Managerial Accounting

University Business · Vocabulary in context

Word	Example
managerial accounting	**Managerial accounting** gives managers numbers for decisions.
fixed cost /fɪkst kɒst/	The shop's rent is a **fixed cost**: it stays the same however much it sells.
variable cost /ˈveərɪəbl kɒst/	Ingredients are a **variable cost**: they rise with each meal made.
relevant range	The cost figures only work within the **relevant range**.
contribution margin	A meal sold for £6.50 with £3.10 variable cost has a **contribution margin** of £3.40. £6.50 £3.10 £3.40
break-even point /breɪk ˈiːvən pɔɪnt/	At the **break-even point**, the firm makes no profit and no loss.
margin of safety /ˈmɑːdʒɪn ɒv ˈseɪfti/	The **margin of safety** is how far sales can fall before the firm makes a loss.
operating leverage	High **operating leverage** means profit changes a lot when sales change.
overhead	Rent and electricity are **overhead** costs.
job costing	**Job costing** finds the cost of one special order.
process costing	**Process costing** averages costs over many identical meals.

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budget /ˈbʌdʒɪt/	The **budget** sets planned spending for the coming year.
flexible budget	A **flexible budget** changes the plan to match the actual sales.
variance /ˈveərɪəns/	A **variance** is the difference between budgeted and actual figures.
favourable variance /ˈfeɪvərəbl ˈveərɪəns/	Spending less than planned gives a **favourable variance**.
relevant cost	Only the **relevant cost** matters when you decide on a special order.
sunk cost /sʌŋk kɒst/	Money spent on advertising is a **sunk cost**: you cannot get it back.

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