

# SELECTED DEFINITIONS FROM PRIVATE ENTERPRISE

EXPOSURE DRAFT FEBRUARY 2007

<b>hedging instrument</b>	<p>For the purpose of special hedge accounting for SMEs under Section 11 of this [draft] standard, a hedging instrument is a financial instrument that:</p> <ul style="list-style-type: none"><li>(a) is an interest rate swap that meets the conditions in paragraph 11.33; a foreign currency swap or a foreign currency forward exchange contract that is indexed to the same foreign currency as the hedged item; or a forward contract that is indexed to the same commodity as the commodity that is the hedged item; and</li><li>(b) meets the other conditions in paragraph 11.32. An entity that chooses to apply IAS 39 in accounting for financial instruments shall apply the definition of hedging instrument in that standard rather than this definition.</li></ul>
<b>held-for-sale asset</b>	<p>Asset whose carrying amount will be recovered principally through a sale transaction rather than through continuing use.</p>
<b>highly probable</b>	<p>Significantly more likely than probable.</p>
<b>impairment loss</b>	<p>The amount by which the carrying amount of an asset exceeds (a) in the case of inventories, its selling price less costs to complete and sell or (b) in the case of other non-financial assets, its fair value less costs to sell.</p>
<b>impracticable</b>	<p>Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.</p>
<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>



<b>grant date</b>	<p>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.</p>
<b>hedged item</b>	<p>For the purpose of special hedge accounting for SMEs under Section 11 of this [draft] standard, a hedged item is:</p> <ul style="list-style-type: none"><li>(a) interest rate risk exposure in a debt instrument measured at amortised cost;</li><li>(b) the foreign exchange risk exposure in a firm commitment or a highly probable forecast transaction;</li><li>(c) the price risk exposure in a commodity that it holds or in a firm commitment or highly probable forecast transaction to purchase or sell a commodity that has a readily determinable market price; or</li><li>(d) the foreign exchange risk exposure in a net investment in a foreign operation.</li></ul>



**financial asset**

Any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - (i) to receive cash or another financial asset from another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and that:
  - (i) the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - (ii) 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 instrument**

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



<b>financial liability</b>	<p>Any liability that is:</p> <ul style="list-style-type: none"><li>(a) a contractual obligation:<ul style="list-style-type: none"><li>(i) to deliver cash or another financial asset to another entity; or</li><li>(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or</li></ul></li><li>(b) a contract that will or may be settled in the entity's own equity instruments and:<ul style="list-style-type: none"><li>(i) under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or</li><li>(ii) 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.</li></ul></li></ul>
<b>financial position</b>	<p>The relationship of the assets, liabilities and equity of an entity as reported in the balance sheet.</p>
<b>financial statements</b>	<p>Structured representation of the financial position, financial performance and cash flows of an entity.</p>
<b>financing activities</b>	<p>Activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.</p>
<b>firm commitment</b>	<p>A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.</p>

