

A Dictionary of Management Terms

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Preface

The terms outlined in this dictionary are defined in a simple, unambiguous manner so that their meaning is made clear. Included are terms specific to management and those considered essential for the understanding of cost and financial accounting matters, management techniques and business matters of general interest.

The dictionary deals with terms in a practical rather than a theoretical manner and will provide a speedy means of reference for the busy manager wishing to clarify an expression and for management students as a revision aid. It should particularly benefit students studying for the following examinations:

Business Education Council (BEC) regarding various sections relating to management in the examination structure;

The Institute of Administrative Management (IAM) regarding the Diploma in Administrative Management in respect of the subjects "Administrative Management" and "Personnel and Organisational Behaviour";

The Institute of Chartered Secretaries and Administrators (ICSA) in relation to various aspects of "Management Techniques and Services";

The Institute of Management Services (IMS) regarding some aspects of the subject "Organisation";

The Institute of Cost and Management Accountants (ICMA) in respect of the papers "Organisation and Marketing Management" and "Corporate Planning and Control"; and

The Institute of Industrial Managers (IIM) in respect of the subjects "Industrial Management and Organisation" and "Industrial Management Policy and Practice".

Students studying for examinations held by NEBSS, Certificate and Diploma in Management Studies, the Institute of Marketing and the Institute of Personnel Management should also find the book of some use to them.

The entries in the *Dictionary* can also assist college lecturers to develop courses for examinations by providing headings within a subject area, which can then be expanded. Those setting up a business and those already in business will also find the *Dictionary* an invaluable aid when talking to accountants and other specialists.

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A

Absorbed production overhead.

Some costs cannot be specifically identified to units of production as they are incurred for business operations as a whole. This type of cost is classed as overheads and includes indirect materials, indirect wages and indirect expenses. Such costs are charged to products by appropriate overhead absorption methods (methods of recovering overheads) including percentage of direct materials, percentage of direct wages, percentage of prime cost, rate per labour hour or rate per machine hour etc.

Absorption. 1. The integration of one business into the structure of another for purposes of economy of scale, elimination of competition or for other practical reasons. 2. The recovery of fixed and variable overheads by the units produced, or services provided, on the basis of cost recovery techniques such as a rate per machine hour for machine based operations; a rate per labour hour for manually performed operations; as a percentage of direct labour cost or prime cost, etc. Marginal costing does not charge fixed costs to products or services but treats them as period charges to be recovered from total contributions, i.e. the surplus remaining after deducting variable costs from sales income.

ACAS. See **ADVISORY, CONCILIATION AND ARBITRATION SERVICE.**

Accountability. When duties are delegated by a superior to a subordinate, the subordinate assumes responsibility and authority for the performance of such duties and accordingly he is held accountable

for their successful achievement. Managers and supervisors should not, however, be held accountable for achieving objectives for which they do not have authority. See **PRINCIPLE OF CORRESPONDENCE.**

Accountant. An accountant may be defined as a person having responsibility for the custodianship of a company's assets; for ensuring that statutory records are maintained and that business transactions are recorded in proper books of account; and ensuring that accounting conventions, principles and practices are adhered to. Of course, this is a broad definition and it is necessary to distinguish between two different classes of accountant, i.e. financial accountant (q.v.) and management accountant (q.v.).

Accounting. The activities performed by an accountant with regard to business transactions are referred to as accounting. They relate to the recording of sales, purchases, stock movements, calculation of wages and salaries, making payments to suppliers and preparing profit and loss accounts and balance sheets, etc. The accounting activities of a business are extremely diverse embracing not only normal book-keeping but planning and control activities relating to budgetary control, cash flow analysis and the periodic preparation of operating statements and control reports. See **MANAGEMENT ACCOUNTING.**

Accounting period. The normal accounting period for a business embraces a complete financial year at the end of which it is necessary to prepare statutory returns for employee taxation, VAT schedules,

profit and loss accounts (q.v.) and balance sheets (q.v.). Most businesses operate some form of budgetary control system (q.v.) which is concerned with the preparation of monthly operating statements so that control can be maintained over all business operations in the short, rather than the long, term. The monthly accounting activities are performed in what are known as accounting periods or budget periods. *See* BUDGET CONTROL PERIOD.

Acid test. This is the measure of the financial solvency of a business regarding its capability of meeting its current liabilities. It is also referred to as the liquidity ratio or liquid asset ratio. The liquidity ratio (q.v.) is computed by comparing those current assets which can be quickly converted into cash, or which are already in this form, with the amounts owing (current liabilities) which must be cleared in the current period.

$$\text{Liquidity ratio} = \frac{\text{Debtors} + \text{bank cash} + \text{cash in hand}}{\text{Total current liabilities}}$$

The ratio should be at least 1:1 indicating that the level of liquidity is sufficient to meet the current liabilities. *See* CURRENT LIABILITIES.

Action learning. *See* MANAGEMENT TRAINING TECHNIQUES.

Activity sampling. A technique for sampling work activities, instead of continuous observations, as a means of achieving economy in the time spent collecting facts relating to each of the activities under consideration. It enables data to be obtained indicating whether persons or machines are working or not working, whether the telephone is being used or not and whether a person is in the office or not and so on. It is possible to assess the use of resources and the level of productivity by this means. The technique

is based on the law of averages and observations are made at random time intervals to avoid bias. The time intervals may be established from random number tables or by selecting numbers from a hat, i.e. by pure chance.

Actual observation. *See* EXPONENTIAL SMOOTHING.

Adaptive (dynamic) system. An adaptive system is a system, such as a business organisation, which behaves dynamically as it responds to changing circumstances caused by random influences in its operating environment. These influences include inflation, fluctuations in demand, shortages of raw materials, bad weather, government legislation and industrial action, etc. It is a self-organising system which modifies its inputs as a result of measuring its outputs and compares them with its control parameters in an attempt to optimise its performance.

Added value. This is a recently introduced method which is being used to replace profit sharing plans. The added value is the balance of the company income after costs of material and services have been deducted. The added value is shared out between (a) the company for fixed expenses such as rent, rates, depreciation, interest payments and profits, and (b) the employees for wages, salaries and pension schemes. All employees are encouraged to participate to enhance the added value by increased shop floor productivity, improved management techniques, elimination of wasteful practices and better sales and marketing. *See* VALUE ADDED.

Administration. The activity concerned with the smooth functioning of business activities achieved by means of well-designed administrative systems supported by

effective management. The administration of a business is entrusted to the board of directors (partners or proprietors) which is the governing body. The board may be known collectively as "the administration" of the business. Office managers are also known as administrators; therefore, all managers may be defined as administrative managers responsible for administering the affairs of the business. They are responsible for planning and controlling all business operations to achieve defined objectives.

Administration cost budget. A financial and/or quantitative statement prepared for a defined period of time outlining the various costs expected to be incurred for a defined set of operating circumstances, e.g. levels of activity, number of personnel employed, volume of paper work to be processed, etc. Each administrative department including accounting, stock control, payroll, purchasing, sales invoicing and sales ledger, production planning and data processing, etc. prepares a cost budget. The annual budgeted overheads may be allocated to months and charged as period costs to the budgeted profit and loss account. The overheads may be absorbed by units produced on a suitable basis such as a percentage of factory cost or they may not be absorbed at all but form part of fixed overheads (q.v.) to be met from contributions (q.v.).

Administrative management. See ADMINISTRATION, ORGANISATION THEORY 2 and PIONEERS OF MANAGEMENT.

Administrative management, Institute of. IAM was founded in 1915 and has a membership in the region of 10,000. It promotes administrative management in com-

merce, industry, central and local government and offers its own professional qualifications in the form of the Certificate and Diploma in Administrative Management. Its examinations are held twice a year at various centres at home and abroad. Many colleges offer tuition for the examinations. It produces standard works of reference relating to periodical surveys which includes Office Salaries Analysis and Office Job Evaluation, etc. It also publishes a monthly journal the *British Journal of Administrative Management*.

Advisory, Conciliation and Arbitration Service (ACAS). A body which came into existence partly from the conciliation services of the Department of Employment. ACAS is an independent body formed as a result of the Employment Protection Act 1975 and has a duty to promote the improvement of industrial relations and to encourage collective bargaining (q.v.). It provides advisory services to employers, unions and to individual employees. ACAS often performs conciliatory duties relating to matters which may have been referred to industrial tribunals and arbitrates between employers and unions when disputes occur.

Agent. A person with authority to represent a principal in making contractual agreements with third parties. Under the Partnership Act 1890 a partner is an agent of the firm and of each of his partners for the purposes of the business partnership and all partners have authority to bind the others. In respect of a public company contracts are made by directors on its behalf in which case they are acting as agents.

Amalgamation. The result of a merger. It is a combination of two

or more business entities into one business organisation.

Appraisal. The process of reviewing an individual's performance and progress in a job and assessing his potential for future promotion. It is a systematic method of obtaining, analysing and recording information about a person. There are three main groups of performance review activities. 1. *Performance reviews* which relate to the need to improve the performance of individuals and thereby improve the effectiveness of the organisation as a whole. 2. *Potential reviews* which attempt to deal with the problem of predicting the level and type of work that the individual will be capable of doing in future. 3. *Reward reviews* which relate to the distribution of such rewards as pay, power and status. See MANAGEMENT BY OBJECTIVES, MERIT RATING, PERFORMANCE STANDARDS and SELECTION TESTS.

Aptitude tests. See SELECTION TESTS.

Arbitration. The referral of a dispute to a mutually acceptable referee (arbitrator) for its settlement with predetermined agreement to accept the arbitrator's decision.

Articles of Association. A document which outlines the regulations for the management of a company. A company limited by shares usually files its own articles but a model set applies to companies who do not register their own articles. The Articles of Association include matters relating to share capital; election of directors, powers and duties; dividends; transfer of shares, meetings, accounts and audit, etc. See MEMORANDUM OF ASSOCIATION.

Asset. Business assets are resources or items of value owned by the business and which are utilised in the normal course of business operations to produce goods for sale in

order to yield a profit. Assets may be classified as either fixed, current, tangible or intangible. 1. Fixed assets (q.v.) include land and buildings, plant and machinery which normally have an intrinsic value. 2. Current assets (q.v.) include stocks, work in process, debtors, cash at bank and in hand as well as repayments such as insurance premiums paid in advance. 3. Tangible assets (q.v.) are those items of substance owned by a business. 4. Intangible assets (q.v.) relate to goodwill and trademarks which do not have an intrinsic value but are often of significance to the profitability of a business.

Asset replacement. The replacement of fixed assets (q.v.), particularly plant and machinery, is essential when the existing assets are worn out as new machines are necessary to maintain the level of productivity. In other instances, perfectly good machines may need to be replaced by high technology machines for the purpose of improving business administrative efficiency by the use of computers and for improving production efficiency by the use of automated processes. See AUTOMATION and PLANT REPLACEMENT STRATEGY.

Asset stripping. The purchase of an unprofitable business for the purpose of disposing of its assets on a piecemeal basis rather than as a going concern in order to realise a profit.

Asset utilisation ratio. A measure of the extent to which assets are utilised in relation to the value of the sales. Operating assets must be utilised as fully as possible in order to optimise the investment in plant and machinery and working capital. A low utilisation factor may indicate a surplus of assets in relation to the level of sales achieved. A high

utilisation factor indicates that they are being used effectively. It may also indicate that additional investment in fixed assets is necessary if sales trends are increasing beyond the present production capacity. Two methods of measurement may be used:

$$1. \text{ Turnover of assets} = \frac{\text{Sales value}}{\text{Total operating assets}}$$

$$\text{e.g. } \frac{\pounds 100,000}{\pounds 80,000} = 1.25 \text{ times}$$

$$2. \text{ £ of assets per £ of sales} = \frac{\text{Operating assets}}{\text{Sales value}}$$

$$\text{e.g. } \frac{\pounds 80,000}{\pounds 100,000} = \pounds 0.8$$

*Note that £ 0.8 indicates that £800 of assets generate £1,000 of sales

Associated company. Companies associated through mutual trade interests whereby one company may have a minority shareholding in other companies to enhance trading operations to the mutual benefit of all the companies.

Attainment tests. See SELECTION TESTS.

Audit, management. See MANAGEMENT AUDIT.

Auditor. There are two categories of auditor: internal and external. 1. Internal auditors are employees of the company and are responsible for performing impartial monitoring activities. They review accounting and other procedures and systems as the basis of a service to management. Auditors act in an advisory capacity and are not answerable to functional managers. Their position in the organisation enables them to report to the highest level of management above the functional level. This eliminates functional friction and bias. Audit reports are presented to the level of management able to implement acceptable recommendations. 2. External auditors are not employees of the

company and they usually inspect accounts and business records at the end of the financial year to ensure that they present a true and fair view of profits, losses, assets and liabilities.

Audit packages. A preprepared program which assists the auditing of computer systems. They often provide facilities for extracting records randomly from master files so that they may be printed out for inspection.

Authorised capital. The authorised share capital of a public limited company is stated in the Memorandum of Association (q.v.). It is also known as nominal capital. It is not necessary to issue the whole of the authorised capital when a company is first formed as it is normal practice to call up the amount of share capital needed to commence operations and then call up further capital from the shareholders to finance expansion or working capital requirements as required.

Authority. An executive/subordinate relationship in a working environment whereby superiors are able to give instructions to subordinates to perform specific activities and achieve defined objectives. Authority, therefore, provides the basis for getting things done in an organisation. Executive/subordinate relationships are known as line relationships. It is, however, necessary to stipulate the limits of an individual's authority.

Autocratic management style. A management style whereby a manager defines his plans and gives commands without prior consultation with subordinates. This, of course, is the opposite management style to the more generally acceptable democratic approach which provides for consultation with subordinates. Autocratic management is a feature of authoritarian

organisation which practises a dictatorial philosophy, expecting orders to be executed without question and without expectation of initiative from subordinates. It does not engender motivation to achieve goals, but assumes people like to be told what they are to do because they do not wish to take on responsibility. *See* MANAGEMENT STYLE.

Automated decisions. Automated decisions are a feature of automated processes which have in-built decision-making facilities for such requirements as opening or closing valves or adjusting the depth of cut on a cylinder block during a metal cutting process. In the administrative sector of an organisation, a computer program may contain instructions for testing the status of the system and effect conditional branching to a routine to deal with abnormal situations such as automatic reordering of stocks which have fallen to a predefined reorder level. Such decisions are possible for problems of a structured nature, i.e. when they accord to standardised rules which enables algorithms to be determined for their solution. *See* STRUCTURED DECISIONS.

Automation. A term sometimes used to describe the mechanisation of industrial and administrative processes and operations. The term relates to the use of machines instead of people in pursuit of higher productivity. More precisely, automation is the mechanisation of processes which have inbuilt capability for modifying their behaviour, when relevant, by the use of sensors and control mechanisms, in order to achieve specified requirements as indicated by control parameters. An automated process, therefore, is a mechanised activity with inbuilt control for adjusting its behaviour

on the basis of feedback which classifies such a system as an adaptive or dynamic system (q.v.). Automated production flowlines in the factory are widely used in the processing of foodstuffs and chemicals and for assembly lines. In the office, the administrative processing area, computers are used for producing business documents automatically and performing other accounting and control routines such as production planning and control, budgetary and cost control, automatic stock reordering and so on. Strictly, this is sophisticated mechanisation but in common usage goes under the heading of automation. It all depends upon the degree of intelligence or information processing and decision-making attributes built into the system and the extent it can function without human intervention. The elements of automation have been described as "the three Cs", i.e. communication, computation and control. *See also* MECHANISATION.

Autonomous. Autonomous operations are conducted without recourse to or influence from other sources on a go-it-alone basis of self-sufficiency in the management and control of a business entity. An example is the managing director of a branch works who plans and controls its activities on a day-to-day basis without interference from head office. Operations would usually be conducted within the framework of overall corporate policy so co-operation and coordination between head and branch offices is essential when annual targets, policies and objectives are being established. Autonomy provides the foundations for a common aim to be pursued throughout a business regardless of its geographical dispersion, but without the stifling influences of

tight control from above. Local management has the prosperity of the business in its own hands. This approach to business management

encourages motivation and flexibility and is evidence of a greater acceptance of innovation, adaptability and accountability.

B

Balance sheet. This is a summary of a company's assets (q.v.) and liabilities, including share capital (q.v.) and reserves, as at a defined moment in time. It provides a snapshot of the state of the business financially and it is essential that it portrays a true and fair view of the status of the business as a going concern (q.v.). It is usually prepared historically after the conclusion of an accounting period (q.v.) or at the year-end. Historical values are often used whereby the fixed assets are recorded at cost less depreciation and current assets at the lower of cost or market value for such items as raw materials and component parts. In some instances, however, it is financially prudent to evaluate assets at current replacement values in order to assess a more accurate value of the business on a present worth basis. *See also* CURRENT LIABILITIES, CAPITAL RESERVE, REVENUE RESERVE, ASSET and PLANT REPLACEMENT STRATEGY.

Bankruptcy. It is interesting to note that bankruptcy cannot apply to limited companies, but only individuals. The term applies to the inability of persons to meet their financial commitments. Legal proceedings are undertaken for the purpose of securing a person's assets to provide funds to pay wholly, or in part, the amounts owed to creditors. When discharged from bankruptcy, persons can recommence business without the problem of the former debts. The proceedings in relation to a company are referred to as liquidation (q.v.).

Bar chart. A type of chart used for

presenting control information to management. Data relating to costs, production or sales can be plotted by time period as a series of bars, the length of each bar depending upon the value of the data represented. By means of the varying lengths of bar, values can be discerned and compared at a glance. A well-known example of a bar chart is the Gantt chart.

Bayes' rule. This rule states that when deciding between two or more alternative choices the alternative with the highest expectation should be selected. This requires the assessment of all alternative expectations which can be recorded in a pay-off table. *See* DECISION THEORY, EXPECTATION and MAXIMUM LIKELIHOOD RULE.

Behavioural sciences. These include the study of sociology and psychology. A knowledge of the behavioural sciences is particularly useful to managers as it will aid their analysis of behaviour within their organisation. Behavioural scientists have developed many techniques of use in work organisations which can be broadly classified into three categories: (a) tools for diagnosing problem areas; (b) training methods and programmes; (c) facilitation of organisational change and development (q.v.).

Black box. A concept which allows the operation of a system to be understood in general terms, without the complication of technical detail. Therefore, an entity whose *modus operandi* is an unknown factor is referred to as a black box. The term is often used in relation to the electronic computer on the premise that

the manner of its internal operation is a mystery to everyone except electronic experts. It is unnecessary for the layman, manager or even a computer user to understand the workings of a computer in detail as long as its inputs and outputs are fully understood. In the early days of computers, auditors were confronted with the task of auditing computer based systems but they did not understand the working of them and so audited "round" the computer, not through it, treating the computer as a black box. Nowadays, auditors are more knowledgeable about such matters and now audit "through" the computer taking account of what happens to data in the computer after it has been input prior to being output.

Black labour market. See MOONLIGHTING.

Blue chip. The term is used to describe the ordinary shares of companies of repute, which are nationally and internationally known, and which are regarded by the stock market and the public as being financially sound and provide a relatively safe investment.

Board of directors. This is a collective term describing the management committee of a company made up of the directors. See also MANAGEMENT.

Brainstorming. A technique applied to problem solving by evaluating ideas put forward by a group of people convened specially for the purpose. It is an application of the principle that several heads are better than one with problems being viewed from several points of view. An accountant, no doubt, will attempt to view problems from a financial point of view whereas an engineer will view a system as a series of interconnected sub-systems structurally linked on a coordinated basis to achieve specific

functions. See also THINKTANK.

Break-even analysis. See BREAK-EVEN CHART and BREAK-EVEN POINT.

Break-even chart. A graphical presentation of fixed costs, variable costs and sales income for various sets of circumstances, i.e. level of costs and volume of sales. It illustrates the profits or losses incurred at different levels of activity, the break-even point (q.v.) and the margin of safety (q.v.).

Break-even point. The point when sales income equates to total cost, i.e. the level of activity when neither profit or loss is made. It may be computed on the basis of units or sales as follows:

$$1. \text{ Break-even units} = \frac{\text{Fixed overhead}}{\text{Contribution per unit}}$$

$$2. \text{ Break-even sales value} = \frac{\text{Fixed overhead}}{\text{Contribution to sales ratio}}$$

See CONTRIBUTION and FIXED OVERHEADS.

Break-up value. When a company fails and cannot be sold as a going concern (q.v.), its assets are sold as separate lots, sometimes by auction, for whatever amount can be realised in order to minimise the total loss.

Bridlington Agreement. Drawn up in 1939 by the TUC it sets out to minimise the likelihood of disputes between unions, particularly those resulting from union competition. The principles on which the agreement was based were geared toward unions entering into agreement with others with whom they were in frequent contact in order to establish their position over spheres of influence, recognition, transfers, and so on.

British Institute of Management (BIM). Formed in 1947 to promote high standards of managerial professionalism and practice within the United Kingdom and to project increased understanding of the import-

ance of the managerial role in the conduct of business operations. BIM branches organise meetings on topics of interest to members most of whom are practising managers. Some members are lecturers in management subjects having previously been in managerial posts. The official journal of the BIM is *Management Today*.

British Standards Institution (BSI).

The national institution for the preparation of British standards relating to such aspects as standard dimensions of screw threads, electrical standards, methods of testing, codes of practice, terms, definitions and symbols for flowcharting, etc. BSI represents the UK in international organisations concerned with the preparation of international standards.

Broker. Brokers are agents acting as intermediaries between buyers and sellers, for which they receive a commission, called brokerage, which is usually calculated as a percentage of the value of the transaction. There are many different types of broker such as insurance broker, stock broker and others dealing with specific commodities.

"Buck stops here, The". A colloquial expression which means the end of the road has been reached as far as passing the buck (q.v.) is concerned. There is no one else in the management hierarchy to delegate to. *See* DELEGATION.

Budget. A budget may be defined as a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. It may include income, expenditure and the employment of capital. Distinction should be made between a budget and a forecast. A budget is not in itself a

forecast but is a planned course of action based on a forecast of a future situation. *See also* FUNCTIONAL BUDGET, MASTER BUDGET, SUBSIDIARY BUDGET and DEMAND FORECASTING.

Budgetary control. The ICMA define budgetary control as follows:

"The establishment of budgets relating 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 its revision."

The definition clearly indicates that it is a means of pinpointing responsibility and accountability of specific executives for the achievement of specified objectives which is the basis of responsibility accounting. *See also* ACCOUNTABILITY and PRINCIPLE OF RESPONSIBILITY

Budget centre. A budget centre may be defined as a section of an organisation for which separate budgets can be compiled as a basis for control. Budget centres are often based on the functional organisation of a business which allows budgets to be prepared for departments, sections and individuals as the need arises. Budget centres pinpoint accountability very positively.

Budget committee. A committee established for the formulation of budget policy, planning and administration of budgetary control procedures. The committee is often chaired by the chief executive and consists of senior managers of the various functions within the company, including the budget officer (q.v.) and accountant (q.v.).

Budget control period. Budgets are structured on the basis of short term control periods. Some factors are

controlled on a daily basis such as overtime, absenteeism and production rejects. Other aspects are controlled on a weekly or monthly basis. It is essential for managers responsible for achieving budget objectives to be aware of the actual results being achieved in sufficient time to enable effective control action to be taken, particularly to remedy adverse situations. *See also* CONTROL.

Budget cost allowance. Budget cost allowance may be defined as the cost which a budget centre is expected to incur in a budget control period (q.v.). This usually comprises variable costs (q.v.) in direct proportion to the volume of production or service achieved and fixed costs as a proportion of the annual budget.

Budget draft. An initial budget presented to the budget committee (q.v.) for consideration and approval. Such drafts are seldom accepted at their initial presentation due to such aspects as insufficient profit, inadequate return on capital employed (q.v.) or inadequate turnover of assets in relation to sales. Modifications are made as requested by the committee after consultation with management and are then resubmitted for further consideration until they are finally approved for implementation.

Budget factor. *See* LIMITING FACTOR.

Budget officer. The administrative activities of the budget committee are the responsibility of a budget officer who is usually a member of the management accountant's staff. His duties include interpreting the policy of the budget committee and the dissemination of outline plans to executives, providing them with the bases for formulating budgets within the framework of policy for their area of responsibility and ac-

countability. He is responsible for coordinating all the functional budgets (q.v.) and subsidiary budgets (q.v.) as a basis for constructing the master budget (q.v.).

Budget structure. The structure of the financial accounting system is normally used as the framework for structuring functional budgets to facilitate the preparation of budget control statements. These statements provide for the direct comparison of budgeted and actual results which provides management with details of operating variances as a basis for control.

Bulletin. *See* INFORMATION TECHNOLOGY.

Business cycle. This cycle is the variations, the peaks and troughs, which occur in business operations as fluctuations in the level of production, supply and sales. On occasions this is due to seasonal variations. In other cases, business activity varies as a result of stop go policies of the government to ward off the threat of inflation and increasing interest rates, etc. Booms and slumps also occur as a result of natural economic forces which tend to occur cyclically. Business planning attempts to foresee such events, which are threats to the smooth operation of the business or even to its survival, and to apply corrective measures to minimise the effect of such events.

Business forecasting. *See* DEMAND FORECASTING.

Business game. The activity which simulates business operations for the purpose of evaluating the results of decisions made by the different participants. The participants act as competitors and the outcome of the decisions made by them are often influenced by the decisions of competitors. In this way, the results of varying cost structures, selling