DEFINITIONS BY CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS

TERMINOLOGY	DEFINITIONS
COST ACCOUNTANCY	*The application of costing and cost accounting principles, methods and techniques to the science, art and practice of cost control and the ascertainment of profitability. It includes the presentation of information derived therefrom for the purpose of managerial decision-making.*
COSTING	*The technique and process of ascertaining costs.*
COST ACCOUNTING	*The process of accounting from the point at which expenditure is incurred or committed to the establishment of its ultimate relationship with cost centres and cost units. In its widest usage, it embraces the preparation of statistical data, application of cost control methods and the ascertainment of profitability of activities carried out or planned.*
COST CENTRE	*A production or service location, function, activity or item of equipment whose costs may be attributed to cost units.*
PROFIT CENTRE	*A part of business accountable for costs and revenues.*
CONTRIBUTION CENTRE	*A profit centre whose expenditure is reported on a marginal or direct cost basis.*
INVESTMENT CENTRE	*A profit centre whose performance is measured by its return on capital employed.*
REVENUE CENTRE	*A centre devoted to raising revenue with no responsibility for production, for example, Sales centre.*

COST AUDIT	*Cost audit is defined as the verification of cost accounts and a check on the adherence to the cost accounting plan.*
MANAGEMENT ACCOUNTING	*The process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies and tax authorities.*
ACTIVITY BASED COSTING	*Cost attribution to cost units on the basis of benefits received from indirect activities, that is, ordering, setting up, assuring quality etc.*
JOB COSTING	*Job costing is that form of specific order costing which applies where work is undertaken according to customer's specifications.*
PROCESS COSTING	*Process costing is that form of operation costing which applies where standardised goods are produced.*
OPERATING COSTING (OR SERVICE COSTING)	*Operating costing is that form of operation costing which applies where standardised services are rendered either by an undertaking or by a service cost centre within an undertaking.*
NON-INTEGRAL SYSTEM	*A system in which the cost accounts are distinct from financial accounts, the two sets of accounts being kept continuously in agreement by the use of control accounts or made readily reconcilable by other means.*

COST SHEET	*Cost sheet is a cost schedule or document which provides for the assembly of the estimated detailed cost in respect of a cost centre or cost unit.*
MARGINAL COSTING	*Marginal costing is defined as the ascertainment of marginal costs and of the effect on profit of changes in volume or type of output by differentiating between fixed costs and variable costs.*
ABSORPTION COSTING	*Absorption costing is defined as the practice of charging all costs, both variable and fixed, to operations, processes or products.*
STANDARD COSTING	*Standard costing is the preparation and use of standard costs, their comparison with actual costs and the analysis of variances to their causes and points of incidence.*
DIRECT COSTING	*Direct costing is the practice of charging all direct costs to operations, processes or products, leaving all indirect costs to be written off against profits in the period in which they arise.*
ZERO BASE BUDGETING	*Zero base budgeting is defined as a method of budgeting which requires each cost element to be specifically justified, as though the activities to which the budget relates were being undertaken for the first time. Without approval, the budget allowance is zero.*
BUDGETARY CONTROL	*Budgetary control is the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a basis for revision.*

FIXED BUDGET	*A fixed budget is a budget designed to remain unchanged irrespective of the level of activity actually attained.*
FLEXIBLE BUDGET	*A flexible budget is a budget which by recognizing the difference between fixed, semi-variable and variable costs is designed to change in relation to the level of activity attained.*
STANDARD COST	*Standard cost is the pre-determined cost based on technical estimates for materials, labour and overhead for a selected period of time for a prescribed set of working conditions.*
MARGINAL COST	*Marginal cost is the amount at any given volume of output by which aggregate costs are changed if the volume of output is increased or decreased by one unit. In practice this is measured by the total variable cost attributable to one unit.*

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