



Australian Government

Registered Organisations Commission

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Fact Sheet

Glossary of accounting terms

This fact sheet is an extract from Glossary of Defined Terms from [Australian Accounting Standards](#).

Accounting policies

The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accrual basis of accounting

The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Annual reporting period

The financial year or similar period to which annual financial statements relate.

Asset

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.

Cash

Cash on hand and demand deposits.

Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Inflows and outflows of cash and cash equivalents.

Consolidated financial statements

The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Contingent asset

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.

Contingent liability

Is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:

- i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- ii. the amount of the obligation cannot be measured with sufficient reliability.

Control

The capacity of an entity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in achieving the objectives of the controlling entity.

Current asset

An entity shall classify an asset as current when:

- (a) It expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) It holds the asset primarily for the purpose of trading;
- (c) It expects to realise the asset within twelve months after the reporting period; or
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

Current liability

An entity shall classify a liability as current when:

- (a) It expects to settle the liability in its normal operating cycle;
- (b) It holds the liability primarily for the purpose of trading;
- (c) The liability is due to be settled within twelve months after the reporting period; or
- (d) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Employee benefits

All forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Equity

The residual interest in the assets of the entity after deducting all its liabilities.

Expenses

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instrument

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

Financing activities

Activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

Impairment loss

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

Income

Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Intangible asset

An identifiable non-monetary asset without physical substance.

Investing activities

The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Key management personnel

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

Liability

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.

Liquidity

The availability of cash in the near future after taking account of financial commitments over this period.

Non-current asset

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

Non-current liability

A liability that does not meet the definition of a current liability.

Operating activities

The principal revenue-producing activities of an entity and other activities that are not investing or financing activities.

Payables

Money owed by the entity to its suppliers shown as a liability in the Statement of Financial Position.

Profit or loss

The total of income less expenses, excluding the components of other comprehensive income.

Plant and equipment

Tangible items that:

- (a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) Are expected to be used during more than one period.

Provision

A liability of uncertain timing or amount.

Receivables

A legally enforceable claim for payment held by an entity for goods supplied and/or services rendered that customers/clients have ordered but not paid for. Shown as an asset in the Statement of Financial Position.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Revenue

The gross inflow of economic benefits during the period arising in the course of ordinary activities of an entity when those inflows result in increases in equity, other than increases in equity, other than increases relating to contributions from equity participants.

Subsidiary

An entity that is controlled by another entity.

Useful life

Either:

- (a) The period over which an asset is expected to be available for use by an entity; or
- (b) The number of production or similar units expected to be obtained from the asset by the entity.

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