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Chapter 1 : 30 Basic Accounting Terms, Acronyms and Abbreviations Students Should Know | Rasmussen

Cost and Management Accounting Terms Defined with some Examples and Links for more information. Activity cost - Cost associated with different types, or levels of activities.

Create a Job Alert -Have jobs e-mailed directly to you. Resume Distribution -Post your resume to over 85 job boards automatically. Resume Writing Service -Have our experts create a job-winning resume. Accounting Schools -Earn your accounting or advanced degree. Salary Reviews -Take an inside look at peer salary and company reviews. Education Center -All the education resources you need to stay competitive. If we are missing something please submit us your terms and we will add it to our list right away. Email to info accountingjobstoday. If a reasonable person could not reach such a conclusion regarding a particular misstatement, that misstatement is more than inconsequential. Abatement - complete removal of an amount due, usually referring to a tax abatement a penalty abatement or an interest abatement within a governing agency. Account - Formal record that represents, in words, money or other unit of measurement, certain resources, claims to such resources, transactions or other events that result in changes to those resources and claims. Accountable Plan - An accountable plan is any reimbursement or other expense allowance arrangement of an employer that meets all of the following requirements therefore excluding it from gross w-2 earned income and tax: Accountant - Person skilled in the recording and reporting of financial transactions. Expenses are recognized when incurred rather than when paid. Additions might include improvements to the property and subtractions may include depreciation or depletion. Adjusted Gross Income - Gross income reduced by business and other specified expenses of individual taxpayers. The amount of adjusted gross income affects the extent to which medical expenses, non business casualty and theft losses and charitable contributions may be deductible. It is also an important figure in the basis of many other individual planning issues as well as a key line item on the IRS form and required state forms. Adjusting Journal Entry - An accounting entry made into a subsidiary ledger called the General journal to account for a periods changes, omissions or other financial data required to be reported "in the books" but not usually posted to the journals used for typical period transactions the cash receipts journal, cash disbursements journal, the payroll journal, sales journal and so on the entry is posted to the general ledger accounts directly and usually will be numbered itself, dated and have an explanation. The auditor will issue an adverse opinion when there is an existence of a material weakness on the effectiveness of internal control over financial reporting. Affiliated Company - Company, or other organization related through common ownership, common control of management or owners, or through some other control mechanism, such as a long-term LEASE. Agency Fund - Fund consisting of ASSETS where the holder agrees to remit the assets, income from the assets, or both, to a specified beneficiary in due course or at a specified time. Alternative Dispute Resolution - An alternative to formal litigation which includes techniques such as arbitration, mediation, and a non-binding summary jury trial. American Depository Receipts ADRs - Receipts for shares of foreign company stock maintained by an intermediary indicating ownership. The AICPA establishes ethical and auditing standards as well as standards for other services performed by its members. Through committees, it develops guidance for specialized industries. Analytical Procedures - Substantive tests of financial information which examine relationships among data as a means of obtaining evidence. Annuity - Series of payments, usually payable at specified time intervals. Assembly of Financial Statements - The providing of various accounting or data-processing services by an accountant, the output of which is in the form of financial statements ostensibly to be used solely for internal management purposes. Asset - An economic resource that is expected to be of benefit in the future. Probable future economic benefits obtained as a result of past transactions or events. Anything of value to which the firm has a legal claim. Any owned tangible or intangible object having economic value useful to the owner. Top of Page B Backup Withholding - Payors of interest, dividends and other reportable payments must withhold income tax equal at a rate equal to the fourth lowest rate applicable to single filers if they fail to supply a federal id or if they fail to certify that they are not subject to it. Bequest - A gift by will of personal property. If the bequest is money to the extent it is paid out of income from property it is taxable to the recipient. These laws are coordinated with federal acts. Board of Directors - Individuals responsible for overseeing the affairs of an entity, including the election of its officers. Boot - The no technical term used by some to describe any cash or other property that is received in exchange of property that would be otherwise nontaxable. Business Combinations - Combining of two entities. Business Segment - Any division of an organization authorized to operate, within prescribed or otherwise established limitations, under substantial control by its own management. Top of Page C Cafeteria Plan - A benefit plan maintained by an employer for the benefit of the employees under which each participant has the opportunity to select the benefits they desire. Certain minimum choices and nondiscriminatory rules apply. Call Loan - Loan repayable on demand. Cap - To limit. Capital gains have historically been taxed at a lower rate than ordinary income. Expenditures that are written off during two or more accounting periods. Capital Projects Funds - Funds used by a not-for-profit organization to account for all resources used for the development of a land improvement or building addition or renovation. Carryovers - Provision of tax law that allows current losses or certain tax credits to be utilized in the tax returns of future periods. Cash Flows - Net of cash receipts and cash disbursements relating to a particular activity during a specified accounting period. Casualty Loss - Any loss of an asset due to fire storm act of nature causing asset damage from unexpected or accidental force. Generally it is deductible regardless of whether it is business or personal. Certificate of Deposit CD - Formal instrument issued by a bank upon the deposit of funds which may not be withdrawn for a specified time period. Typically, an early withdrawal will incur a penalty. Certified Financial Planner CFP - Individual who is trained to develop and implement financial plans for individuals, businesses, and organizations, utilizing knowledge of income and estate tax, investments, risk management analysis and retirement planning. CFPs are certified after completing a series of requirements that include education, experience, ethics and an exam. CFPs are not regulated by a governmental authority. Certified Management Accountant CMA - An accreditation conferred by the Institute of Management Accountants that indicates the designee has passed an examination and attained certain levels of education and experience in the practice of accounting in the private sector. Claim for Refund - A refund is not automatically mailed if one is due. A taxpayer, whether business or individual, must file a request on a form. It must also be filed within the timeframe allotted or the refund may be lost. An individual can claim a refund back to whatever year it was due but it will only be paid three years back or less. Characteristics of CMO residuals vary greatly and can be extremely complex in nature. Committee of Sponsoring Organizations of the Treadway Commission COSO - An alliance of five professional organizations dedicated to disseminating appropriate internal control standards. Company Level Controls - Controls that exist at the company level that have an impact on controls at the process, transaction, or application level. Compensatory Balance - Funds that a borrower must keep on deposit as required by a bank. Compliance Audit - Review of financial records to determine whether the entity is complying with specific procedures or rules. Complex Trust - A trust that is to be distinguished from a simple trust in the fact that it permits accumulation or distribution of current income during the tax year and provides for charitable contributions. Compound Interest Principles - Interest computed on principal plus interest earned in previous periods. Comprehensive Income - Change in EQUITY of a business enterprise during a period from transactions and other events and circumstances from sources not shown in the income statement. Conservatism - An investment strategy aimed at long-term capital appreciation with low risk; moderate; cautious; opposite of aggressive behavior; show possible losses but wait for actual profits. Concept which directs the least favorable effect on net income. Constructive Receipt - A taxpayer is considered to have received the income even though the monies are not in hand, it may have been set aside or otherwise made available. An example is interest on a bank account. Continuing Operations - Portion of a business entity expected to remain active. Generally established to reduce the other account to amounts that can be realized or collected. Control Deficiency - This exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Controls Tests - Tests directed toward the design or operation of an internal control structure policy or procedure to assess its effectiveness in preventing or detecting material misstatements in a financial report. Corporation - Form of doing business pursuant to a charter granted by a state or federal government. Cost Accounting - Procedures used for rationally classifying, recording, and allocating current or predicted costs that relate to a certain product or production process. Generally used only when the total amount of collections is highly uncertain. Coverdell Education Savings Account Education IRA - A tax exempt trust exclusively for the purpose of paying qualified higher education costs of the trusts designated beneficiary. Credit Agreement - Arrangement in which one party borrows or takes possession in the present by promising to pay in the future. Current Asset - ASSET that one can reasonably expect to convert into cash, sell, or consume in operations within a single operating cycle, or within a year if more than one cycle is completed each year. Death Benefit - Amounts received under a life insurance contract and paid by reason of the death of the insured. Although most death benefits are paid at termination of life, certain plans now pay accelerated death benefits while the insured is still alive, i. Decedent - Individual who has died. Defalcation - To misuse or embezzle funds. Default - Failure to meet any financial obligation. Defeasance - Annulment of a contract or deed; a clause within a contract or deed that provides for annulment. Deferred Income - Income received but not earned until all events have occurred. Deficiency in Design - This exists when a control necessary to meet the control objective is missing or an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. Deficiency in Operation - This exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively. Demand Loan - Loan repayable on demand. Dependent Care Expenses - Qualified child care expenses will allow a taxpayer this computed credit against tax. The amounts can be found on the individual forms as the limitations and computation may change each tax year. Derivatives - Financial instruments whose value varies with the value of an underlying asset such as a stock, BOND, commodity or currency or index such as interest rates. Financial instruments whose characteristics and value depend on the characterization of an underlying instrument or asset. Detective Controls - These have the objective of detecting errors or fraud that have already occurred that could result in a misstatement of the financial statements.

Chapter 2 : Accounting Terms & Terminology | AccountingJobsToday

Glossary of management accounting terms The definition of one word or phrase may depend on understanding another word or phrase defined elsewhere in the reference list. Words in bold indicate that such a definition is available.

Provided by James R. Management And Accounting Web. Activity cost - Cost associated with different types, or levels of activities. Unit level, batch level, product level, customer level and business level. Appraisal Cost - The cost of testing and inspecting both the materials and finished products. Asset - An unexpired cost. An object with expected future benefits. Inventory, book value or undepreciated cost of buildings and equipment. Average Cost - Usually refers to the mean of a category of costs. The unit cost of a product that flows through a production process. Batch Level Cost - Cost of an activity that is required or performed each time a batch of products or services is produced. Setting up the production line to produce a batch of product X. Also inspecting the batch, moving the batch etc. Business or facility Level or Sustaining Cost - Cost associated with maintaining the business and facilities. Maintenance, housekeeping, and administrative functions. By-Products - By-products are a sub-category of joint products that have relatively insignificant sales values as a proportion of the value of the entire group from which they are derived. Typically none of the joint cost is assigned to the by-products. Capacity Related Cost - Cost that are based on the amount acquired rather than the amount used. Can be direct or indirect, but are fixed in the short run. Depreciation on buildings and equipment. Capacity Related Resource - Resources purchased in advance. Resources that generate cost based on the amount acquired rather than the amount used. The price of any resource. Cost Accumulation Method - Cost accumulation refers to the manner in which costs are collected and identified with specific customers, jobs, batches, orders, departments and processes. Cost Flow Assumption - A cost flow assumption refers to how costs flow through the inventory accounts, not the flow of work or products on a production line. The various types of cost flow assumptions include: Cost Object - Any segment or element for which cost information is desired. A product, service, project, activity, department, division, or customer, etc. Customer Level Cost - Cost of an activity that is required or performed to support a specific customer. Sales calls, installation of a product and technical support. Direct Cost - Cost used by a single cost object. Note that the definition of a cost as direct or indirect changes if the cost object changes. A cost that would be eliminated if the cost object is eliminated. Discretionary Cost - Can be increased or decreased at the discretion of the decision maker. Advertising, employee training, research and development, preventive maintenance. Expense - An expired cost. Cost of goods sold. An expense such as cost of goods sold. Fixed Cost - A cost that does not change or vary with changes in the activity level. Flexible Cost - Cost of flexible resources. Cost that vary in proportion to the amount used. Direct material costs, i. Flexible Resource- Resources that generate cost in proportion to the amount used. Full Cost - Direct plus indirect cost. Variable plus a share of the fixed costs. GAAP product costs is considered full costs although this is misleading because it does not include non-manufacturing costs. Future Cost - Estimated costs. Historical Cost - Recorded costs. Sometimes referred to as actual cost, but this is misleading because the cost recorded depends on the accounting alternative chosen. Any costs that are recorded such as labor costs, materials costs, depreciation etc. For example, accounting alternatives for depreciation include straight line and several accelerated methods. Incremental Cost - Cost of one more item, unit or customer. Cost of one more passenger on an airline. Implicit Cost - Unstated and unrecorded cost. Indirect Cost - Cost that is common or shared by more than one cost object. Inventory Cost - See Product costs. Inventory Valuation Mehod - Inventory valuation refers to how product costs are assigned to the inventory. Note that inventory valuation refers to book value, not market value. Inventory valuation methods include throughput costing, direct costing, full absorption costing, and activity base costing. Joint Costs - Joint costs refers to the costs associated with producing a group of joint products prior to the point of separation. The cost associated with a hog prior to the time it becomes various products. Joint Products - Joint products refers to a group of products that are produced simultaneously by a common process. The products obtained from a hog such as the chops, ham, and bacon are joint products. The life cycle cost of a product include:

Chapter 3 : Management accounting - Wikipedia

Basic accounting terms, acronyms, abbreviations and concepts to remember Check out these basic accounting terms and start to commit them to memory. That way, when you start your degree journey, you'll already feel like you're a step ahead and speaking the language.

Should you wish to add other appropriate terms to it, please contact hrinz hrinz. Used as a parable to illustrate the dangers of organisational groupthink where the inclination to conform to the action of others takes priority over independent, rational decision-making processes. Accounts Payable The monies the company owes for goods or services received, but not yet paid for. Acid test ratio Current assets - current liabilities. Acquisition One firm gains a controlling interest in another. Arbitration Referral of a dispute to a third party for settlement or advice; method of settling an industrial dispute where a third party renders a binding decision. Attrition Decrease in total employment of an organisation or industry through the normal course of events such as resignation, retirement or death. Balanced Scorecard A strategic, measurement-based management system, originated by Robert Kaplan and David Norton, which provides a method of aligning business activities to the strategy, and monitoring performance of strategic goals over time. Barriers to entry Barriers to entry are those things that make it difficult for a new company to compete against companies already established in the field. Examples include such things as patents, trademarks, copyrighted technology, and a dominant brand. Bureaucratic theory This is the contribution to classical management theory from the German academic Max Weber - Buy Back The repurchase by a company of some or all of its shares from an investor, who acquired them by putting venture capital into the company when it was formed. May also occur when a company buys back the shares in a public company so that it becomes privately owned again. Buy Out The purchase of the ownership, controlling interest, shares etc of a company. May also occur when a company is sold to its top managers. Coalface The place where the actual physical work gets done as opposed to managing and administration. Compensation Compensation for injury to an employee arising out of and in the course of employment that is paid to the worker or dependents by an employer whose strict liability for such compensation is established by statute. Control The measurement and correction of the performance of subordinates to ensure that organisational objectives and the plans for attaining them are being met. See Management information systems. Its core strengths and abilities. Cost Benefit Anaylsis Calculation of the estimated costs and gains from an anticipated strategic decision. Cost Centre Unit of firm measured by its variance from budget. Due Diligence The process of enquiry made during a merger and acquisition and by the purchaser as to the various financial, logistical and legal matters involved in such a transaction. Economies of scale and scope Scale: Efficiency Ration of outputs to inputs. Efficiency increases when costs of inputs are reduced or value of outputs are increased. Ethics Standards of conduct, moral judgement. Expected Value The estimated or assessed cost or benefit of some action, proposal or event multiplied by the expected probability of it occurring. Planning; Organising; Motivating; Controlling; Co-ordinating. Fiduciary responsibility Holding or investing of property or assets that have been entrusted to an individual or organisation for a beneficiary. They include facilities, equipment, and real property. They include salaries, rent, insurance, etc. This is part of the planning process and is an early method of scheduling Goodwill Used exclusively for accounting and financial purposes. It is the vague and arguable excess value of a business or asset over its net worth usually intangible. Gross Profit Gross Profit equals sales revenue minus the cost of goods sold. Hostile Takeover Acquisition of a company which opposes the transaction. Human relations-orientated theory Contributed by Elton Mayo - Insider Trading Trading in a security buying or selling a stock based on material information that is not available to the general public. It is distinguished from capital property. Intervention Used in Organisational Development to describe the range of activities by the client and consultant during an organisation development programme. Job Charasteristics A manager should analyse the job content along five dimensions: Job Design This aspect of management is part of organisation structure. Job Enrichment Involving the assignment of more decision-making responsibilities to the worker. Job Rotation and Enlargement A reaction against job specialisation. Linked to the Human Relations School. Job Specialisation

A process of reducing the job content. There will be minimal variety. Leadership Theories The following represent the leading exponents of leadership theory: Organisations usually have invested much money and effort in them and are often unwilling or unable to replace them. If Net Income is positive it is also called Net Profit. Non-disclosure Agreement A Non-disclosure Agreement is a legal contract that allows a company to share its intellectual property IP with others, whose input it needs, without unduly jeopardizing that information. Management The achievement of objectives by identifying and utilising material and human resources. Management information systems See Control. The exercise of control depends on the collection of sufficiently accurate and timely information. Manager Anyone who holds a senior level in a particular organisation. Matrix Organisation The development of project organisation. Merger A combination of two or more firms into one operational entity. Subjective side is a condition in the individual, which is called a need, a drive or a desire; Objective side is an object outside the individual, which may be called the incentive or goal. When the natures of the need and the incentive are such that obtaining the incentive satisfies the need, we call the situation motivating. Nonprofit organisation An organisation established solely for providing a service, not for making a profit. Objectives Peter Drucker in The Practice of Management cites eight key areas in which objectives of performance and results should be set: Market standing; Innovation; Productivity; Physical and financial resources; Profitability; Manager performance and development; Work performance and attitude, and; Public responsibility. Organisational Development planned, organisation-wide effort, managed from the top, to increase organisational effectiveness through planned interventions in the organisation process using behavioural science knowledge. Outcome A description of the intended result, effect, or consequence that will occur from carrying out a program or activity. A long-term, ultimate measure of success or strategic effectiveness. Outplacement Assistance provided to employees who are losing their jobs. Performance Indicator A particular value or characteristic used to measure output or outcome. Peripheral technology Proprietary knowledge of a firm that is not related to its most important product or service. Once this occurs there is no further promotion. Planning and Control There are two techniques used widely by management for planning and control: Reward power is the capability to offer something of value, a positive outcome, as a means of controlling other people. Coercive power is the capability to punish or withhold positive outcomes as a means of controlling other people. Legitimate power is the capability to control other people by virtue of the rights of office. Profit Centre Unit the firm controls measures by its profit or loss performance. It is calculated as Net Profit divided by Net Worth, and expressed as a percentage. Scientific Management Classical-orientated theories associated with Frederick Winslow Taylor - Strategy An ongoing programme of activity which is designed to help an organisation or an individual achieve goals and objectives. A corporate strategy can be evaluated on six basic criteria: Internal consistency; Consistency with the environment; Appropriateness in the light of available resources; An acceptable degree of risk; An appropriate time horizon; Feasibility of the strategy. Systems Management Maintaining an information system; may involve system analysis, design, application development and implementation. Test Marketing Introducing new product in a limited area to reduce the financial risk of a full introduction and to determine its likely acceptance in the market. Total Quality Management TQM is concerned with quality right throughout the organisation, not just at the production stage. Value Chain All the activities that a firm uses to design, produce, market, deliver and support its product. Variable Costs Expenses that vary based on production volumes. They include material, labour, production utilities, etc. Virtual Reality Computer-generated simulation of reality in which users can interact with the use of specialised peripherals. Vision Long-term goal of strategy. What an organisation is and wants to become. Working Capital The funds tied up in such things as inventories and debtors as distinct from fixed assets such as building and plant.

Chapter 4 : Glossary of Management Terms

Definition: Management accounting, also called managerial accounting or cost accounting, is the process of analyzing business costs and operations to prepare internal financial report, records, and account to aid managers' decision making process in achieving business goals. In other words, it is the act of making sense of financial and.

The following is a glossary of words and phrases crucial to the accounting profession. Accounting - The systematic recording, reporting, and analysis of financial transactions of a business. Accounting allows a company to analyze the financial performance of the business, and look at statistics such as net profit. Asset - Any item of economic value owned by an individual or corporation, especially that which could be converted to cash. Examples are cash, securities, accounts receivable, inventory, office equipment, real estate, a car, and other property. On a balance sheet, assets are equal to the sum of liabilities, common stock, preferred stock, and retained earnings. From an accounting perspective, assets are divided into the following categories: Liability - An obligation that legally binds a company to settle a debt. When one is liable for a debt, they are responsible for paying the debt. A liability is recorded on the balance sheet and can include accounts payable, taxes, wages, accrued expenses, and deferred revenues. Current liabilities are debts payable within one year, while long-term liabilities are debts payable over a longer period. Income Statement Income Statement - An accounting of sales, expenses, and net profit for a given period. Revenue - The total amount of money received by the company for goods sold or services provided during a certain time period. Expense - Any cost of doing business resulting from revenue-generating activities. Where it went will go? Accounting Methods Accounting Method - A process used by a business to report income and expenses. Companies must choose between two methods acceptable to the IRS, cash accounting or accrual accounting. Cash Basis Accounting - An accepted form of accounting that records all revenues and expenditures at the time when payments are actually received or sent. Under the accrual method, companies do have some discretion as to when income and expenses are recognized, but there are rules governing the recognition. In addition, companies are required to make prudent estimates against revenues that are recorded but may not be received, called a bad debt expense. Other Accounting Concepts Accounts Payable - Money which a company owes to vendors for products and services purchased on credit. When accounts payable are paid off, it represents a negative cash flow for the company. Accounts Receivable - Money which is owed to a company by a customer for products and services provided on credit. This is often treated as a current asset on a balance sheet. A specific sale is generally only treated as an account receivable after the customer is sent an invoice. By InvestorGuide Staff Copyrighted

Chapter 5 : Financial Accounting

Project accounting - In project management, project accounting deals with reporting on the financial status of projects. It measures financial performance and actual costs against budgets or baselines.

Managerial accounting is associated with higher value, more predictive information. From this, data and estimates emerge. Cost accounting is the process of translating these estimates and data into knowledge that will ultimately be used to guide decision-making. Strategic management â€” advancing the role of the management accountant as a strategic partner in the organization Performance management â€” developing the practice of business decision-making and managing the performance of the organization Risk management â€” contributing to frameworks and practices for identifying, measuring, managing and reporting risks to the achievement of the objectives of the organization The Institute of Certified Management Accountants CMA states, "A management accountant applies his or her professional knowledge and skill in the preparation and presentation of financial and other decision oriented information in such a way as to assist management in the formulation of policies and in the planning and control of the operation of the undertaking". Management accountants are seen as the "value-creators" amongst the accountants. They are more concerned with forward looking and taking decisions that will affect the future of the organization, than in the historical recording and compliance score keeping aspects of the profession. Management accounting knowledge and experience can be obtained from varied fields and functions within an organization, such as information management, treasury, efficiency auditing, marketing, valuation, pricing and logistics. Please help improve this article by adding citations to reliable sources. Unsourced material may be challenged and removed. March Learn how and when to remove this template message Management accounting information differs from financial accountancy information in several ways: Financial accounting focuses on the company as a whole. Management accounting provides detailed and disaggregated information about products, individual activities, divisions, plants, operations and tasks. Traditional versus innovative practices[edit] Managerial costing time line [7] Used with permission by the author A. The distinction between traditional and innovative accounting practices is illustrated with the visual timeline see sidebar of managerial costing approaches presented at the Institute of Management Accountants Annual Conference. Traditional standard costing TSC , used in cost accounting , dates back to the s and is a central method in management accounting practiced today because it is used for financial statement reporting for the valuation of income statement and balance sheet line items such as cost of goods sold COGS and inventory valuation. Traditional standard costing must comply with generally accepted accounting principles GAAP US and actually aligns itself more with answering financial accounting requirements rather than providing solutions for management accountants. Traditional approaches limit themselves by defining cost behavior only in terms of production or sales volume. In the late s, accounting practitioners and educators were heavily criticized on the grounds that management accounting practices and, even more so, the curriculum taught to accounting students had changed little over the preceding 60 years, despite radical changes in the business environment. In , the Accounting Education Change Commission Statement Number 4 [8] calls for faculty members to expand their knowledge about the actual practice of accounting in the workplace. Variance analysis is a systematic approach to the comparison of the actual and budgeted costs of the raw materials and labour used during a production period. While some form of variance analysis is still used by most manufacturing firms, it nowadays tends to be used in conjunction with innovative techniques such as life cycle cost analysis and activity-based costing, which are designed with specific aspects of the modern business environment in mind. Both lifecycle costing and activity-based costing recognize that, in the typical modern factory, the avoidance of disruptive events such as machine breakdowns and quality control failures is of far greater importance than for example reducing the costs of raw materials. Activity-based costing also de-emphasizes direct labor as a cost driver and concentrates instead on activities that drive costs, as the provision of a service or the production of a product component. RCA has been recognized by the International Federation of Accountants IFAC as a "sophisticated approach at the upper levels of the continuum of costing techniques" [11] The approach provides the ability to derive costs directly from operational resource data or to isolate and measure unused capacity costs. RCA was derived by taking costing characteristics of GPK, and combining the use of activity-based drivers when needed, such as those used in activity-based costing. Role within a corporation[edit] Consistent with other roles in modern corporations, management accountants have a dual reporting relationship. The activities management accountants provide inclusive of forecasting and planning, performing variance analysis, reviewing and monitoring costs inherent in the business are ones that have dual accountability to both finance and the business team. Examples of tasks where accountability may be more meaningful to the business management team vs. Conversely, the preparation of certain financial reports, reconciliations of the financial data to source systems, risk and regulatory reporting will be more useful to the corporate finance team as they are charged with aggregating certain financial information from all segments of the corporation. In corporations that derive much of their profits from the information economy , such as banks, publishing houses, telecommunications companies and defence contractors, IT costs are a significant source of uncontrollable spending, which in size is often the greatest corporate cost after total compensation costs and property related costs. A function of management accounting in such organizations is to work closely with the IT department to provide IT cost transparency. Specific methodologies[edit] Activity-based costing ABC [edit] Activity-based costing was first clearly defined in by Robert S. Bruns as a chapter in their book Accounting and Management: A Field Study Perspective. They initially focused on the manufacturing industry, where increasing technology and productivity improvements have reduced the relative proportion of the direct costs of labor and materials, but have increased relative proportion of indirect costs. For example, increased automation has reduced labor, which is a direct cost, but has increased depreciation, which is an indirect cost. Grenzplankostenrechnung GPK [edit] This section may lend undue weight to certain ideas, incidents, or controversies. Please help to create a more balanced presentation. Discuss and resolve this issue before removing this message. August Main article: Grenzplankostenrechnung GPK Grenzplankostenrechnung is a German costing methodology, developed in the late s and s, designed to provide a consistent and accurate application of how managerial costs are calculated and assigned to a product or service. The term Grenzplankostenrechnung, often referred to as GPK, has best been translated as either marginal planned cost accounting [14] or flexible analytic cost planning and accounting. GPK is published in cost accounting textbooks, notably Flexible Plankostenrechnung und Deckungsbeitragsrechnung [16] and taught at German-speaking universities. Lean accounting accounting for lean enterprise [edit] Main article: Lean accounting In the mid- to lates several books were written about accounting in the lean enterprise companies implementing elements of the Toyota Production System. The term lean accounting was coined during that period. These books contest that traditional accounting methods are better suited for mass production and do not support or measure good business practices in just-in-time manufacturing and services. Resource consumption accounting RCA [edit] Main article: Resource Consumption Accounting Resource consumption accounting RCA is formally defined as a dynamic, fully integrated, principle-based, and comprehensive management accounting approach that provides managers with decision support information for enterprise optimization. Throughput accounting The most significant recent direction in managerial accounting is throughput accounting; which recognizes the interdependencies of modern production processes. For any given product, customer or supplier, it is a tool to measure the contribution per unit of constrained resource. Transfer pricing Management accounting is an applied discipline used in various industries. The specific functions and principles followed can vary based on the industry. Management accounting principles in banking are specialized but do have some common fundamental concepts used whether the industry is manufacturing-based or service-oriented. For example, transfer pricing is a concept used in manufacturing but is also applied in banking. It is a fundamental principle used in assigning value and revenue attribution to the various business units. Essentially, transfer pricing in banking is the method of assigning the interest rate risk of the bank to the various funding sources and uses of the enterprise. The treasury department will also assign funding credit to business units who bring in deposits resources to the bank. Although the funds transfer pricing process is primarily applicable to the loans and deposits of the various banking units, this proactive is applied to all assets and liabilities of the business segment. Once transfer pricing is applied and any other management accounting entries or adjustments are posted to the ledger which are usually memo accounts and are not included in the legal entity results , the business units are able to produce segment financial results which are used by both internal and external users to evaluate performance. A company may also have research and training materials available for use in a corporate owned library. This is more common in Fortune companies who have the resources to fund this type of training medium. There are also journals, online articles and blogs available. The degree of complexity relative to these activities are dependent on the experience level and abilities of any one individual. Rate and volume analysis.

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Chapter 6 : Managerial Accounting

Accounting period â€•â€• the period of time over which profits are calculated. Normal accounting Normal accounting periods are months, quarters, and years (fiscal or calendar).

This page contains essential cost accounting terms and definitions. Terms and definitions related to standard cost specifically and variance, are also included. Cost accounting â€" An area of accounting that involves measuring, recording, and reporting product costs. Cost accounting system â€" Manufacturing cost accounts that are fully integrated into the general ledger of a company. Activity-based costing â€" A cost accounting system that focuses on the activities performed in manufacturing a specific product. Job cost sheet â€" A form used to record the costs chargeable to a specific job and to determine the total and unit costs of the completed job. Job order cost system â€" A cost accounting system in which costs are assigned to each job or batch. Process cost system â€" A system of accounting used when a large quantity of similar products are manufactured. Absorption costing â€" A costing approach in which all manufacturing costs are charged to the product. Variable costing â€" A costing approach in which only variable manufacturing costs are product costs, and fixed manufacturing costs are period costs expenses. Materials requisition slip â€" A document authorizing the issuance of raw materials from the storeroom to production. Overapplied overhead â€" A situation in which overhead assigned to work in process is greater than the overhead incurred. Predetermined overhead rate â€" A rate based on the relationship between estimated annual overhead costs and expected annual operating activity, expressed in terms of a common activity base. Summary entry â€" A journal entry that summarizes the totals from multiple transactions. Time ticket â€" A document that indicates the employee, the hours worked, the account and job to be charged, and the total labor cost. Underapplied overhead â€" A situation in which overhead assigned to work in process is less than the overhead incurred. Conversion costs â€" The sum of labor costs and overhead costs. Cost driver â€" Any factor or activity that has a direct causeâ€"effect relationship with the resources consumed. Cost reconciliation schedule â€" A schedule that shows that the total costs accounted for equal the total costs to be accounted for. Equivalent units of production â€" A measure of the work done during the period, expressed in fully completed units. Just-in-time processing â€" A processing system dedicated to producing the right products or parts as they are needed. Operations costing â€" A combination of a process cost and a job order cost system, in which products are manufactured primarily by standardized methods, with some customization. Physical units â€" Actual units to be accounted for during a period, irrespective of any work performed. Process cost systems â€" An accounting system used to apply costs to similar products that are mass-produced in a continuous fashion. Production cost report â€" An internal report for management that shows both production quantity and cost data for a production department. Total units costs accounted for â€" The sum of the units costs transferred out during the period plus the units costs in process at the end of the period. Total units costs to be accounted for â€" The sum of the units costs started or transferred into production during the period plus the units costs in process at the beginning of the period. Unit production costs â€" Costs expressed in terms of equivalent units of production. Weighted-average method â€" Method used to compute equivalent units of production which considers the degree of completion weighting of the units completed and transferred out and the ending work in process. Activity index â€" The activity that causes changes in the behavior of costs. Break-even point â€" The level of activity at which total revenues equal total costs. Contribution margin CM â€" The amount of revenue remaining after deducting variable costs. Contribution margin per unit â€" The amount of revenue remaining per unit after deducting variable costs; calculated as unit selling price minus unit variable cost. Cost-volume-profit CVP graph â€" A graph showing the relationship between costs, volume, and profits. Cost-volume-profit CVP income statement â€" A statement for internal use that classifies costs as fixed or variable and reports contribution margin in the body of the statement. High-low method â€" A mathematical method that uses the total costs incurred at the high and low levels of activity to classify mixed costs into fixed and variable components. Margin of safety â€" The difference between actual or expected sales and sales at the break-even point. Target net income â€" The income objective set by management. Standard

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Cost-Variance Terms and Definitions Standard costs â€” Predetermined unit costs which companies use as measures of performance. Standard cost accounting system â€” A double-entry system of accounting in which standard costs are used in making entries and variances are recognized in the accounts. Normal standards â€” Standards based on an efficient level of performance that are attainable under expected operating conditions. Direct labor price standard â€” The rate per hour that should be incurred for direct labor. Direct labor quantity standard â€” The time that should be required to make one unit of product. Direct materials price standard â€” The cost per unit of direct materials that should be incurred. Direct materials quantity standard â€” The quantity of direct materials that should be used per unit of finished goods. Materials price variance â€” The difference between the actual quantity times the actual price and the actual quantity times the standard price for materials. Materials quantity variance â€” The difference between the actual quantity times the standard price and the standard quantity times the standard price for materials. Labor price variance â€” The difference between the actual hours times the actual rate and the actual hours times the standard rate for labor. Labor quantity variance â€” The difference between actual hours times the standard rate and standard hours times the standard rate for labor. Overhead controllable variance â€” The difference between actual overhead incurred and overhead budgeted for the standard hours allowed. Overhead volume variance â€” The difference between normal capacity hours and standard hours allowed times the fixed overhead rate. Customer perspective â€” A viewpoint employed in the balanced scorecard to evaluate the company from the perspective of those people who buy and use its products or services. Ideal standards â€” Standards based on the optimum level of performance under perfect operating conditions. Learning and growth perspective â€” A viewpoint employed in the balanced scorecard to evaluate how well a company develops and retains its employees. Normal capacity â€” The average activity output that a company should experience over the long run.

Chapter 7 : List of Key Accounting Terms and Definitions - theinnatdunvilla.com

The NYSSCPA has prepared a glossary of accounting terms for accountants and journalists who report on and interpret financial information.

Chapter 8 : Management Accounting Terminology

If you want to understand business management, this dictionary of thirty management terms will get you up to speed. Accounts Payable Simply put, an accounts payable report gives you an overview of what your business owes for supplies, inventory, and services.

Chapter 9 : What is management accounting? definition and meaning - theinnatdunvilla.com

If you want to start a business, get better at running your business, or get an accounting job, you need to know some essential financial accounting terms and concepts. The following is a glossary of words and phrases crucial to the accounting profession. Accounting - The systematic recording.