to be obtained from the asset by the enterprise.

**Useful life** (SSAP-18) is either –

- (a) the period over which a depreciable asset is expected to be used; or
- (b) the number of production or similar units expected to be obtained from the asset.

### V

**Value-in-use** (FRS-3 and FRS-38) is the present value of the net future cash flows obtainable from an asset's continuing use and ultimate disposal.

**Vested benefits** (FRS-32) are benefits payable to members or beneficiaries, under the conditions of a superannuation scheme, on the basis of all members ceasing to be members of the scheme at a particular date.

### W

**Withholding taxes** (SSAP-12) are deductions from the gross amount of income. Examples include New Zealand's resident withholding taxes on interest, dividends and other income (PAYE) and foreign non-resident withholding taxes. New Zealand's Foreign Dividend Withholding Payments is not a withholding tax.