



# MEMBERS' HANDBOOK

## Update No. 50

(Issued March 2008)

<i>Document Reference and Title</i>	<i>Instructions</i>	<i>Explanations</i>
<b>VOLUME II</b>		
<a href="#">Contents of Volume II</a>	Discard the existing pages i and iv and replace with new pages i and iv.	Revised contents pages
<a href="#">Glossary of Terms Relating to Hong Kong Financial Reporting Standards</a>	Insert pages 1 to 55 after HK(SIC)-Int 32 <i>Intangible Assets – Web Site Costs</i>	New Glossary

Notes: Glossary of Terms Relating to Hong Kong Financial Reporting Standards is adopted from the Glossary of Terms as set out in International Financial Reporting Standards issued by the International Accounting Standards Board.



## MEMBERS' HANDBOOK CONTENTS OF VOLUME II

(Updated to March 2008)

		<i>Issue/(Review date)</i>
<b>PREFACE AND FRAMEWORK</b>		
PREFACE	<a href="#">Preface to Hong Kong Financial Reporting Standards .....</a>	10/06(12/07)
FRAMEWORK	<a href="#">Framework for the Preparation and Presentation of Financial Statements ..</a>	9/04(12/07)
<b>HONG KONG ACCOUNTING STANDARDS (HKAS)</b>		
HKAS 1	<a href="#">Presentation of Financial Statements .....</a>	11/05(12/07)
HKAS 1 Revised	<a href="#">Presentation of Financial Statements .....</a>	12/07 (12/07)
HKAS 2	<a href="#">Inventories .....</a>	3/04(12/07)
HKAS 7	<a href="#">Cash Flow Statements .....</a>	12/04(12/07)
HKAS 8	<a href="#">Accounting Policies, Changes in Accounting Estimates and Errors .....</a>	9/04(12/07)
HKAS 10	<a href="#">Events after the Balance Sheet Date .....</a>	3/04(12/07)
HKAS 11	<a href="#">Construction Contracts .....</a>	12/04(12/07)
HKAS 12	<a href="#">Income Taxes .....</a>	11/04(12/07)
HKAS 14	<a href="#">Segment Reporting .....</a>	11/04(12/07)
HKAS 16	<a href="#">Property, Plant and Equipment .....</a>	11/05(12/07)
HKAS 17	<a href="#">Leases .....</a>	12/04(12/07)
HKAS 18	<a href="#">Revenue .....</a>	11/04
HKAS 19	<a href="#">Employee Benefits .....</a>	12/04(12/07)
HKAS 20	<a href="#">Accounting for Government Grants and Disclosure of Government Assistance .....</a>	12/04(12/07)
HKAS 21	<a href="#">The Effects of Changes in Foreign Exchange Rates .....</a>	3/04(12/07)
HKAS 23	<a href="#">Borrowing Costs .....</a>	12/04(12/07)
HKAS 23 Revised	<a href="#">Borrowing Costs .....</a>	06/07(12/07)
HKAS 24	<a href="#">Related Party Disclosures .....</a>	12/04(12/07)
HKAS 26	<a href="#">Accounting and Reporting by Retirement Benefit Plans .....</a>	8/04
HKAS 27	<a href="#">Consolidated and Separate Financial Statements .....</a>	11/05(12/07)
HKAS 28	<a href="#">Investments in Associates .....</a>	3/04(12/07)

		<i>Issue/(Review date)</i>
HK(SIC)-Int 29	<a href="#">Service Concession Arrangements: Disclosure</a> .....	12/04(1/08)
HK(SIC)-Int 31	<a href="#">Revenue – Barter Transactions Involving Advertising Services</a> .....	12/04
HK(SIC)-Int 32	<a href="#">Intangible Assets – Web Site Costs</a> .....	12/04(1/08)
GLOSSARY	<a href="#">Glossary of Terms Relating to Hong Kong Financial Reporting Standards</a> .....	3/08
SME-FRF & SME-FRS	<b><a href="#">SMALL AND MEDIUM-SIZED ENTITY FINANCIAL REPORTING FRAMEWORK AND FINANCIAL REPORTING STANDARD</a></b> .....	08/05
	<b>ACCOUNTING GUIDELINES (AG)</b>	
AG 1	<a href="#">Preparation and Presentation of Accounts from Incomplete Records</a> .....	3/84
AG 5	<a href="#">Merger Accounting for Common Control Combinations</a> .....	11/05
AG 7	<a href="#">Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars</a> .....	3/06
	<b>ACCOUNTING BULLETINS (AB)</b>	
AB 1	<a href="#">Disclosure of Loans to Officers</a> .....	8/85
AB 3	<a href="#">Guidance on Disclosure of Directors’ Remuneration</a> .....	1/00

Glossary  
Issued March 2008

---

Effective upon issue

# **Glossary of Terms Relating to Hong Kong Financial Reporting Standards**



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

## GLOSSARY OF TERMS RELATING TO HONG KONG FINANCIAL REPORTING STANDARDS

(Effective upon issue)

This glossary is extracted from the Hong Kong Financial Reporting Standards (HKFRSs) and Hong Kong Accounting Standards (HKASs) issued by the Hong Kong Institute of Certified Public Accountants. References are by Standard and paragraph number.

The glossary also includes extracts from the *Framework for the Preparation and Presentation of Financial Statements*. References to the *Framework* are preceded by F.

References set out below in (brackets) indicate minor variations in wording.

<b>accounting policies</b>	The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.	HKAS 8.5
<b>accounting profit</b>	Profit or loss for a period before deducting tax expense.	HKAS 12.5
<b>accrual basis of accounting</b>	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
<b>accumulating compensated absences</b>	Compensated absences that are carried forward and can be used in future periods if the current period's entitlement is not used in full.	HKAS 19.13
<b>acquisition date</b>	The date on which the acquirer effectively obtains control of the acquiree.	HKFRS 3.A
<b>active market</b>	A market in which all the following conditions exist: <ul style="list-style-type: none"> <li>(a) the items traded within the market are homogeneous;</li> <li>(b) willing buyers and sellers can normally be found at any time; and</li> <li>(c) prices are available to the public.</li> </ul>	HKAS 36.6, (HKAS 38.8), HKAS 41.8

GLOSSARY OF TERMS

<b>active market</b>	A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.	HKAS 39.AG71
<b>actuarial assumptions</b>	An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.	HKAS 19.72–73
<b>actuarial gains and losses</b>	<p>(a) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</p> <p>(b) the effects of changes in actuarial assumptions.</p>	HKAS 19.7
<b>actuarial present value of promised retirement benefits</b>	The present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.	HKAS 26.8
<b>adjusting events after the balance sheet date</b>	See 'events after the balance sheet date'	
<b>agreement date (for a business combination)</b>	The date that a substantive agreement between the combining parties is reached and, in the case of publicly listed entities, announced to the public. In the case of a hostile takeover, the earliest date that a substantive agreement between the combining parties is reached is the date that a sufficient number of the acquiree's owners have accepted the acquirer's offer for the acquirer to obtain control of the acquiree.	HKAS 36.6, (HKAS 38.8), HKFRS 3.A
<b>agricultural activity</b>	The management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.	HKAS 41.5

GLOSSARY OF TERMS

<b>agricultural produce</b>	The harvested product of the entity's biological assets.	HKAS 41.5
<b>amortisation (depreciation)*</b>	The systematic allocation of the depreciable amount of an asset over its useful life.	HKAS 36.6, HKAS 38.8
<b>amortised cost of a financial asset or financial liability</b>	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.	HKAS 39.9
<b>antidilution</b>	An increase in earnings per share or a reduction in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.	HKAS 33.5
<b>asset</b>	A resource:  (a) controlled by an entity as a result of past events; and  (b) from which future economic benefits are expected to flow to the entity.	HKAS 38.8, (F.49(a))
<b>assets held by a long-term employee benefit fund</b>	Assets (other than non-transferable financial instruments issued by the reporting entity) that:  (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and  (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in bankruptcy), and cannot be returned to the reporting entity, unless either:	HKAS 19.7

---

\* In the case of an intangible asset, the term 'amortisation' is generally used instead of 'depreciation'. The two terms have the same meaning.

GLOSSARY OF TERMS

- (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

<b>associate</b>	An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.	HKAS 28.2
<b>available-for-sale financial assets</b>	Those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.	HKAS 39.9
<b>basic earnings per share</b>	Profit or loss attributable to ordinary equity holders of the parent entity (the numerator) divided by the weighted average number of ordinary shares outstanding during the period (the denominator).	HKAS 33.10
<b>biological asset</b>	A living animal or plant.	HKAS 41.5
<b>biological transformation</b>	The processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.	HKAS 41.5
<b>borrowing costs</b>	Interest and other costs incurred by an entity in connection with the borrowing of funds.	HKAS 23.4 (HKAS 23.5 (Revised))
<b>business</b>	An integrated set of activities and assets conducted and managed for the purpose of providing: <ul style="list-style-type: none"> <li>(a) a return to investors; or</li> <li>(b) lower costs or other economic benefits directly and proportionately to policyholders or participants.</li> </ul>	HKFRS 3.A



GLOSSARY OF TERMS

A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set shall be presumed to be a business.

<b>business combination</b>	The bringing together of separate entities or businesses into one reporting entity.	HKFRS 3.A
<b>business combination involving entities or businesses under common control</b>	A business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.	HKFRS 3.A
<b>capital</b>	Under a financial concept of capital, such as invested money or invested purchasing power, the net assets or equity of the entity. The financial concept of capital is adopted by most entities.  Under a physical concept of capital, such as operating capability, the productive capacity of the entity based on, for example, units of output per day.	F.102
<b>capitalisation</b>	Recognising a cost as part of the cost of an asset.	HKAS 23.11 HKAS 23.8 (Revised)
<b>carrying amount</b>	The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.	HKAS 16.6, HKAS 36.6, HKAS 38.8
<b>carrying amount</b>	The amount at which an asset is recognised in the balance sheet.	HKAS 40.5, HKAS 41.8
<b>cash</b>	Cash on hand and demand deposits.	HKAS 7.6
<b>cash equivalents</b>	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.	HKAS 7.6

GLOSSARY OF TERMS

<b>cash flows</b>	Inflows and outflows of cash and cash equivalents.	HKAS 7.6
<b>cash-generating unit</b>	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.	HKAS 36.6, HKFRS 5.A
<b>cash-settled share-based payment transaction</b>	A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity.	HKFRS 2.A
<b>cedant</b>	The policyholder under a reinsurance contract.	HKFRS 4.A
<b>change in accounting estimate</b>	An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.	HKAS 8.5
<b>class of assets</b>	A grouping of assets of a similar nature and use in an entity's operations.	HKAS 16.37, HKAS 36.127, HKAS 38.119
<b>class of financial instruments</b>	Grouping of financial instruments that is appropriate to the nature of the information disclosed and that takes into account the characteristics of those financial instruments.	HKFRS 7.6
<b>close members of the family of an individual</b>	<p>Those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:</p> <ul style="list-style-type: none"> <li>(a) the individual's domestic partner and children;</li> <li>(b) children of the individual's domestic partner; and;</li> <li>(c) dependants of the individual or the individual's domestic partner.</li> </ul>	HKAS 24.9

## GLOSSARY OF TERMS

<b>closing rate</b>	The spot exchange rate at the balance sheet date.	HKAS 21.8
<b>commencement of the lease term</b>	The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (ie the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).	HKAS 17.4
<b>compensation</b>	<p>Includes all employee benefits (as defined in HKAS 19) including employee benefits to which HKFRS 2 applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:</p> <ul style="list-style-type: none"> <li>(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;</li> <li>(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</li> <li>(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;</li> <li>(d) termination benefits; and</li> <li>(e) share-based payment.</li> </ul>	HKAS 24.9
<b>component of an entity</b>	Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.	HKFRS 5.A
<b>compound financial instrument</b>	A financial instrument that, from the issuer's perspective, contains both a liability and an equity element.	HKAS 32.28–29

## GLOSSARY OF TERMS

<b>consolidated financial statements</b>	The financial statements of a group presented as those of a single economic entity.	HKAS 27.4, HKAS 28.2
<b>construction contract</b>	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.	HKAS 11.3
<b>constructive obligation</b>	<p>An obligation that derives from an entity's actions where:</p> <p>(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</p> <p>(b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.</p>	HKAS 37.10
<b>contingent asset</b>	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.	HKAS 37.10
<b>contingent liability</b>	<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 entity; 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>	HKAS 37.10, HKFRS 3.A

GLOSSARY OF TERMS

<b>contingent rent</b>	That portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (eg percentage of future sales, amount of future use, future price indices, future market rates of interest).	HKAS 17.4
<b>contingent share agreement</b>	An agreement to issue shares that is dependent on the satisfaction of specified conditions.	HKAS 33.5
<b>contingently issuable ordinary shares</b>	Ordinary shares issuable for little or no cash or other consideration upon the satisfaction of specified conditions in a contingent share agreement.	HKAS 33.5
<b>contract</b>	An agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable at law. Contracts may take a variety of forms and need not be in writing.	HKAS 32.13
<b>control (of an entity)</b>	The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	HKAS 24.9, HKAS 27.4, HKAS 28.2, (HKAS 31.3), (HKFRS 3.A)
<b>corporate assets</b>	Assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units.	HKAS 36.6
<b>'corridor'</b>	A range around an entity's best estimate of post-employment benefit obligations.	HKAS 19.95
<b>cost</b>	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, when applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other HKFRSs, eg HKFRS 2.	HKAS 16.6, HKAS 38.8, HKAS 40.5
<b>cost method</b>	A method of accounting for an investment whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.	HKAS 27.4

## GLOSSARY OF TERMS

<b>cost of inventories</b>	All costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.	HKAS 2.10
<b>cost of purchase</b>	All of the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of the item. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.	HKAS 2.11
<b>cost plus contract</b>	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.	HKAS 11.3
<b>costs of conversion</b>	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.	HKAS 2.12
<b>costs of disposal</b>	Incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.	HKAS 36.6
<b>costs to sell</b>	The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.	HKFRS 5.A
<b>credit risk</b>	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.	HKFRS 7.A
<b>currency risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	HKFRS 7.A

## GLOSSARY OF TERMS

<b>current asset</b>	<p>An asset that satisfies any of the following criteria:</p> <ul style="list-style-type: none"> <li>(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;</li> <li>(b) it is held primarily for the purpose of being traded;</li> <li>(c) it is expected to be realised within twelve months after the balance sheet date; or</li> <li>(d) it is cash or a cash equivalent (as defined in HKAS 7) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.</li> </ul>	<p>HKAS 1.57, (HKAS 1.66 (Revised)), (HKFRS 5.A)</p>
<b>current cost</b>	<p>The amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently.</p> <p>The undiscounted amount of cash or cash equivalents that would be required to settle an obligation currently.</p>	<p>F.100(b)</p>
<b>current liability</b>	<p>A liability that satisfies any of the following criteria:</p> <ul style="list-style-type: none"> <li>(a) it is expected to be settled in the entity's normal operating cycle;</li> <li>(b) it is held primarily for the purpose of being traded;</li> <li>(c) it is due to be settled within twelve months after the balance sheet date; or</li> <li>(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.</li> </ul> <p>All other liabilities shall be classified as non-current.</p>	<p>HKAS 1.60 (HKAS 1.69 (Revised))</p>
<b>current service cost</b>	<p>The increase in the present value of the defined benefit obligation resulting from employee service in the current period.</p>	<p>HKAS 19.7</p>
<b>current tax</b>	<p>The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.</p>	<p>HKAS 12.5</p>

<b>curtailment (of a defined benefit plan)</b>	A curtailment occurs when an entity either: <ul style="list-style-type: none"> <li>(a) is demonstrably committed to make a material reduction in the number of employees covered by a plan; or</li> <li>(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.</li> </ul>	HKAS 19.111
<b>date of exchange</b>	When a business combination is achieved in a single exchange transaction, the date of exchange is the acquisition date. When a business combination involves more than one exchange transaction, for example when it is achieved in stages by successive share purchases, the date of exchange is the date that each individual investment is recognised in the financial statements of the acquirer.	HKFRS 3.A
<b>date of transition to HKFRSs</b>	The beginning of the earliest period for which an entity presents full comparative information under HKFRSs in its first HKFRS financial statements.	HKFRS 1.A
<b>deductible temporary differences</b>	Temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base 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.	HKAS 12.5
<b>deemed cost</b>	An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.	HKFRS 1.A
<b>deferred tax assets</b>	The amounts of income taxes recoverable in future periods in respect of: <ul style="list-style-type: none"> <li>(a) deductible temporary differences;</li> <li>(b) the carryforward of unused tax losses; and</li> <li>(c) the carryforward of unused tax credits.</li> </ul>	HKAS 12.5
<b>deferred tax liabilities</b>	The amounts of income taxes payable in future periods in respect of taxable temporary differences.	HKAS 12.5



GLOSSARY OF TERMS

<b>defined benefit liability</b>	The net total of the following amounts: <ul style="list-style-type: none"> <li>(a) the present value of the defined benefit obligation at the balance sheet date;</li> <li>(b) plus any actuarial gains (less any actuarial losses) not recognised;</li> <li>(c) minus any past service cost not yet recognised;</li> <li>(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.</li> </ul>	HKAS 19.54
<b>defined benefit obligation (present value of)</b>	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.	HKAS 19.7
<b>defined benefit plans</b>	Post-employment benefit plans other than defined contribution plans.	HKAS 19.7
<b>defined benefit plans</b>	Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.	HKAS 26.8
<b>defined contribution plans</b>	Post-employment benefit plans under which an entity 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.	HKAS 19.7
<b>defined contribution plans</b>	Retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon.	HKAS 26.8

## GLOSSARY OF TERMS

<b>demonstrably committed</b>	An entity is demonstrably committed to pay termination benefits when, and only when, an entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan shall include, as a minimum: <ul style="list-style-type: none"><li>(a) the location, function, and approximate number of employees whose services are to be terminated;</li><li>(b) the termination benefits for each job classification or function; and</li><li>(c) the time at which the plan will be implemented. Implementation shall begin as soon as possible and the period of time to complete implementation shall be such that material changes to the plan are not likely.</li></ul>	HKAS 19.134
<b>deposit component</b>	A contractual component that is not accounted for as a derivative under HKAS 39 and would be within the scope of HKAS 39 if it were a separate instrument.	HKFRS 4.A
<b>depreciable amount</b>	The cost of an asset, or other amount substituted for cost (in the financial statements), less its residual value.	HKAS 16.6, (HKAS 36.6, HKAS 38.8)
<b>depreciation (amortisation)**</b>	The systematic allocation of the depreciable amount of an asset over its useful life.	HKAS 16.6, HKAS 36.6
<b>derecognition (of a financial instrument)</b>	The removal of a previously recognised financial asset or financial liability from an entity's balance sheet.	HKAS 39.9

---

\*\* In the case of an intangible asset, the term 'amortisation' is generally used instead of 'depreciation'. The two terms have the same meaning.

<b>derivative</b>	<p>A financial instrument or other contract within the scope of HKAS 39 (see paragraphs 2–7) with all three of the following characteristics:</p> <p>(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’);</p> <p>(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and</p> <p>(c) it is settled at a future date.</p>	HKAS 39.9
<b>derivative financial instruments</b>	<p>Financial instruments such as financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, derivative financial instruments give one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instrument, as prices in financial markets change those terms may become either favourable or unfavourable.</p>	HKAS 32.AG15–AG16
<b>development</b>	<p>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 before the start of commercial production or use.</p>	HKAS 38.8

GLOSSARY OF TERMS

<b>diluted earnings per share</b>	Profit or loss attributable to ordinary equity holders of the parent entity (the numerator), divided by the weighted average number of ordinary shares outstanding during the period (the denominator), both adjusted for the effects of all dilutive potential ordinary shares.	HKAS 33.31
<b>dilution</b>	A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.	HKAS 33.5
<b>dilutive potential ordinary shares</b>	Potential ordinary shares whose conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.	HKAS 33.41
<b>direct insurance contract</b>	An insurance contract that is not a reinsurance contract.	HKFRS 4.A
<b>direct method of reporting cash flows from operating activities</b>	A method whereby major classes of gross cash receipts and gross cash payments are disclosed.	HKAS 7.18(a)
<b>discontinued operation</b>	<p>A component of an entity that either has been disposed of or is classified as held for sale and:</p> <ul style="list-style-type: none"> <li>(a) represents a separate major line of business or geographical area of operations,</li> <li>(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or</li> <li>(c) is a subsidiary acquired exclusively with a view to resale.</li> </ul>	HKFRS 5.A

<b>discretionary participation feature</b>	<p>A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:</p> <ul style="list-style-type: none"> <li>(a) that are likely to be a significant portion of the total contractual benefits;</li> <li>(b) whose amount or timing is contractually at the discretion of the issuer; and</li> <li>(c) that are contractually based on: <ul style="list-style-type: none"> <li>(i) the performance of a specified pool of contracts or a specified type of contract;</li> <li>(ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or</li> <li>(iii) the profit or loss of the company, fund or other entity that issues the contract.</li> </ul> </li> </ul>	HKFRS 4.A
<b>disposal group</b>	<p>A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of paragraphs 80–87 of HKAS 36 or if it is an operation within such a cash-generating unit.</p>	HKFRS 5.A
<b>dividends</b>	<p>Distributions of profits to holders of equity investments in proportion to their holdings of a particular class of capital.</p>	HKAS 18.5
<b>economic life</b>	<p>Either:</p> <ul style="list-style-type: none"> <li>(a) the period over which an asset is expected to be economically usable by one or more users; or</li> <li>(b) the number of production or similar units expected to be obtained from the asset by one or more users.</li> </ul>	HKAS 17.4
<b>effective interest method</b>	<p>A method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.</p>	HKAS 39.9

<b>effective interest rate</b>	The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see HKAS 18), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).	HKAS 39.9
<b>embedded derivative</b>	A component of a hybrid (combined) instrument that also includes a non-derivative host contract—with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.	HKAS 39.10
<b>employee benefits</b>	All forms of consideration given by an entity in exchange for service rendered by employees.	HKAS 19.7

## GLOSSARY OF TERMS

<b>employees and others providing similar services</b>	Individuals who render personal services to the entity and either (a) the individuals are regarded as employees for legal or tax purposes, (b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes, or (c) the services rendered are similar to those rendered by employees. For example, the term encompasses all management personnel, ie those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including non-executive directors.	HKFRS 2.A
<b>entity-specific value</b>	The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.	HKAS 16.6, HKAS 38.8
<b>equity</b>	The residual interest in the assets of the entity after deducting all its liabilities.	F.49(c)
<b>equity instrument</b>	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.	HKAS 32.11, HKFRS 2.A
<b>equity instrument granted</b>	The right (conditional or unconditional) to an equity instrument of the entity conferred by the entity on another party, under a share-based payment arrangement.	HKFRS 2.A
<b>equity method</b>	A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.	HKAS 28.2
<b>equity-settled share-based payment transaction</b>	A share-based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).	HKFRS 2.A

## GLOSSARY OF TERMS

<b>events after the balance sheet date</b>	<p>Those events, 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>	HKAS 10.3
<b>exchange difference</b>	The difference resulting from translating a given number of units of one currency into another currency at different exchange rates.	HKAS 21.8
<b>exchange rate</b>	The ratio of exchange for two currencies.	HKAS 21.8
<b>expenses</b>	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)
<b>experience adjustments</b>	The effects of differences between previous actuarial assumptions and what has actually occurred.	HKAS 19.7
<b>exploration and evaluation assets</b>	Exploration and evaluation expenditures recognised as assets in accordance with the entity's accounting policy.	HKFRS 6.A
<b>exploration and evaluation expenditures</b>	Expenditures incurred by an entity in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.	HKFRS 6.A
<b>exploration for and evaluation of mineral resources</b>	The search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.	HKFRS 6.A



GLOSSARY OF TERMS

<b>fair value</b>	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.	HKAS 2.6, (HKAS 16.6), HKAS 17.4, HKAS 18.7, (HKAS 19.7), (HKAS 20.3), HKAS 21.8, HKAS 32.11, (HKAS 38.8), HKAS 39.9, (HKAS 40.5), HKAS 41.8, HKFRS 1.A, HKFRS 3.A, HKFRS 4.A, HKFRS 5.A
<b>fair value</b>	The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.	HKFRS 2.A
<b>fair value less costs to sell</b>	The amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.	HKAS 36.6
<b>FIFO (first-in, first-out)</b>	The assumption that the items of inventory that were purchased or produced first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased or produced.	HKAS 2.27
<b>finance lease</b>	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.	HKAS 17.4
<b>financial asset</b>	Any asset that is: <ul style="list-style-type: none"> <li>(a) cash;</li> <li>(b) an equity instrument of another entity;</li> <li>(c) a contractual right: <ul style="list-style-type: none"> <li>(i) to receive cash or another financial asset from another entity; or</li> <li>(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or</li> </ul> </li> <li>(d) a contract that will or may be settled in the entity's own equity instruments and is: <ul style="list-style-type: none"> <li>(i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or</li> </ul> </li> </ul>	HKAS 32.11

- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**financial asset or financial liability at fair value through profit or loss**

A financial asset or financial liability that meets either of the following conditions. HKAS 39.9

- (a) It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:
  - (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
  - (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
  - (iii) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- (b) Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted by HKAS 39 paragraph 11A (embedded derivatives) or when doing so results in more relevant information, because either
  - (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
  - (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in HKAS 24).

GLOSSARY OF TERMS

<b>financial guarantee contract</b>	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.	HKAS 39.9, HKFRS 4.A
<b>financial instrument</b>	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.	HKAS 32.11
<b>financial liability</b>	<p>Any liability that is:</p> <p>(a) a contractual obligation:</p> <p style="padding-left: 20px;">(i) to deliver cash or another financial asset to another entity; or</p> <p style="padding-left: 20px;">(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or</p> <p>(b) a contract that will or may be settled in the entity's own equity instruments and is:</p> <p style="padding-left: 20px;">(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or</p> <p style="padding-left: 20px;">(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.</p>	HKAS 32.11
<b>financial position</b>	The relationship of the assets, liabilities and equity of an entity, as reported in the balance sheet.	F.47
<b>financial risk</b>	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.	HKFRS 4.A

## GLOSSARY OF TERMS

<b>financial statements</b>	A complete set of financial statements comprises:	HKAS 1.8, (F.7)
	(a) a balance sheet;	
	(b) an income statement;	
	(c) a statement of changes in equity showing either:	
	(i) all changes in equity; or	
	(ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;	
	(d) a cash flow statement; and	
	(e) notes, comprising a summary of significant accounting policies and other explanatory notes.	
<b>financing activities</b>	Activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.	HKAS 7.6
<b>firm commitment</b>	A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.	HKAS 39.9
<b>firm purchase commitment</b>	An agreement with an unrelated party, binding on both parties and usually legally enforceable, that (a) specifies all significant terms, including the price and timing of the transactions, and (b) includes a disincentive for non-performance that is sufficiently large to make performance highly probable.	HKFRS 5.A
<b>first HKFRS financial statements</b>	The first annual financial statements in which an entity adopts Hong Kong Financial Reporting Standards (HKFRSs), by an explicit and unreserved statement of compliance with HKFRSs.	HKFRS 1.A
<b>first HKFRS reporting period</b>	The reporting period ending on the reporting date of an entity's first HKFRS financial statements.	HKFRS 1.A
<b>first-time adopter</b>	An entity that presents its first HKFRS financial statements.	HKFRS 1.A

GLOSSARY OF TERMS

<b>fixed price contract</b>	A construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.	HKAS 11.3
<b>fixed production overheads</b>	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.	HKAS 2.12
<b>forecast transaction</b>	An uncommitted but anticipated future transaction.	HKAS 39.9
<b>foreign currency</b>	A currency other than the functional currency of the entity.	HKAS 21.8
<b>foreign currency transaction</b>	A transaction that is denominated in or requires settlement in a foreign currency.	HKAS 21.20
<b>foreign operation</b>	An entity that is a subsidiary, associate, joint venture or branch of the reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.	HKAS 21.8
<b>forgivable loans</b>	Loans which the lender undertakes to waive repayment of under certain prescribed conditions.	HKAS 20.3
<b>functional currency</b>	The currency of the primary economic environment in which the entity operates.	HKAS 21.8
<b>funding (of post-employment benefits)</b>	Contributions by an entity, and sometimes its employees, into an entity, or fund, that is legally separate from the reporting entity and from which the employee benefits are paid.	HKAS 19.49
<b>funding (of retirement benefits)</b>	The transfer of assets to an entity (the fund) separate from the employer's entity to meet future obligations for the payment of retirement benefits.	HKAS 26.8
<b>future economic benefit</b>	The potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. 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

GLOSSARY OF TERMS

<b>gains</b>	Increases in economic benefits and as such no different in nature from revenue.	F.75
<b>general purpose financial statements</b>	General purpose financial statements are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.	HKAS 1.17 (Revised)
<b>going concern</b>	The financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.	HKAS 1.23–24, (F.23) HKAS 1.25-26 (Revised)
<b>goodwill</b>	Future economic benefits arising from assets that are not capable of being individually identified and separately recognised.	HKFRS 3.A
<b>government</b>	Government, government agencies and similar bodies whether local, national or international.	HKAS 20.3
<b>government assistance</b>	Action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria.	HKAS 20.3
<b>government grants</b>	Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. 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 entity.	HKAS 20.3
<b>grant date</b>	The date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.	HKFRS 2.A

GLOSSARY OF TERMS

<b>grants related to assets</b>	Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.	HKAS 20.3
<b>grants related to income</b>	Government grants other than those related to assets.	HKAS 20.3
<b>gross investment in the lease</b>	The aggregate of:  (a) the minimum lease payments receivable by the lessor under a finance lease, and  (b) any unguaranteed residual value accruing to the lessor.	HKAS 17.4
<b>group</b>	A parent and all its subsidiaries.	HKAS 21.8, HKAS 27.4
<b>group administration (employee benefit) plans</b>	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.	HKAS 19.33
<b>group of biological assets</b>	An aggregation of similar living animals or plants.	HKAS 41.5
<b>guaranteed benefits</b>	Payments or other benefits to which a particular policyholder or investor has an unconditional right that is not subject to the contractual discretion of the issuer.	HKFRS 4.A
<b>guaranteed element</b>	An obligation to pay guaranteed benefits, included in a contract that contains a discretionary participation feature.	HKFRS 4.A
<b>guaranteed residual value</b>	(a) For a lessee, that part of the residual value that 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  (b) for a lessor, that part of the residual value that is guaranteed by the lessee or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.	HKAS 17.4

GLOSSARY OF TERMS

<b>harvest</b>	The detachment of produce from a biological asset or the cessation of a biological asset's life processes.	HKAS 41.5
<b>hedge effectiveness</b>	The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument (see HKAS 39 Appendix A paragraphs AG105–AG113).	HKAS 39.9
<b>hedged item</b>	An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged (HKAS 39 paragraphs 78–84 and Appendix A paragraphs AG98–AG101 elaborate on the definition of hedged items).	HKAS 39.9
<b>hedging instrument</b>	A designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (HKAS 39 paragraphs 72–77 and Appendix A paragraphs AG94–AG97 elaborate on the definition of a hedging instrument).	HKAS 39.9
<b>held for trading</b>	See financial asset or financial liability at fair value through profit or loss.	HKAS 39.9
<b>held-to-maturity investments</b>	<p>Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity (see HKAS 39 Appendix A paragraphs AG16–AG25) other than:</p> <ul style="list-style-type: none"> <li>(a) those that the entity upon initial recognition designates as at fair value through profit or loss;</li> <li>(b) those that the entity designates as available for sale; and</li> <li>(c) those that meet the definition of loans and receivables.</li> </ul>	HKAS 39.9



GLOSSARY OF TERMS

An entity shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- (i) are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- (ii) occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- (iii) are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

<b>highly probable</b>	Significantly more likely than probable.	HKFRS 5.A
<b>hire purchase contract</b>	The definition of a lease includes contracts for the hire of an asset that 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.	HKAS 17.6
<b>historical cost</b>	A measurement basis according to which assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.	F.100(a)
<b>Hong Kong Financial Reporting Standards (HKFRSs)</b>	Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). They comprise: <ul style="list-style-type: none"> <li>(a) Hong Kong Financial Reporting Standards;</li> <li>(b) Hong Kong Accounting Standards; and</li> <li>(c) Interpretations.</li> </ul>	HKAS 1.11 HKAS 1.7 (Revised) HKAS 8.5 HKFRS 1.A

<b>hyperinflation</b>	<p>Loss of purchasing power of money at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.</p> <p>Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power.</li> <li>(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.</li> <li>(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.</li> <li>(d) interest rates, wages and prices are linked to a price index.</li> <li>(e) the cumulative inflation rate over three years is approaching, or exceeds, 100%.</li> </ul>	HKAS 29.2–3
<b>impairment loss</b>	The amount by which the carrying amount of an asset exceeds its recoverable amount.	HKAS 16.6, (HKAS 36.6), HKAS 38.8
<b>impracticable</b>	Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.	HKAS 1.11, HKAS 1.7 (Revised) (HKAS 8.5)
<b>imputed rate of interest</b>	<p>The more clearly determinable of either:</p> <ul style="list-style-type: none"> <li>(a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or</li> <li>(b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.</li> </ul>	HKAS 18.11
<b>inception of a lease</b>	The earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.	HKAS 17.4

GLOSSARY OF TERMS

<b>income</b>	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)
<b>incremental borrowing rate of interest (lessee's)</b>	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.	HKAS 17.4
<b>indirect method of reporting cash flows from operating activities</b>	A method whereby 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.	HKAS 7.18(b)
<b>initial direct costs</b>	Incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or dealer lessors.	HKAS 17.4
<b>insurance asset</b>	An insurer's net contractual rights under an insurance contract.	HKFRS 4.A
<b>insurance contract</b>	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. (See HKFRS 4 Appendix B for guidance on this definition.)	HKFRS 4.A
<b>insurance liability</b>	An insurer's net contractual obligations under an insurance contract.	HKFRS 4.A
<b>insurance risk</b>	Risk, other than financial risk, transferred from the holder of a contract to the issuer.	HKFRS 4.A
<b>insured event</b>	An uncertain future event that is covered by an insurance contract and creates insurance risk.	HKFRS 4.A
<b>insurer</b>	The party that has an obligation under an insurance contract to compensate a policyholder if an insured event occurs.	HKFRS 4.A

GLOSSARY OF TERMS

<b>intangible asset</b>	An identifiable non-monetary asset without physical substance.	HKAS 38.8, HKFRS 3.A
<b>interest cost (for an employee benefit plan)</b>	The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.	HKAS 19.7
<b>interest rate implicit in the lease</b>	The discount rate that, at the inception of the lease, causes the aggregate present value of (a) the minimum lease payments and (b) the unguaranteed residual value to be equal to the sum of (i) the fair value of the leased asset and (ii) any initial direct costs of the lessor.	HKAS 17.4
<b>interest rate risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	HKFRS 7.A
<b>interim financial report</b>	A financial report containing either a complete set of financial statements (as described in HKAS 1) or a set of condensed financial statements (as described in HKAS 34) for an interim period.	HKAS 34.4
<b>interim period</b>	A financial reporting period shorter than a full financial year.	HKAS 34.4
<b>intrinsic value</b>	The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares. For example, a share option with an exercise price of CU15, <sup>***</sup> on a share with a fair value of CU20, has an intrinsic value of CU5.	HKFRS 2.A
<b>inventories</b>	Assets: <ul style="list-style-type: none"> <li>(a) held for sale in the ordinary course of business;</li> <li>(b) in the process of production for such sale; or</li> <li>(c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.</li> </ul>	HKAS 2.6, HKAS 2.8

---

<sup>\*\*\*</sup> Monetary items are denominated in 'currency units' (CU).

## GLOSSARY OF TERMS

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 entity 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, as described in HKAS 2 paragraph 19, for which the entity has not yet recognised the related revenue (see HKAS 18).

<b>investing activities</b>	The acquisition and disposal of long-term assets and other investments not included in cash equivalents.	HKAS 7.6
<b>investment property</b>	Property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: <ul style="list-style-type: none"> <li>(a) use in the production or supply of goods or services or for administrative purposes; or</li> <li>(b) sale in the ordinary course of business.</li> </ul>	HKAS 40.5
<b>investor in a joint venture</b>	A party to a joint venture that does not have joint control over that joint venture.	HKAS 31.3
<b>joint control</b>	The contractually agreed sharing of control over an economic activity.	HKAS 24.9
<b>joint control</b>	The contractually agreed sharing of control over an economic activity; it exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).	HKAS 28.2, HKAS 31.3
<b>joint venture</b>	A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.	HKAS 31.3, HKFRS 3.A
<b>jointly controlled entity</b>	A joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.	HKAS 31.24

GLOSSARY OF TERMS

<b>key management personnel</b>	Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.	HKAS 24.9
<b>lease</b>	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.	HKAS 17.4
<b>lease term</b>	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.	HKAS 17.4
<b>legal obligation</b>	An obligation that derives from: <ul style="list-style-type: none"> <li>(a) a contract (through its explicit or implicit terms);</li> <li>(b) legislation; or</li> <li>(c) other operation of law.</li> </ul>	HKAS 37.10
<b>lessee's incremental borrowing rate of interest</b>	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.	HKAS 17.4
<b>liability</b>	A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.	HKAS 37.10, F.49(b)
<b>liability adequacy test</b>	An assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a review of future cash flows.	HKFRS 4.A
<b>liquidity</b>	The availability of cash in the near future after taking account of financial commitments over this period.	F.16

GLOSSARY OF TERMS

<b>liquidity risk</b>	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.	HKFRS 7.A
<b>loans and receivables</b>	<p>Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:</p> <p>(a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;</p> <p>(b) those that the entity upon initial recognition designates as available for sale; or</p> <p>(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.</p> <p>An interest acquired in a pool of assets that are not loans or receivables (for example, an interest in a mutual fund or a similar fund) is not a loan or receivable.</p>	HKAS 39.9
<b>loans payable</b>	Financial liabilities other than short-term trade payables on normal credit terms.	HKFRS 7.A
<b>losses</b>	Decreases in economic benefits and as such no different in nature from other expenses.	F.79
<b>market condition</b>	A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.	HKFRS 2.A
<b>market risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.	HKFRS 7.A

<b>master netting arrangement</b>	An arrangement providing for an entity that undertakes a number of financial instrument transactions with a single counterparty to make a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract.	HKAS 32.50
<b>matching of costs with revenues</b>	A process in which 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
<b>material</b>	Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.	HKAS 1.11, HKAS 1.7 (Revised) HKAS 8.5
<b>materiality</b>	Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.	F.30
<b>measurement</b>	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
<b>measurement date</b>	The date at which the fair value of the equity instruments granted is measured for the purposes of HKFRS 2. For transactions with employees and others providing similar services, the measurement date is grant date. For transactions with parties other than employees (and those providing similar services), the measurement date is the date the entity obtains the goods or the counterparty renders service.	HKFRS 2.A



GLOSSARY OF TERMS

<b>minimum lease payments</b>	<p>The payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:</p> <ul style="list-style-type: none"> <li>(a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or</li> <li>(b) for a lessor, any residual value guaranteed to the lessor by: <ul style="list-style-type: none"> <li>(i) the lessee;</li> <li>(ii) a party related to the lessee; or</li> <li>(iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.</li> </ul> </li> </ul>	HKAS 17.4
<b>minority interest</b>	That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.	HKAS 27.4, HKFRS 3.A
<b>monetary assets</b>	Money held and assets to be received in fixed or determinable amounts of money.	HKAS 38.8
<b>monetary items</b>	Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.	HKAS 21.8
<b>monetary items</b>	Money held and items to be received or paid in money.	HKAS 29.12
<b>multi-employer (benefit) plans</b>	<p>Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:</p> <ul style="list-style-type: none"> <li>(a) pool the assets contributed by various entities that are not under common control; and</li> <li>(b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.</li> </ul>	HKAS 19.7

## GLOSSARY OF TERMS

<b>mutual entity</b>	An entity other than an investor-owned entity, such as a mutual insurance company or a mutual cooperative entity, that provides lower costs or other economic benefits directly and proportionately to its policyholders or participants.	HKFRS 3.A
<b>net assets available for benefits</b>	The assets of a plan less liabilities other than the actuarial present value of promised retirement benefits.	HKAS 26.8
<b>net investment in a foreign operation</b>	The amount of the reporting entity's interest in the net assets of that operation.	HKAS 21.8
<b>net investment in the lease</b>	The gross investment in the lease discounted at the interest rate implicit in the lease.	HKAS 17.4
<b>net realisable value</b>	<p>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.</p> <p>Net realisable value refers to the net amount that an entity expects to realise from the sale of inventory in the ordinary course of business. Fair value reflects the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace. The former is an entity-specific value; the latter is not. Net realisable value for inventories may not equal fair value less costs to sell.</p>	HKAS 2.6–7
<b>neutrality</b>	Freedom from bias of the information contained in financial statements.	F.36
<b>non-adjusting events after the balance sheet date</b>	See 'events after the balance sheet date'	

GLOSSARY OF TERMS

<b>non-cancellable lease</b>	<p>A lease that is cancellable only:</p> <ul style="list-style-type: none"> <li>(a) upon the occurrence of some remote contingency;</li> <li>(b) with the permission of the lessor;</li> <li>(c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or</li> <li>(d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.</li> </ul>	HKAS 17.4
<b>non-current asset</b>	An asset that does not meet the definition of a current asset.	HKFRS 5.A
<b>normal capacity of production facilities</b>	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.	HKAS 2.13
<b>notes</b>	Notes contain information in addition to that presented in the balance sheet, income statement, statement of changes in equity and cash flow statement. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.	HKAS 1.11 HKAS 1.7 (Revised)
<b>obligating event</b>	An event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.	HKAS 37.10
<b>obligation</b>	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
<b>offsetting</b>	See 'set-off, legal right of'	
<b>onerous contract</b>	A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.	HKAS 37.10

GLOSSARY OF TERMS

<b>opening HKFRS balance sheet</b>	An entity's balance sheet (published or unpublished) at the date of transition to HKFRSs.	HKFRS 1.A
<b>operating activities</b>	The principal revenue-producing activities of an entity and other activities that are not investing or financing activities.	HKAS 7.6, HKAS 14.8
<b>operating cycle</b>	The time between the acquisition of assets for processing and their realisation in cash or cash equivalents.	HKAS 1.59 HKAS 1.68 (Revised)
<b>operating lease</b>	A lease other than a finance lease.	HKAS 17.4
<b>operating segment</b>	An operating segment is a component of an entity: <ul style="list-style-type: none"> <li>(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),</li> <li>(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and</li> <li>(c) for which discrete financial information is available.</li> </ul>	HKFRS 8.5
<b>options, warrants and their equivalents</b>	Financial instruments that give the holder the right to purchase ordinary shares.	HKAS 33.5
<b>ordinary share</b>	An equity instrument that is subordinate to all other classes of equity instruments.	HKAS 33.5
<b>originated loans and receivables</b>	See 'loans and receivables'	
<b>other comprehensive income</b>	Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other HKFRSs.	HKAS 1.7 (Revised)
<b>other long-term employee benefits</b>	Employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.	HKAS 19.7

GLOSSARY OF TERMS

<b>other price risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.	HKFRS 7.A
<b>owner-occupied property</b>	Property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.	HKAS 40.5
<b>owners</b>	Holders of instruments classified as equity.	HKAS 1.7 (Revised)
<b>parent</b>	An entity that has one or more subsidiaries.	HKAS 27.4, HKFRS 3.A
<b>participants</b>	The members of a retirement benefit plan and others who are entitled to benefits under the plan.	HKAS 26.8
<b>past due</b>	A financial asset is past due when a counterparty has failed to make a payment when contractually due.	HKFRS 7.A
<b>past service cost</b>	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).	HKAS 19.7
<b>percentage of completion method</b>	The recognition of revenue and expenses by reference to the stage of completion of a contract. Under this method 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.	HKAS 11.25
<b>performance</b>	The relationship of the income and expenses of an entity, as reported in the income statement.	F.47
<b>plan assets (of an employee benefit plan)</b>	(a) Assets held by a long-term employee benefit fund; and  (b) qualifying insurance policies.	HKAS 19.7

GLOSSARY OF TERMS

<b>policyholder</b>	A party that has a right to compensation under an insurance contract if an insured event occurs.	HKFRS 4.A
<b>post-employment benefits</b>	Employee benefits (other than termination benefits) which are payable after the completion of employment.	HKAS 19.7
<b>post-employment benefit plans</b>	Formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.	HKAS 19.7
<b>potential ordinary share</b>	A financial instrument or other contract that may entitle its holder to ordinary shares.	HKAS 33.5
<b>presentation currency</b>	The currency in which the financial statements are presented.	HKAS 21.8
<b>present value</b>	A current estimate of the present discounted value of the future net cash flows in the normal course of business.	F.100(d)
<b>present value of a defined benefit obligation</b>	See 'defined benefit obligation (present value of)'	HKAS 19.7
<b>previous GAAP</b>	The basis of accounting that a first-time adopter used immediately before adopting HKFRSs.	HKFRS 1.A
<b>primary financial instruments</b>	Financial instruments such as receivables, payables and equity securities, that are not derivative financial instruments.	HKAS 32.AG15
<b>prior period errors</b>	<p>Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:</p> <p>(a) was available when financial statements for those periods were authorised for issue; and</p> <p>(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.</p> <p>Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.</p>	HKAS 8.5
<b>probable</b>	More likely than not.	HKFRS 3.A, HKFRS 5.A

GLOSSARY OF TERMS

<b>profit</b>	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
<b>profit or loss</b>	The total of income less expenses, excluding the components of other comprehensive income.	HKAS 1.7 (Revised)
<b>profit or loss for the period</b>	A separate line item on the face of the income statement in which all items of income and expense recognised in a period are included unless a Standard or Interpretation requires otherwise.	HKAS 1.78–81
<b>projected unit credit method</b>	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).	HKAS 19.64–66
<b>property, plant and equipment</b>	<p>Tangible items that:</p> <p>(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</p> <p>(b) are expected to be used during more than one period.</p>	HKAS 16.6
<b>proportionate consolidation</b>	A method of accounting and reporting whereby a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.	HKAS 31.3
<b>prospective application</b>	<p>Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:</p> <p>(a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and</p> <p>(b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.</p>	HKAS 8.5

GLOSSARY OF TERMS

<b>provision</b>	A liability of uncertain timing or amount.	HKAS 37.10
<b>prudence</b>	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
<b>put options (on ordinary shares)</b>	Contracts that give the holder the right to sell ordinary shares at a specified price for a given period.	HKAS 33.5
<b>qualifying asset</b>	An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.	HKAS 23.4 HKAS 23.5 (Revised)
<b>qualifying insurance policy</b>	<p>An insurance policy issued by an insurer that is not a related party (as defined in HKAS 24) of the reporting entity, if the proceeds of the policy:</p> <ul style="list-style-type: none"> <li>(a) can be used only to pay or fund employee benefits under a defined benefit plan;</li> <li>(b) are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the reporting entity, unless either: <ul style="list-style-type: none"> <li>(i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or</li> <li>(ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.</li> </ul> </li> </ul>	HKAS 19.7
<b>realisable value</b>	The amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.	F.100(c)
<b>reclassification adjustments</b>	Amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.	HKAS 1.7 (Revised)



GLOSSARY OF TERMS

<b>recognition</b>	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:  (a) it is probable that any future economic benefit associated with the item will flow to or from the entity; and  (b) the item has a cost or value that can be measured with reliability.	F.82–83
<b>recoverable amount</b>	The higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use.	HKAS 36.6, HKFRS 5.A
<b>recoverable amount</b>	The higher of an asset's net selling price and its value in use.	HKAS 16.6
<b>regular way purchase or sale</b>	A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.	HKAS 39.9
<b>reinsurance assets</b>	A cedant's net contractual rights under a reinsurance contract.	HKFRS 4.A
<b>reinsurance contract</b>	An insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant.	HKFRS 4.A
<b>reinsurer</b>	The party that has an obligation under a reinsurance contract to compensate a cedant if an insured event occurs.	HKFRS 4.A
<b>related party</b>	A party is related to an entity if:  (a) directly, or indirectly through one or more intermediaries, the party:  (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);  (ii) has an interest in the entity that gives it significant influence over the entity; or  (iii) has joint control over the entity;  (b) the party is an associate (as defined in HKAS 28) of the entity;	HKAS 24.9

## GLOSSARY OF TERMS

- (c) the party is a joint venture in which the entity is a venturer (see HKAS 31);
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

<b>related party transaction</b>	A transfer of resources, services or obligations between related parties, regardless of whether a price is charged.	HKAS 24.9
<b>relevance</b>	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
<b>reliability</b>	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
<b>reload feature</b>	A feature that provides for an automatic grant of additional share options whenever the option holder exercises previously granted options using the entity's shares, rather than cash, to satisfy the exercise price.	HKFRS 2.A
<b>reload option</b>	A new share option granted when a share is used to satisfy the exercise price of a previous share option.	HKFRS 2.A
<b>reportable segment</b>	An operating segment for which HKFRS 8 requires information to be disclosed.	HKFRS 8.11

GLOSSARY OF TERMS

<b>reporting date</b>	The end of the latest period covered by financial statements or by an interim financial report.	HKFRS 1.A
<b>reporting entity</b>	An entity for which there are users who rely on the financial statements as their major source of financial information about the entity.	F.8
<b>reporting entity</b>	An entity for which there are users who rely on the entity's general purpose financial statements for information that will be useful to them for making decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.	HKFRS 3.A
<b>research</b>	Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.	HKAS 38.8
<b>residual value (of an asset)</b>	The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.	HKAS 16.6, (HKAS 38.8)
<b>restructuring</b>	<p>A programme that is planned and controlled by management, and materially changes either:</p> <p>(a) the scope of a business undertaken by an entity; or</p> <p>(b) the manner in which that business is conducted.</p>	HKAS 37.10
<b>retirement benefit plans</b>	Arrangements whereby an entity provides benefits for its employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the employer's contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices. (See also 'post-employment benefit plans'.)	HKAS 26.8
<b>retrospective application</b>	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.	HKAS 8.5

GLOSSARY OF TERMS

<b>retrospective restatement</b>	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.	HKAS 8.5
<b>return on plan assets (of an employee benefit plan)</b>	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.	HKAS 19.7
<b>revaluation</b>	Restatement of assets and liabilities.	F.81
<b>revalued amount of an asset</b>	The fair value of an asset at the date of a revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.	HKAS 16.31
<b>revenue</b>	The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.	HKAS 18.7
<b>reverse acquisition</b>	An acquisition where the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. This might be the case when, for example, a private entity arranges to have itself 'acquired' by a smaller public entity as a means of obtaining a stock exchange listing.	HKFRS 3.21
<b>rewards associated with a leased asset</b>	Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realisation of a residual value.	HKAS 17.7
<b>risks associated with a leased asset</b>	Risks include possibilities of losses from idle capacity or technological obsolescence and of variations in return because of changing economic conditions.	HKAS 17.7
<b>sale and leaseback transaction</b>	The sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package.	HKAS 17.58

## GLOSSARY OF TERMS

<b>separate financial statements</b>	Those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.	HKAS 27.4, HKAS 28.2, HKAS 31.3
<b>set-off, legal right of</b>	A debtor's legal right, by contract or otherwise, to settle or otherwise eliminate all or a portion of an amount due to a creditor by applying against that amount an amount due from the creditor.	HKAS 32.45
<b>settlement (of employee benefit obligations)</b>	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.	HKAS 19.112
<b>settlement date</b>	The date that a financial asset is delivered to or by an entity.	HKAS 39.AG56
<b>settlement value</b>	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)
<b>share-based payment arrangement</b>	An agreement between the entity and another party (including an employee) to enter into a share-based payment transaction, which thereby entitles the other party to receive cash or other assets of the entity for amounts that are based on the price of the entity's shares or other equity instruments of the entity, or to receive equity instruments of the entity, provided the specified vesting conditions, if any, are met.	HKFRS 2.A
<b>share-based payment transaction</b>	A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.	HKFRS 2.A
<b>share option</b>	A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specific period of time.	HKFRS 2.A

GLOSSARY OF TERMS

<b>short seller</b>	An entity that sells financial assets that it has borrowed and does not yet own.	HKAS 39.AG15
<b>short-term employee benefits</b>	Employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.	HKAS 19.7
<b>significant influence</b>	The power to participate in the financial and operating policy decisions of an entity, but not control over those policies. Significant influence may be gained by share ownership, statute or agreement.	HKAS 24.9, (HKAS 28.2), (HKAS 31.3)
<b>solvency</b>	The availability of cash over the longer term to meet financial commitments as they fall due.	F.16
<b>spot exchange rate</b>	The exchange rate for immediate delivery.	HKAS 21.8
<b>state (employee benefit) plan</b>	Employee benefit plans established by legislation to cover all entities (or all entities 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 entity.	HKAS 19.37
<b>subsidiary</b>	An entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).	HKFRS 3.A, HKAS 27.4, HKAS 28.2
<b>substance over form</b>	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, (HKAS 8.7–10)
<b>tax base of an asset or liability</b>	The amount attributed to that asset or liability for tax purposes.	HKAS 12.5
<b>tax expense (tax income)</b>	The aggregate amount included in the determination of 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).	HKAS 12.5, HKAS 12.6

GLOSSARY OF TERMS

<b>taxable profit (tax loss)</b>	The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).	HKAS 12.5
<b>taxable temporary differences</b>	Temporary differences 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.	HKAS 12.5
<b>temporary differences</b>	Differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either: <ul style="list-style-type: none"> <li>(a) taxable temporary differences; or</li> <li>(b) deductible temporary differences.</li> </ul>	HKAS 12.5
<b>termination benefits</b>	Employee benefits payable as a result of either: <ul style="list-style-type: none"> <li>(a) an entity's decision to terminate an employee's employment before the normal retirement date; or</li> <li>(b) an employee's decision to accept voluntary redundancy in exchange for those benefits.</li> </ul>	HKAS 19.7
<b>total comprehensive income</b>	The change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners. It comprises all components of "profit or loss" and of "other comprehensive income".	HKAS 1.7 (Revised)
<b>trade date</b>	The date that an entity commits itself to purchase or sell an asset.	HKAS 39.AG55
<b>transaction costs (financial instruments)</b>	Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability (see HKAS 39 Appendix A paragraph AG13). An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.	HKAS 39.9

GLOSSARY OF TERMS

<b>transitional liability (defined benefit plans)</b>	<p>For an entity on first adopting HKAS 19:</p> <p>(a) the present value of the obligation at the date of adoption;</p> <p>(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;</p> <p>(c) minus any past service cost that shall be recognised in later periods.</p>	HKAS 19.154
<b>treasury shares</b>	An entity's own equity instruments, held by the entity or other members of the consolidated group.	HKAS 32.33
<b>unbundle</b>	Account for the components of a contract as if they were separate contracts.	HKFRS 4.A
<b>understandability</b>	Information provided in financial statements has the quality of understandability when it 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
<b>unearned finance income</b>	<p>The difference between:</p> <p>(a) the gross investment in the lease, and</p> <p>(b) the net investment in the lease.</p>	HKAS 17.4
<b>unguaranteed residual value</b>	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.	HKAS 17.4
<b>useful life</b>	The estimated remaining period, from the commencement of the lease term, without limitation by the lease term, over which the economic benefits embodied in the asset are expected to be consumed by the entity.	HKAS 17.4



GLOSSARY OF TERMS

<b>useful life</b>	<p>Either:</p> <p>(a) the period over which an asset is expected to be available for use by an entity; or</p> <p>(b) the number of production or similar units expected to be obtained from the asset by the entity.</p>	<p>HKAS 16.6, HKAS 36.6, HKAS 38.8</p>
<b>value in use</b>	<p>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.</p>	<p>HKFRS 5.A</p>
<b>value in use</b>	<p>The present value of the future cash flows expected to be derived from an asset or cash-generating unit.</p>	<p>HKAS 36.6</p>
<b>variable production overheads</b>	<p>Those indirect costs of production that vary directly, or nearly directly, with the volume of production, such as indirect materials and indirect labour.</p>	<p>HKAS 2.12</p>
<b>venturer</b>	<p>A party to a joint venture that has joint control over that joint venture.</p>	<p>HKAS 31.3</p>
<b>vest</b>	<p>To become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions.</p>	<p>HKFRS 2.A</p>
<b>vested benefits</b>	<p>Benefits, the rights to which, under the conditions of a retirement benefit plan, are not conditional on continued employment.</p>	<p>HKAS 26.8</p>
<b>vested employee benefits</b>	<p>Employee benefits that are not conditional on future employment.</p>	<p>HKAS 19.7</p>
<b>vesting conditions</b>	<p>The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).</p>	<p>HKFRS 2.A</p>

## GLOSSARY OF TERMS

<b>vesting period</b>	The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.	HKFRS 2.A
<b>warrant</b>	A financial instrument that gives the holder the right to purchase ordinary shares.	HKAS 33.5
<b>weighted average cost formula</b>	Under this formula, 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 entity.	HKAS 2.27
<b>weighted average number of ordinary shares outstanding during the period</b>	The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.	HKAS 33.20