UNIT 2: IMPORTANT DEFINITIONS

Following are the definitions of some of the important terms used across the chapter.

- **Associate:** An associate is an entity over which the investor has significant influence.
- **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.
- **Control over an investee:** An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- **Group:** A parent and its subsidiaries.
- **Joint arrangement**: A joint arrangement is an arrangement of which two or more parties have joint control.
- **Joint control:** Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
- **Joint operation:** A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- **Joint venture:** A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
- **Non-controlling interest:** Equity in a subsidiary not attributable, directly or indirectly, to a parent.
- **Parent:** An entity that controls one or more entities.
- **Power:** Existing rights that give the current ability to direct the relevant activities.
- **Separate financial statements:** Separate financial statements are those presented by a parent (i.e. an investor with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with Ind AS 109 *'Financial Instruments'*.
- **Significant influence:** Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.
- **Subsidiary:** An entity that is controlled by another entity.

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