Following are the key definitions, as per Ind AS, commonly used in the chapter. These definitions will help to understand the chapter and will provide an easy and direct reference to the concepts discussed hereafter.

1. **Associate**
   An associate is an entity over which the investor has significant influence.

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

3. **Control of 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.

4. **Equity method**
   The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s profit or loss includes its share of the investee’s profit or loss and the investor’s other comprehensive income includes its share of the investee’s other comprehensive income.

5. **Group**
   A parent and its subsidiaries.

6. **Investment entity**
   An entity that:
   - obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
   - commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
   - measures and evaluates the performance of substantially all of its investments on a fair value basis.

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7. **Joint arrangement**
   A joint arrangement is an arrangement of which two or more parties have joint control.

8. **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.

9. **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.

10. **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.

11. **Joint venturer**
    A joint venturer is a party to a joint venture that has joint control of that joint venture.

12. **Non–controlling interest**
    Equity in a subsidiary not attributable, directly or indirectly, to a parent.

13. **Parent**
    An entity that controls one or more entities.

14. **Power**
    Existing rights that give the current ability to direct the relevant activities.

**Examples of indicators relating to practical ability to direct the investee:**

- Non-contractual ability to appoint investees KMP
- Non-contractual ability to direct investee to enter into significant transactions or veto such transactions.
- Ability to dominate the nomination of members to investees governing body.
- Investees KMP or majority of governing body are related parties to investor (for example investee and investor share the same CEO)
15. **Substantive rights**

Substantive rights are those rights that an investor holds that gives it current ability to direct the investee’s relevant activities. In order for a right to be substantive, the holder must have the practical ability to exercise the right.

**Examples of substantive rights:**
- Voting rights held by the majority shareholder giving it the current ability to unilaterally direct relevant activities.

16. **Protective rights**

Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

An investor that only holds protective rights, which meet this definition, has no power over an investee and consequently does not control the investee.

**Examples of protective rights are:**
- A lender’s right to restrict borrower’s activities (if these could change credit risk significantly to the detriment of the lender)
- Capital expenditure greater than that required in the ordinary course of business requiring approval by non-controlling interest holders
- Issue of debt or equity instruments requiring approval by non-controlling interest holders
- A lender’s right to seize assets of a borrower in the event of default.

17. **Relevant activities**

For the purpose of this Ind AS, relevant activities are activities of the investee that significantly affect the investee’s returns.

18. **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.

19. **Separate vehicle**

A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.
20. **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.

21. **Structured entity**

An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

22. **Subsidiary**

An entity that is controlled by another entity.