



Glossary of terms

Glossary of terms

The purpose of the glossary is to provide a general meaning for terms used in Part 1 and Part 2 of the Consultation Paper as well as other resources related to the IFR4NPO project. This is to enable readers from all over the world have a common understanding of terms used and to be able to engage with the issues and questions raised. The terms used and explained in this glossary are not intended to be used as definitions, since many have specific meanings in different jurisdictions and in national and international accounting and other professional frameworks.

Term	Plain English description
Accountability	The requirement to be answerable for policies, decisions and actions to external stakeholders.
Accountability arrangements	Arrangements put in place to enable an individual or entity be held accountable.
Accounting basis	The method used to determine when transactions are recognised in the accounts. It will either be cash, accruals, or modified cash.
Accounting standards	A set of common principles and procedures used for accounting.
Accrual based information	Recognition of a transaction in the accounts based on when the event to which it relates occurs rather than when cash is received or paid, eg expenditure on electricity would be recognised as electricity is used by an organisation and not only when the bill is paid.
Advisory groups	Groups established by the IFR4NPO project to review and comment on the development of project materials. Details of members can be found at www.ifr4npo.org .
Agency/principal relationship	When an entity acts on behalf of another entity it is an agent and is acting on behalf of the principal. The agent has no decision-making powers over the goods, assets or services provided by the principal to the end entity.
Asset	A resource that an individual or entity owns or controls as a result of a past event.
Assurance	An evaluation or measurement against set criteria that is designed to provide confidence over the item being evaluated.
Benefits	Outcomes that are advantageous to an organisation and/or its stakeholders. These can be of an economic, social, or environmental nature.
Business model	The way in which an organisation transforms its inputs into outputs and outcomes to achieve its purposes.
Cash	Cash is physical currency held by an entity and deposits available on demand.
Cash based information	Shows information that reflects when cash is paid or received.
Cash flow statement	Financial statement showing how cash has been received and used during a reporting period.
Conceptual framework	Describes the objectives and concepts used in developing accounting standards that enable general purpose financial reporting.

Term	Plain English description
Concessionary loans	Loans that are granted on below market terms.
Condition	An event or activity specified by a resource provider that must occur for an entity to be entitled to utilise an asset provided to it. If this does not take place the asset must be returned to the resource provider.
Control	Control exists when an entity benefits from its involvement in and power over another entity or asset.
Country champion	Individuals appointed by the IFR4NPO project to assist the project team in engaging with individual jurisdictions. For details about the country champions go to www.ifr4npo.org .
Direct costs	Costs wholly and explicitly spent on a product, service or operational activity.
Disclosure	Additional information provided in the financial statements that provides further detail of amounts in the financial statements or provide the user with useful information.
Donors	Providers of cash or other resources to non-profit organisations without the expectation of anything of equal value to their direct benefit in return.
Donation	Cash or other resources provided to non-profit organisations without the expectation of anything of equal value to their direct benefit in return.
Economy	Minimising the cost of inputs while ensuring quality levels.
Effectiveness	The relationship between an organisation's results and service performance objectives.
Efficiency	How an organisation turns inputs into outputs/outcomes that shows the amount of inputs needed to produce outputs/outcomes.
Equity instrument	A contractual financial interest in the net assets of another entity, for example a shareholding.
Expenditure by function	Expenditure categorised by purpose or activity, eg education, sanitation, advocacy.
Expenditure by nature	Expenditure categorised by type of expenditure, eg employee costs, rent, etc.
Expense	Costs incurred by an entity.
External audit	An independent review of an organisation's financial statements carried out to give assurance to external stakeholders by licensed practitioners.
Fair value	The amount for which an asset, good or service could be sold to a third party in an arm's length transaction.
Financial assets	These are cash or equity instruments held or a contractual right to receive such items. Financial assets include items such as debtors and financial shares held by an entity in other entities.
Financial management	The system that an organisation has to plan, direct and control financial resources to achieve its purposes efficiently and effectively.
Funder	An organisation that provides the majority of the funding for a project, programme or NPO often in accordance with an agreement.

Term	Plain English description
Fundraising costs	Sum of expenditure spent on fundraising activities to generate revenue, rather than on delivering goods and services for service users, or management and administration activities.
Generally Accepted Accounting Principles (GAAP)	A collection of commonly followed accounting rules and standards for financial reporting.
General Purpose Financial Reports (GPFRs)	A set of financial statements with narrative reports prepared under generally accepted accounting principles to provide information that is useful to users for accountability and decision-making purposes.
General Purpose Financial Statements (GPFS)	A set of financial statements prepared using generally accepted accounting principles. They comprise the statement of financial position (balance sheet), statement of financial performance (income statement), statement of changes in equity, and cash flow statement. They show what an entity owns, what it owes, its costs and revenues, and related cash flows.
Gifts in-kind	A physical item such as equipment and stock provided as a donation to an entity.
Good Financial Grant Practice (GFGP) Standard	A Standard developed by the African Academy of Sciences to standardise, simplify and strengthen the financial governance of grant funding.
Governance	Comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
Governing body	The person(s) or group responsible for overseeing an organisation's overall activities, including strategic direction, operations and accountability.
Grant expense	Cash or assets (resources) provided by one entity as a result of a formal application for resources to another for a defined purpose.
Grant revenue	Cash or assets (resources) received by one entity as a result of a formal application for resources for a defined purpose. Access to the resources may depend on completing defined activities. Grant revenues do not result in a direct/personal benefit to the resource provider.
Gross basis	Expenses are presented in full and are not subtracted from any related revenue.
Heritage assets	Assets or collections held by an entity that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.
Historical cost	The amount an item cost when it was bought or developed.
Impairment	A reduction in what an asset is worth or is able to produce as a result of changes in economic conditions or misuse.
Income statement	Alternative name for the statement that shows an entity's revenue and expenditure over a period.
Indirect costs	Costs that are not spent on a specific product, service or operational activity but apply to a number of activities, for example general administrative activities.

Term	Plain English description
Input(s)	Resources used to generate and deliver goods and services to achieve intended outcomes.
Intangible assets	Non-financial assets that do not have a physical form, eg software licenses.
Integrated report/ integrated reporting	Integrated reports explain how an organisation creates values over time by providing insight about the resources and relationships used and affected by an organisation.
Integrity	To display integrity, individuals should not act or take decisions to gain financial or other material benefits for themselves, their family, or their friends.
Internal control	Systems or processes in an organisation used to manage, measure and mitigate risks and report on them.
International Financial Reporting Standards (IFRS)	A set of accounting standards developed by the International Accounting Standards Board (IASB) for use by profit making private sector organisations internationally.
IFRS for SMEs Standard	A standalone standard developed by the International Accounting Standards Board (IASB) based on the principles in full IFRS Standards but tailored for entities that do not trade on a public market (eg a stock exchange).
International Public Sector Accounting Standards (IPSAS)	A set of accounting standards developed by the International Public Sector Accounting Standards Board (IPSASB) for use by government and public sector organisations internationally.
Jurisdiction	An administrative area where there are a set of laws and regulations under the control of a government.
Liability	An amount that an entity owes today resulting from something that happened in the past.
Management commentary	Additional information that is provided to supplement the financial statement information.
Market entities	Entities that charge economically significant prices for all or almost all of the goods and services they produce
Material/materiality	A matter is material if it could substantially affect the organisation's ability to show or create value in the short, medium or long term.
Measurement	The means to ascribe a monetary value to something that is recognised in the financial statements.
Modified cash-based information	Shows information where most transactions are included in the accounts when cash is received or paid, not when the event happened. Some assets and/or liabilities are also included in the financial information, at the discretion of each entity.
Money Where it Counts (MWiC)	An initiative intended to provide an international, harmonised and simplified approach to costing of projects and activities carried out by non-profit organisations.
Narrative reporting	Information provided about an organisation's objectives, strategies, and risks, and how it has used resources to achieve outcomes.
Net basis	Expenses are subtracted from any related revenue.

Term	Plain English description
Net financial position	The difference between an entity's assets and liabilities. May sometimes also be referred to as net assets.
Non-exchange transactions	Where an organisation receives something of value from another party without having to directly provide something to them of equal value in return eg a donation of cash from an individual to a non-profit organisation can be used to provide services to others.
Non-financial assets	Assets that an entity controls like buildings or software that have service potential or can provide other economic benefits. Excludes financial assets such as cash and debtors.
Non-financial reporting	Additional information that is provided to supplement and complement the financial statement information.
Non-market entities	Entities that provide their outputs free or at economically insignificant prices.
Non-profit organisation	An entity that displays the following characteristics: <ul style="list-style-type: none"> • has the primary objective of delivering goods and/or services for the general public, community or social benefit • utilises any financial surpluses to further its primary objective • often has financially significant funding through donations and grants.
Outcome(s)	An organisation's impact on its service user or civil society as a result of its operations and its outputs.
Output(s)	The goods or services provided by an organisation.
Performance	An organisation's achievements relative to its purposes, strategic objectives and its outcomes.
Performance indicators	Quantitative or qualitative measures used to determine how an organisation is using its resources, providing services, and achieving its objectives.
Performance obligation	A promise to transfer to a customer a distinct good or service once conditions defined in an agreement have been fulfilled.
Present obligation	This arises where an organisation must settle amounts owed to individuals/entities in the future because of events that happened in the past.
Private corporations	Entities not controlled by governments.
Public benefit entity	An entity whose primary objective is to deliver goods and/or services for society rather than to make a profit.
Public corporations	Market entities controlled by governments.
Public interest	In relation to any action, decision, or policy made by an organisation the consideration of the impact on society.
Recognition	When items are included in an entity's financial statements at a monetary value.
Reporting date	The last day of the reporting period to which the financial statements relate.
Reporting entity	An individual organisation, programme or identifiable area of activity that prepares financial reports.

Term	Plain English description
Reporting period	The time between the start and end date of the period to which the financial statements relate, generally one year.
Reporting process	The people and activities involved in the preparation, review, approval, audit, analysis, and distribution of an organisation's reports.
Reserves	An entity's accumulated surpluses and often used to refer to general reserves which may be used for any purpose. Can also relate to amounts held for specific purposes defined by an organisation or that are restricted based on the original source of the revenue that generated the surplus.
Resource providers	Those that provide financial and other resources to an organisation.
Restriction	A limitation by a resource provider on the purposes to which an asset it has provided can be used.
Revenue	Incoming resources accounted for by an entity.
Risk	The effect of uncertainty on outcomes, which can be positive or negative.
Risk management	Coordinated activities to direct and control an organisation about risk.
Service delivery objectives	Objectives to deliver goods and/or services for the general public, community or social benefit and not to generate a financial return for resource providers.
Service performance reporting	A report that sets out the outcomes an entity seeks to achieve, what it actually achieved, and the goods and services provided during the reporting period.
Service potential	The capacity of an asset to provide services that contribute to achieving the entity's purposes and/or objectives.
Service users	Those reliant on the goods and services provided by an organisation.
Services-in-kind	Donations of time and/or services by individuals or organisations to an entity.
Stakeholder	Any person, group, or organisation that has an interest in an organisation's activities, resources, or output, or that is affected by that output.
Statement of changes in net assets/equity	Financial statement that shows changes in an entity's net assets.
Statement of comprehensive income	Financial statement that shows an entity's revenue and expenditure over a period in one section and an additional section that shows other changes from movements in reserves.
Statement of financial performance	Financial statement that shows an entity's revenue and expenditure over a period.
Statement of financial position	Financial statement that shows an entity's assets and liabilities at a point in time.
Stipulation	A limitation by a resource provider on the use of an asset that it has provided as a result of law, regulation or binding contract.
Strategy	Long-term, impact focused plan or policy.
Stewardship	Responsible planning, management, and accountability of the use and custody of an organisation's resources.

Term	Plain English description
Sustainability	The capacity of an organisation to meet its outcomes while living within its resource limits in the short, medium and long term.
Tangible assets	Non-financial assets that have physical form, eg property and equipment.
Transparency	Openness about the outcomes an organisation is pursuing, the way those outcomes are achieved, the resources necessary or used, and the performance achieved.
Useful information	Information that is relevant to users and faithfully represents what it purports to represent. The usefulness of information is enhanced if it is comparable, verifiable, timely, and understandable.
Value for money	Achieving value for money is often described in terms of economy, efficiency and effectiveness.
Value in use	The present value of an asset's remaining service potential (being the capacity of an asset to provide services that contribute to achieving the entity's purposes and/or objectives) or the estimated future cash flows derived from its use and disposal.
Voluntary Funding	Resources provided freely to an NPO without any expectation of anything directly in return as opposed to taxes which are a compulsory form of public funding.