

Glossary of Terms used in Financial Statements



Research Committee
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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First Edition : July 2019

Committee/Department : Research Committee

E-mail : research@icai.in

Website : www.icai.org

Price : `

ISBN No : 978-81-8441-

Published by : The Publication Department on behalf of the Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi - 110 002.

Foreword

The 'Glossary of the Terms used in Financial Statements' provides the necessary guidance to the preparers as well as users of the financial statements regarding various terms used in financial statements and the objective of this publication is to facilitate a broad and basic understanding of the various terms used as well as to promote consistency and uniformity in their usage.

The financial statements are used by investors, market analysts, and creditors to evaluate a company's financial health and earnings potential. In the present day era, the financial statements are the effective way of communication for entities to disseminate information to the various stakeholders and users therefore the terms should be used in the financial statements consistently and uniformly to the extent possible so that they are understood by the users in the same sense in which they are used by the preparers.

I would like to compliment CA. Babu Abraham Kallivayalil, Chairman, Research Committee, CA. Satish Kumar Gupta, Vice-Chairman and other members of the Research Committee for their efforts and bringing this publication.

I am confident that this Glossary will be immensely useful to the members and also to others users of financial statements.

New Delhi
June 28, 2019

CA. Prafulla P. Chhajer
President

Preface

Financial statements are formal records that convey the business activities, position of business and the financial performance of a Company. Financial statements of a Company perform several important functions. Firstly, they reflect the true state of affairs of the company. They also help in understanding important financial information. From shareholders and investors to government and creditors, many stakeholders rely on them. The objective of financial statements is to provide information about the financial position, financial performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions.

It is therefore important that efforts are made to make the financial statements as effective means of communication as possible. This requires, inter alia, that the terms used in financial statements should be consistently and uniformly followed. The present 'Guidance Note on Terms used in Financial Statements', clarifies these terms with a view to facilitate their broad and basic understanding as well as to promote consistency and uniformity in their usage. The Glossary does not purport to be a rigid dictionary of accounting nor has any attempt been made to describe the accounting methods and procedures. The definitions covered in this glossary are taken from Accounting Standards as on April 1, 2019 (Appendix A) and the Companies Act, 2013.

I would like to thank all members of the Research Committee especially Vice-Chairman, CA. Satish Kumar Gupta. I also compliment CA. Vidhyadhar Kulkarni, Technical Consultant, CA. Ashok Kapoor, Secretary, Research Committee and CA. Amit Agarwal, Sr. Executive Officer for their invaluable contribution in preparation of the Glossary.

I am confident that this Glossary of the Terms used in Financial Statements will be immensely useful not only to the members but also to all concerned with the Financial Statements.

New Delhi
June 25, 2019

CA. Babu Abraham Kallivayalil
Chairman, Research Committee

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