Glossary

ABC – a costing techniques that uses activity pools to store overheads, these are then traced to cost objects through the use of cost drivers.

Absorption costing – a method when all manufacturing costs are regarded as being inventoriable.

Accounting for networks – accounting for the achievement of common objectives via alliances, partnerships and other networked situations.

Accounting rate of return – a quick method of calculation the rate of return of a project – ignoring the time value of money.

Action/behavioural controls – are normally established when desirable (or undesirable) actions are known, and can also be observed in practice.

Activities – the name of a collection of tasks or processes which are linked in terms of overheads.

Activity pools – the collection point for overheads related to specific activities.

Activity/output base – the output level used to estimate costs.

Activity-based budgeting – budgeting based on activities rather than units, products, or departments. An extension of ABC.

Activity-based management – the use of ABC information to identify operational and strategic improvement possibilities.

Advisory accounting – where management accountants work as integral members of management teams, as 'business partners', using their financial astuteness and analytical skills to assist all kind of decision making.

Arm's-length principle – the OECD's preferred approach to transfer pricing, based on the price that would be defined between unrelated entities, keeping all other aspects of the relationship.

Attribute costing – estimation of expected costs of offering individual attributes in a product.

Attribute pricing – estimation of customers' willingness to pay for different product attributes, both individually and when integrated within particular product configurations.

Attributes of products or services – tangible or intangible features that characterize the product or service.

Backflush costing – a simplified costing technique for a JIT environment, with little or no inventories, without accounting for some flows in stages prior to recording goods sold (in particular, flows in and out of the work-in-progress account).

Balanced scorecard – a tool that uses financial and non-financial information, in an integrated and holistic way, to assist managers to map out and aim for strategic goals.

Bar-code – an optional display of data, the contents of which can be read by scanning devices. Their most commonly known application is in the automation of processing food and other products through supermarket checkouts.

Bar-coding – a means of gathering cost information at source, and works on the same (code and scanning) principles used in supermarkets.

Best-of-breed (BoB) system – information system specialized in a particular area, attempting to offer the best possible solution in that field, traditionally with limited integration as typical of stand-alone systems.

Beyond budgeting – a philosophy which seeks the abandonment of budgets. Using relative target measure this approach seeks innovation and value-added activities to measure the success of a department, under a devolved process.

Big data – data with high volume, velocity and variety which is beyond the processing capacity of conventional systems and whose analysis may detect hidden valuable patterns and information.

Glossary (continued)

Bottom-up budgets – budgets which are created through a process of negotiation with the operational managers.

Break-even point – the output/activity level at which neither a profit or loss is made.

Budget – a financial plan which considers the income and expenditures.

Budget committee – a formal committee within an organization who oversee the budgeting process and approval the final budgets.

Budget manual – a document explaining how all the budgets relate containing information on coding items within the budgets.

Budgeted utilization – the planned usage of the capacity of a production facility.

Business partners – a recent description of some management accountants' role, one of being adviser (consulting-like) to organizational managers outside of the accounting department.

Business process re-engineering (BPR) – a radical approach to organizational change, fundamentally questioning and re-engineering business processes, rather than merely improving them.

Capital allowance – the rate set by the tax authorities to calculate the taxable profit of an investment.

Capital budgeting – a set of normative theories which examines the most appropriate investment to be undertaken based upon a company's financial requirements.

Centralized – where responsibility rests mainly with senior management at the higher levels of an organization's hierarchical structure.

Change process – a view of change as being part of an unfolding story rather than a simplistic shift from one optimizing state to another.

Cloud accounting – accounting carried out through cloud-based solutions.

Cloud computing – a business model in which IT resources (software and/or hardware) are provided as a service by a specialist provider, rather than individually owned and managed by the customer in its premises.

Coefficient of variation – a best fit measure, which indicates how well the values of the dependent variable are explained by the independent variable.

Committed fixed cost – a cost which is fixed and cannot be changed.

Conformance quality – the extent to which the actual characteristics of a product or service match its design specifications.

Continuous improvement (kaizen, in Japanese) – a company-wide approach of never-ending pursuit of improvements, typically small and incremental but adding up to significant cumulative improvements.

Contribution – sales revenue less variable costs.

Contribution margin ratio – contribution as a proportion of sales.

Control – the process of ensuring that what is actually done in an organization correlates with its objectives.

Control – the process through which managers seek to ensure that their plans are being put into action, for example through monitoring and reporting activities.

Controllable costs – costs which can be influenced by the actions of a particular person (or group) in relation to a particular undertaking.

Controls – are the package of tools, techniques and artefacts which produce and comprise the information necessary to assist the control process.

Conversion costs – all manufacturing costs other than direct materials costs.

Corporate steering wheel – an alternative version of the balanced scorecard but with similar and overlapping features.

Cost – typically, this is some monetary measure of the resources sacrificed or forgone in order to

Glossary (continued)

achieve a specific objective, such as acquiring a good or service. But, it is usually more complex than this – there are different costs for different purposes.

Cost accounting – a narrower application (subset) of management accounting, which concentrates on an organization's acquisition or consumption of resources.

Cost accumulation – where cost data is organized according to a classification system that identifies a group of costs in a particular (and usually obvious) way.

Cost allocation – a method to reasonably and accurately assign indirect costs to different cost objects.

Cost assignment – where accumulated costs are attributed to specific cost objects, via 'tracing' and allocating accumulated costs to a cost object.

Cost centre – a group which has responsibility for the costs incurred in a particular activity, normally headed up by a main responsibility manager.

Cost drivers – drivers that connect the activity pools and the cost objects. The cost drivers represent how the cost objects consume resources from within the activity pools.

Cost objects – something for which a separate cost measurement is required.

Cost of capital – the return that is required for an investment.

Cost or expense centres – responsibility centres where the manager has accountability against the costs which he or she has control over.

Cost plus pricing – a method whereby the cost of a product is estimated and a mark-up is added for profit.

Cost reduction – a process undertaken by an organization to decrease costs. This can involve a variety of strategies and target different measures of 'cost'.

Cost structure – the relative amount of fixed and variable costs in a business.

Cost system – a form of accounting system which captures cost data that will then form the basis of cost information for managers' use.

Costs of quality (COQ) – costs to achieve high quality and avoid failures, through prevention and appraisal activities, and cost consequences of poor quality, due to internal and external failures.

Cost-volume-profit – the term used to describe the technique of analysing how costs and profits vary according to changing output volumes.

Cost-volume-profit graph – a graph which shows all costs (fixed, variable, total) in relation to output.

Customer perspective – objectives, measures, targets and initiatives which focus on an organization's markets and customers.

Customer service – services provided to customers throughout the entire relationship – before, during and after the purchase.

Data – facts and figures.

Data – records of raw facts, without being organized or arranged to be meaningful for humans.

Database technology – information technology that supports the storage of vast amounts of data.

Decentring of accounting knowledge – a process whereby financial knowledge is spread through an organization, among managers and the workers, who can connect a 'bottom-line effect' to localized activities.

Decentralized – where responsibility and accountability to one's own actions and decisions is passed out, downwards and outwards, from senior management.

Decreasing returns to scale – a term used by economists to describe increasing variable costs as output increases beyond capacity and inefficiencies occur.

Degree of operating leverage – a measure of the risk profile of a cost structure. Expressed as contribution divded by profit.

Glossary (continued)

Dependent variable – a variable (cost) whose change is dependent on other variables.

Design quality – the extent to which the designed characteristics of a product or service address clients' expectations.

Direct costs – costs which can be easily associated with a particular cost object.

Discount rate – the rate which is used to reduce the value of money into the present value based upon the rate of return and the time period.

Discretionary cost centre – where outputs cannot be measured in financial terms, and where there is difficulty in pinning down any obvious relationship between inputs (that is, resource consumption) and outputs.

Discretionary fixed cost – a cost which is at the discretion of managers.

Drivers of management accounting change – factors which cause shifts in the information requirements of business managers, hence affecting and potentially changing management accounting.

Economic value added (EVA®) – a type of residual income, adopting after-tax measures and adjusting several accounting measures of profit and assets to avoid distortions caused by Generally Accepted Accounting Principles (GAAP). These adjustments aim at approximating accounting measures to economic measures.

Elastic demand – where the demand of a product or service changes in relation to a change in the price.

Elasticity – the sensitivity of one variable against another.

Employee empowerment – where organizations give managers and workers the right to independently make local decisions.

Enterprise resource planning (ERP) system – an organization-wide integrated system, originally aiming to be *the* single system satisfying all information needs, but increasingly repositioned as the IS backbone to which other systems connect.

Ethical business – doing what is the socially, morally and environmentally right thing to do.

Expense – a cost that has been incurred when an asset is used up or sold for the purpose of generating revenues.

Experience curve – the ability to improve performance based on experience, represented by a downward sloping curve.

Favourable variances – variances that mean an increase in profit, due to: (1) actual revenues higher than budgeted, or (2) actual costs lower than budgeted; identified as 'F'.

Feasible region – the area of a linear programming chart (Simplex method) which satisfies all constraints.

Financial accounting – the process of collating information for the purpose of external financial reports, the most obvious of which would be the 'glossy' annual financial statements.

Financial perspective – conveys the financial performance objectives of an organization, plus associated measures, targets and initiatives.

Fixed costs – do not change (in total) as activity levels fluctuate.

Fixed overhead spending variance – difference between budgeted costs (BC) and actual costs (AC) in FOH items; valid in both variable and absorption standard costing.

Fixed overhead volume variance – (only in absorption costing) difference between flexed capacity utilization and budgeted capacity utilization, valued at the standard fixed overhead rate.

Flexible budget (or flexed budget) – budget produced after a period finishes, adjusting (flexing) the initial estimates to the *actual* volume of activity, in order to calculate flexed quantities and costs.

Flexible budget variances – comparisons between actual results and the flexible budget; these comparisons are meaningful because both budgets consider the actual activity level.

Glossary (continued)

Forecasting – using tools and techniques to make predictions about the future, as opposed to planning which is more about what the future 'should' look like.

Full-cost accounting (FCA) – a costing technique that includes the use of environmental and social resources in the full cost of production, in order to support management decisions promoting sustainable development.

Functional budgets – day-to-day operational budgets which focus on specific functions or aspects of the process or service.

Generally Accepted Accounting Principles (GAAP) – a combination of accounting standards and accepted conventions which define how accounting information is recorded and reported

High-low method – a cost estimation method which use two extremities of output (high and low).

Holistic – adopting a broad perspective of business activity, across multiple functions and through different levels of organizational hierarchy.

Hybridization (in management accounting) – a bi-directional change in roles of accountants and IS and line staff, with professionals from each group assuming activities traditionally in the domain of the others.

Increasing returns to scale – a term used by economists to describe decreasing variable costs as output increases.

Independent variable – a variable (output) which causes changes in the dependent variable.

Indirect costs – costs which evidently support more than one cost object.

Inelastic demand – where the demand of a product or service does not change with a change in the price.

Information – assists business managers in making decisions; a building block of organizational knowledge and learning, the production of which rests to a large extent with management accountants.

Information – data organized or modified in a way to become understandable and usable, and for a particular purpose.

Information – when raw data comes to be useful and meaningful to its owner(s), and subsequently has potential to influence their decision making.

Information integration – the bringing together of a broader business perspective, as expressed through both financial and non-financial measures.

Information overload – the potential danger of producing too much management accounting information to the extent that it becomes unmanageable, rather than focusing on relevant and useful information for managers' decision-making needs.

Information system – a set of connected technologies and resources that collects, transforms and disseminates information.

Information technologies – an array of computing and telecommunications tools which assist management accountants to collate, store, retrieve and use information in their day-to-day role.

Institutional theoretical perspective of management accounting change – one (of several) theoretical perspectives of management accounting change, focusing particularly on the important interactions over time of organizational rules, routines and institutions.

Institutions – unquestioned and taken for granted assumptions in an organization in regards to 'the way we do things'.

Integrated – where any particular perspective of organizational activity (for example, financial performance) is not to be viewed independently of alternative aspects of organizational activity (for example, customer-related or impact on the environment).

Internal business perspective – objectives, measures, targets and initiatives which an organization must do well internally in order to attain its strategic goals.

Glossary (continued)

Internal markets – a market which exists within an organization.

Internal rate of return – the rate of return which would produce an NPV of zero.

Investment – the purchase of an opportunity or physical asset.

Investment centres – where the manager has all the responsibility assigned to a profit centre (that is, sales revenues and costs) but also responsibility for working capital and capital investment decisions.

Job costing – a method which accumulates the costs incurred in the production of a single unit or a single batch of units.

Joint costs – common costs incurred before the split off point in a process.

Just-in-Time – a Japanese management philosophy which aims to produce/deliver products when required, and thereby reduce inventories.

Just-in-time (JIT) (or lean production) – a system that only purchases or produces when needed to address a customer order, in order to minimize waste (inventories and anything that does not add value). Just-in-tme philosophy requires JIT manufacturing + TQM + respect for people.

Kaizen budgeting – budgeting based on a continuous improvement philosophy. Seeking small improvements in the operating processes which are recorded within the budget statement.

Kaizen costing – cost management technique to reduce costs during the production stage, in a kaizen/continuous improvement approach to increase efficiency and reduce waste.

Labour efficiency variance – difference between direct labour flexed hours and actual hours used, valued at the standard wage rate.

Lag indicators – outcome measures, indicators of achievement in a particular perspective.

Lead indicators – performance drivers, activities which aim to assist the achievement of objectives in particular perspectives.

Lean manufacturing – an approach to manufacturing which aims to eliminate unnecessary process and production waste.

Learning and growth perspective – objectives, measures, targets and initiatives which focus an organization and its employees on continual learning and its resource capabilities.

Learning curve effect – see experience curve.

Least squares regression method – a mathematical formula can be used to calculate and draw a regression line rather than visual inspection or a scattergraph.

Life cycle costing – analyses costs throughout the entire life cycle of a product, from development to after-sales stages; an input for life cycle profitability analysis.

Linear programming – a technique used to find optimum solutions when multiple comstraints exist.

Loss-leader – a product sold at a loss to encourage customers to buy.

Management accounting – the provision of information to assist organizational decision making.

Management accounting change – the process by which management accounting practices become what they do (or not) over time.

Management control systems – systems which gather and use information to plan, control and monitor the actions of organizations.

Margin of safety – the sales volume (in units or monetary value) above break-even point.

Marginal costing – a costing technique in which only variable costs are attributed to products/services.

Marginal costs – the cost of increasing one unit of output.

Marginal revenues – the revenue gained in increasing one unit of output.

Margins – a measure of profitability.

Glossary (continued)

Master budget – a collection of all the data from all the individual functional budgets, typically in the form of the cash budget, predicted Incomes Statement and Statement of Financial Position.

Material *price* variance – difference between the standard price and the actual price per unit of material, applied to the actual quantity purchased.

Material usage variance – difference between the flexed quantity of materials required and the actual quantity of materials used, valued at the standard material price.

Mixed cost – a cost which has fixed and variable elements.

Multiple regression – a mathematical regression model with more than one independent variable.

Net present value – the sum of a time series of discounted cash inflows and outflows.

Non-financial information – information such as quality and customer satisfaction, and the management of which is deemed by some to be a precursor to financial success.

Non-financial quality indicators – indicators on customers, internal business processes and learning and growth that anticipate and drive the financial consequences of quality.

Normal utilization – the capacity of a production plant that is typically utilized under normal business/economic conditions.

Objective function – the function/equation to to solved (for example, maximize contribution) in a linear programming scenario.

Operating leverage – relative amount of costs that are fixed and variable in a business cost structure.

Opportunity cost – the value of something that a decision maker gives up as one decision option is selected over another.

Outsourcing – the transfer of an organizational activity/product/service to an external provider.

Pareto analysis – 80/20 rule that enables you to see what 20 per cent of cases are causing 80 per cent of the problems within a scenario, or how 20 per cent of cases are creating 80 per cent of the profits.

Payback – the length of time it takes to recover the initial investment of a project.

Performance management – a broadening of performance measurement to looking at the issues underpinning the *i* of performance

Performance management – a process of not just measuring an organization's performance, but also continually (re)designing, monitoring and acting upon such measures.

Performance measurement – seeing how an organization is doing, in comparison to its aims and targets.

Performance measurement – where managers assess an organization's actual performance against its planned activity, as well as continually gauging the likelihood of achieving organizational goals.

Period costs – costs that are not related to making or acquiring a product, or providing a service that generates revenues.

Personnel/cultural controls – are grounded in an underlying belief that organizations can mobilize and nurture solidarity and commitment towards organizational goals.

Plan-do-check-act (PDCA) cycle – a systematic, interactive approach to continuous improvement and problem solving, and a key tool in total quality management.

Planning – when organizations select from alternative options, such that all decisions combined will assist in the achievement of its goals.

Planning – where managers select from alternative options such that their decisions (combined) will assist towards achievement of organizational goals.

Practical capacity – the likely maximum possible output of a production facility, taking into account expected normal delays like down time.

Glossary (continued)

Predictive analytics – the use of technological tools to retrieve, store and use external data, and predict multiple business scenarios and identify appropriate actions.

Price – the value of a product or service that is used in the transaction process of selling to a consumer.

Pricing strategies – a portfolio of strategies that enable a company to target different markets or take advantage of the various stages of the life cycle of a product or service.

Prime costs – all the direct costs incurred when making a particular product.

Process costing – a method used when an organization's units of production are identical, or almost identical, in which case average per unit costs can be applied to product costing.

Process value chain – another way of viewing the internal business process, comprising: (1) the innovation process, (2) the operations process, and (3) the post-sales service process.

Product cost – a cost that is assigned to goods either purchased or manufactured for (re)sale.

Product life cycle – phases of a product life.

Profit centres – where managers are responsible for both revenues and costs.

Profit-volume graph – a variant of the CVP graph which reflects profits of varying levels of output.

Rate of return – the return which is required for an investment.

Real options – an investment which incorporates an opportunity to change the course of the decision at some point in the future.

Regression errors – the distance between a data point and the regression line.

Regression line – a line of best fit of multiple data points.

Relevance Lost – a milestone book published in 1987, which claimed that management accounting had ceased to provide business managers with useful information.

Relevant cost – a future cost affect by a decision.

Relevant costs – those costs which are pertinent to a particular decision in so far as they will influence which decision alternative is chosen.

Relevant range – the period over which the definition of variable and fixed costs is assumed to hold and can be relied upon.

Relevant range – the range of output at which costs are assumed to be stable.

Relevant revenue – a future revenue affect by a decision.

Residual income – an approach to performance measurement which holds that all measures of profit or surplus should take into account the cost of capital employed to generate it.

Residual income (RI) – operating profit minus a cost of capital charge on investment.

Residual value – the value of an investment at the end of its useful life.

Responsibility – the notion that when employees are empowered, they also become accountable for (and will have monitored) their actions and decisions.

Responsibility accounting – a process whereby the managers of subunits within an organization are assigned certain responsibility, and their performance against such responsibility.

Responsibility centre – an organizational unit for which a manager can be held accountable/responsible.

Results/output controls – are undertaken through measuring outcomes, and can be particularly worthwhile when the knowledge of (un)desirable action is sparse.

Return on investment (ROI) – profit divided by investment (profit and investment may be defined differently, depending on the purpose of the analysis).

Revenue centres – responsibility centres where managers are accountable to the financial outputs associated with generating sales (or, more specifically, sales revenues).

Glossary (continued)

Reverse engineering – engineering practice of disassembling competitors' products to obtain detailed insights about their design features, materials and production techniques.

Rewards – benefits which are aligned to performance, such as bonuses.

Roles – the ways in which accountants become involved in, and assist, organizational decision making.

Rolling forecasts – an approach to budgeting that uses a continuous updating approach to forecasting, the time period of the budget remains constant.

Routine accounting – tasks that nowadays are largely organized automatically via advances in IT and software – for example, financial reporting, transaction processing, ledger management, taxation and internal audit.

Routines – the re-enactment of rules, how things are actually done in an organization.

Rules – formalized procedures of how things should be done in an organization.

Sales margin volume variance – under variable standard costing, it is the difference between actual sales volume and budgeted sales volume, valued at the standard contribution margin; under absorption standard costing, it is the same difference, valued at the standard profit margin.

Sales mix – the relative proportion of a product sales to total sales.

Sales price variance – difference between the actual price and the standard price, applied to the actual sales volume.

Sensitivity analysis – a general term used in many business contexts to describe the analysis of how sensitive variables are to changes in conditions, for example how fixed cost increases effect profits.

Shared service centre – a centre that is responsible for specific tasks, providing expertise in one area to the remaining part of the organization.

Shared-services centre – an internal centralized service provider to an organization.

Shareholder approach – argues that financial performance measurement remains the most important measurement within organizations.

Simplex method – a graphical approach to solving linear programming scenarios.

Six sigma – a strategy to achieve an extraordinarily high conformance quality level, by reducing process variability that causes defects and undermines customer satisfaction.

Split-off point – the point in a process when separate products become identifiable.

Stakeholder approach – advocates that organizations adopt sufficient non-financial performance measures to supplement any use of financial measures.

Stand-alone system – a system highly or totally decoupled from the remaining systems.

Standard cost centre – where outputs of production are known and can be measured in financial terms, and the quantity of inputs necessary for producing one unit of output are also known.

Standard costing – the process of establishing cost standards that an organization expects to incur, then to monitor actual costs against such standards.

Standard costs – expected costs of one unit of output, under normal conditions.

Static budget – budget produced before a period starts, based on initial estimates.

Static budget variances – comparisons between actual results and the static budget, typically meaningless because they refer to different activity levels.

Step-variable costs – variable costs which increase in steps beyond certain levels of output.

Strategic – the ongoing process of endeavouring to achieve an organization's

Glossary (continued)

strategy. Being strategic gives some degree of fluidity and an underpinning notion of ongoing process to a strategy.

Strategic cost management – the application of cost management tools and techniques which simultaneously aims to improve an organization's strategic position and reduce its costs.

Strategic intent – the notion of cumulative strategizing, ongoing (re)formulation of organizational strategy in the context of changing external and internal conditions.

Strategic management – the process through which usually an organization's executive managers will devise plans, establish controls, monitor and use various tools and techniques to fulfil their organizational aims.

Strategic management accounting (SMA) – an amalgam of management accounting tools and techniques which assist managers to steer their organization in the direction of strategic intent.

Strategy – some form of grand scheme or plan which sets out a vision or aim for where an organization wants to be in the longer term.

Sunk costs – are associated with the past, and are unaltered by current and future decisions, so they are irrelevant to current and/or future decisions.

Sustainability assessment model (SAM) – a project evaluation technique to support decisions that promote sustainable development, based on full-cost accounting.

Sustainable development – a term which describes organizations attempting to develop its activities in a financially rewarding way but not at the expense of costs incurred on society or the environment.

Sustainable development (SD) – 'an approach to progress which meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development (WCED) (1987) *Tokyo Declaration*, Tokyo: WCED, p. 8)

Systems – the hardware and software which facilitates the collation of data and the processing of information.

Systems (de)coupling (degree of) – the extent to which changes in one system affect the state of the other.

Target cost – target price (based on market research) minus the target margin (based on corporate profitability objectives).

Target costing (or target cost management) – a cost management technique for the product development stage, to determine the maximum allowable product cost, based on customers' willingness to pay and corporate profitability objectives, and to design a product that can be sold at such maximum target cost.

Tax-compliant transfer price – transfer price that complies with applicable tax legislation.

TD-ABC – a version of ABC which works on estimating time rather than identifying cost drivers through lengthy surveys or interviews.

Techniques – an array of calculative methods that allow organizations to structure their problems and offer alternative actions.

The management accounts – an aggregated depiction of an organization's (monthly, year to date) financial and non-financial results.

Theoretical capacity – the maximum possible output of a production facility.

Throughput accounting – an alternative to traditional cost accounting which takes into account operational constraints which limit the capacity, and hence profitability, of an organization.

Top-down budgets – budgets which are formulated by top managers and imposed on the operational managers.

Total fixed overhead variance – (only in absorption costing) difference between flexed costs and actual costs for fixed overhead items.

Glossary (continued)

Total labour variance – difference between labour flexed costs and actual costs.

Total material variance – difference between material flexed costs and actual costs.

Total quality management (TQM) – permanent and integrated effort across the entire organization to excel in all customer-relevant quality dimensions of products and services.

Total sales margin variance – difference between actual contribution (based on standard costs) and budgeted contribution.

Total variable overhead variance – difference between flexed costs and actual costs for variable overhead items.

Tracing – the process of assigning direct costs to a particular cost object.

Traditional budgeting – an approach to budgeting that has set targets within a set accounting period. Generally using a line approach to detailing all the information.

Traditional costing method – an old business model where the consumption of overheads was typically absorbed on the basis of labour hours, machine hours or units.

Transfer price – price charged for flows of goods, intangibles, services or capital within an organization.

Uncontrollable costs – costs which cannot be influenced by the actions of an individual (or group) for a particular undertaking.

Unfavourable variances – variances that mean a decrease in profit, due to: (1) actual revenues lower than budgeted, or (2) actual costs higher than budgeted; identified as ‘U’.

Value chain – the major activities that add customer value; it may be analysed at an organizational level or at an industry-wide level, from suppliers of basic raw materials through to the end customer.

Value engineering – a technique for product development oriented by customers’ perceptions of value and expected costs of each product attribute.

Variable costing – when only variable manufacturing costs are inventorized, and fixed manufacturing cost is treated as an expense at the time period in which it is incurred.

Variable costs – change (in total) in proportion to the level of activity.

Variable overhead efficiency variance – difference between the allocation base flexed volume and actual volume, valued at the standard variable overhead rate.

Variable overhead spending variance – difference between the standard rate and actual rate of variable overheads, applied to the actual volume of the allocation base.

Variance analysis – technique of calculating variances and identifying their ‘real-life’ causes.

Wage rate variance – difference between the standard wage rate and the actual rate per hour of direct labour, applied to the actual number of hours used.

Writing down allowance – a yearly allowance, calculated to reduce the cash flow to a taxable profit value.

Zero-based budgeting – an approach to budgeting that starts with a blank piece of paper every accounting period. Resources are allocated on needs rather than past budgeted information.