Unit 6 Key Terms

**Accounting Audits**: Procedures used to verify accounting reports and statements.

**Activity-Based Costing (ABC)**: A method of cost accounting designed to identify streams of activity and then to allocate costs across particular business processes according to the amount of time employees devote to particular activities.

**Assets**: The values of the various items the corporation owns.

**Balanced Scorecard**: Control system combining four sets of performance measures: financial, customer, business process, and learning and growth.

**Balance Sheet**: A report that shows the financial picture of a company at a given time and itemizes assets, liabilities, and stockholders’ equity.

**Budgeting**: The process of investigating what is being done and comparing the results with the corresponding budget data to verify accomplishments or remedy differences; also called budgetary controlling.

**Bureaucratic Control**: The use of rules, regulations, and authority to guide performance.

**Clan Control**: Control based on the norms, values, shared goals, and trust among group members.

**Concurrent Control**: The control process used while plans are being carried out, including directing, monitoring, and fine-tuning activities as they are performed.

**Control**: Any process that directs the activities of individuals toward the achievement of organizational goals.

**Current Ratio**: A liquidity ratio that indicates the extent to which short-term assets can decline and still be adequate to pay short-term liabilities.

**Debt-Equity Ratio**: A leverage ratio that indicates the company’s ability to meet its long-term financial obligations.

**External Audit**: An evaluation conducted by one organization, such as a CPA firm, on another.

**Feedback Control**: Control that focuses on the use of information about previous results to correct deviations from the acceptable standard.

**Feedforward Control**: The control process used before operations begin, including policies, procedures, and rules designed to ensure that planned activities are carried out properly.

**Internal Audit**: A periodic assessment of a company’s own planning, organizing, leading, and controlling processes.

**Liabilities**: The amounts a corporation owes to various creditors.
Management Audit: An evaluation of the effectiveness and efficiency of various systems within an organization.


Market Control: Control based on the use of pricing mechanisms and economic information to regulate activities within organizations.

Principle of Exception: A managerial principle stating that control is enhanced by concentrating on the exceptions to or significant deviations from the expected result or standard.

Profit and Loss Statement: An itemized financial statement of the income and expenses of a company’s operations.

Return on Investment (ROI): A ratio of profit to capital used, or a rate of return from capital.

Standard: Expected performance for a given goal; a target that establishes a desired performance level, motivates performance, and serves as a benchmark against which actual performance is assessed.

Stockholders’ Equity: The amount accruing to the corporation’s owners.

Transfer Price: Price charged by one unit for a good or service provided to another unit within the organization.