



MUTHAYAMMAL ENGINEERING COLLEGE

(An Autonomous Institution)

(Approved by AICTE, New Delhi, Accredited by NAAC & Affiliated to Anna University)
Rasipuram - 637 408, Namakkal Dist., Tamil Nadu.



MUST KNOW CONCEPTS

MKC

MBA

2020-21

Course Code & Course Name : 19MBA05-Accounting for Management
Year/Sem/Sec : I/I/-

S.No.	Term	Notation (Symbol)	Concept / Definition / Meaning / Units / Equation / Expression	Units
Unit-I : Introduction				
1.	Accounting		The process of identifying, measuring and communicating financial information about an entity to permit informed judgements and decisions by users of the information	I
2.	Accounts receivable		The amount of money owed by customers or clients to a business after goods or services have been delivered and/or used.	I
3.	Accounts payable		The amount of money a company owes creditors (suppliers, etc.) in return for goods and/or services they have delivered.	I
4.	Discount Received		A supplier of goods or services allows a business to deduct an amount called a discount, for prompt payment of an invoiced amount.	I
5.	Purchases		Total of goods and services bought in a period	I
6.	Net Profit		Sales minus cost of sales minus all administrative and selling costs	I
7.	Expense		An expense is caused by a transaction or event arising during the ordinary activities of the business which causes a decrease in the ownership interest	I
8.	Accounting Equation		The relationship between assets, liabilities and ownership interest	I
9.	Capital		A financial asset or the value of a financial asset, such as cash or goods	I

10.	Non-Current Assets		Any asset that does not meet the definition of a current asset	I
11.	Assets		Rights or other access to future economic benefits controlled by an entity as a result of past transactions or events	I
12.	Net Assets		Assets minus liabilities (equals ownership interest)	I
13.	Doubtful Debts		Amounts due from credit customers where there is concern that the customer may be unable to pay	I
14.	Non-Current Liabilities		Any liability that does not meet the definition of a current liability	I
15.	Accounting Equation		The relationship between assets, liabilities and ownership interest	I
16.	Financial Accounting		A term usually applied to <i>external reporting</i> by a business where that reporting is presented in financial terms	I
17.	Acid Test		The ratio of liquid assets to current liabilities	I
18.	Annual Report		A document produced each year by limited liability companies containing the accounting information required by law. Larger companies also provide information and pictures of the activities of the company	I
19.	Cash		Cash on hand (such as money held in a cash box or a safe) and deposits in a bank that may be withdrawn on demand	I
20.	Balance sheet		A statement of the financial position of an entity showing assets, liabilities and ownership interest	I
21.	Bad debt		It is known that a credit customer (debtor) is unable to pay the amount due	I
22.	Inventory		Stocks of goods held for manufacture or for resale	I
23.	Fixed cost		One which is not affected by changes in the level of output over a defined period of time	I
24.	Capital		An amount of finance provided to enable a business to acquire assets and sustain its	I

			operations	
25.	Income statement		Financial statement presenting revenues, expenses, and profit. Also called profit and loss account	I
Unit-II : Cost Accounting				
26.	Gross profit		ales minus cost of sales before deducting administration and selling expenses	II
27.	Debtor		A person or organisation that owes money to the entity	II
28.	Operating risk		Exists where there are factors, such as a high level of fixed operating costs, which would cause profits to fluctuate through changes in operating conditions	II
29.	Fixed expenses		Payments like rent that will happen in a regularly scheduled cadence	II
30.	Credit		Entries in the credit column of a ledger account represent increases in liabilities, increases in ownership interest, revenue, or decreases in assets.	II
31.	Overhead		Overhead refers to the ongoing costs of doing business, other than those related to directly creating a good or service	II
32.	Goodwill		Goodwill on acquisition is the difference between the fair value of the amount paid for an investment in a subsidiary and the fair value of the net assets acquired	II
33.	Profit		Calculated as revenue minus expenses	II
34.	Actual Cost		An amount determined on the basis of cost incurred including standard cost properly adjusted for applicable variance	II
35.	Partnership		Two or more persons in business together with the aim of making a profit	II
36.	Cost Allocation		A method of assigning costs to activities, outputs, or other cost objects	II
37.	Liquidity		Liquidity relates to how easily an individual or business can convert an asset to cash for its full market value	II

38.	Direct Cost		The cost of resources directly consumed by an activity	II
39.	Estimated Cost		The process of projecting a future result in terms of cost, based on information available at the time	II
40.	Process Costing		A method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period.	II
41.	Current Ratio		The relationship between current assets and current liabilities	II
42.	Equity shares		Shares in a company which participate in sharing dividends and in sharing any surplus on winding up, after all liabilities have been met.	II
43.	ICAI		Institute of Chartered Accountants in India.	II
44.	Marginal Cost		Marginal cost is that change in the cost of an additional unit of output	II
45.	Book Value		The net amount (original value plus or minus any adjustments such as depreciation) shown in the accounts for an asset, liability, or owners' equity item	II
46.	Equity		A description applied to the ordinary share capital of an entity	II
47.	Expenses		These are the costs incurred in producing net profit	II
48.	Bookkeeping		The act of systematically recording the financial transactions affecting a business	II
49.	Depreciation		The depreciation accounting method determines the decreasing value of a tangible asset over its lifetime	II
50.	General Ledger		Accountants use a general ledger to record financial transactions and data for companies	II
Unit-III : Financial Statement Analysis				
51.	Quick Ratio		The ratio between current assets minus stock, and current liabilities minus bank overdraft	III

52.	Journal Entry		A journal entry refers to a business transaction recorded in a business's general ledger	III
53.	Double-Entry Bookkeeping		A type of bookkeeping system that keeps the accounting equation ("Assets = Liabilities + Equity") in balance, double-entry bookkeeping requires every entry to an account to have an opposite, corresponding entry in another account	III
54.	Income statement		Financial statement presenting revenues, expenses, and profit. Also called profit and loss account	III
55.	Trial balance		A business document in which all ledgers are compiled into debit and credit columns in order to ensure a company's bookkeeping system is mathematically correct.	III
56.	Profit and loss statement		an income statement, shows the expenses, costs and revenues for a company during a specific time period	III
57.	Stock Turnover		The number of times on average during the year that the entire inventory of stock on hand is sold and replaced	III
58.	Credit note		A document sent to a customer of a business cancelling the customer's debt to the business, usually because the customer has returned defective goods or has received inadequate service	III
59.	Reserves		The claim which owners have on the assets of a company because the company has created new wealth for them over the period since it began	III
60.	Working Capital		The excess of current assets over current liabilities	III
61.	Intangible		Without shape or form, cannot be touched	III
62.	Financial Accounting Process		The process of financial accounting gets affected due to the different accounting policies followed by the accountants.	III
63.	Retained earnings		called an earnings surplus	III
64.	Liabilities		A company's debts or financial obligations	III

			incurred during business operations	
65.	Financial Accounting		the process in which business transactions are recorded systematically in the various books of accounts maintained by the organization in order to prepare financial statements	III
66.	Monetary Transactions		In financial accounting only transactions in monetary terms are considered	III
67.	Liquidity		The extent to which a business has access to cash or items which can readily be exchanged for cash	III
68.	Break-even point		The volume point of sales at which revenues and costs are equal; a combination of sales and costs that will yield a no profit/no loss operation	III
69.	Legal Requirement		Financial accounting is a legal requirement	III
70.	Leasing		Acquiring the use of an asset through a rental agreement	III
71.	Business Entity Concept		According to this concept, the business has a separate legal identity than the person who owns the business	III
72.	Dual Aspect Concept		According to this concept, every transaction has two affects	III
73.	Going Concern Concept		the organization is going to be in existence for an indefinite period of time and is not likely to close down the business in the shorter period of time	III
74.	Unsecured loan		Loan in respect of which the lender has taken no special claim against any assets	III
75.	Work-in-progress		Cost of partly completed goods or services, intended for completion and recorded as an asset	III
Unit-IV : Budgeting				
76.	Operation expenses		Business expenditures not directly associated with the production of goods or services—for example, advertising costs, property taxes or insurance expenditures.	IV

77.	Share capital		Name given to the total amount of cash which the shareholders have contributed to the company.	IV
78.	Shares		The amount of share capital held by any shareholder is measured in terms of a number of shares in the total capital of the company	IV
79.	Trade payables		Amounts due to suppliers (trade creditors), also called accounts payable	IV
80.	Maturity		The date on which a liability is due for repayment	IV
81.	Operating risk		Exists where there are factors, such as a high level of fixed operating costs, which would cause profits to fluctuate through changes in operating conditions	IV
82.	Current asset		An asset that is expected to be converted into cash within the trading cycle	IV
83.	FIFO		First In First Out type of inventory valuation	IV
84.	Insolvency		A state where an individual or organization can no longer meet financial obligations with lender(s) when their debts come due.	IV
85.	Cash flow statement		Provides information about changes in financial position	IV
86.	Interest		The cost of the use of money	IV
87.	Current liability		(a) it is expected to be settled in the entity's normal operating cycle; (b) it is held primarily for the purpose of being traded;	IV
88.	Budget		A formal statement of management's expectations of sales, expenses, volume, and other financial transactions of an organization	IV
89.	Merger		Two organisations agree to work together in a situation where neither can be regarded as having acquired the other.	IV
90.	GAAP		Generally Accepting Accounting Principles	IV
91.	cost of goods sold		Materials, labour and other costs directly related to the goods or services provided	IV

92.	Current Liabilities		Liabilities to be paid within one year of the balance sheet date.	IV
93.	Long-term Liabilities		These are liabilities in your business that are due in more than one year. For example mortgage payable	IV
94.	Financial Information		Information which may be reported in money terms	IV
95.	IFRS		International Financial Reporting Standard	IV
96.	income statement		Financial statement presenting revenues, expenses, and profit	IV
97.	Variable expenses		expenses, like labor costs, that may change in a given time period	IV
98.	Net Operating Loss		A net operating loss results when business expenses exceed business income for the operating period.	IV
99.	Accrued expense		an incurred expense that hasn't been paid yet.	IV
100.	Budgetary contro		Budgetary control is the way in which financial control is maintained within a business by using budgets for income and expenditure for each main function of the business	IV
Unit-V : Standard Costing				
101.	Fixed capital		Finance provided to support the acquisition of fixed assets	V
102.	Fore cast		estimate of future performance and position based on stated assumptions and usually including a quantified amount	V
103.	Investors		Persons or organisations which have provided money to a business in exchange for a share of ownership	V
104.	Management		Collective term for those persons responsible for the day-to-day running of a business	V
105.	Cash flow budget		The cash flow budget summarises the expected cash inflows and the expected cash outflows of a business over a budget period	V

106.	IAS		International Accounting Standard, issued by the IASB's predecessor body	V
107.	Job costing		Job costing is a method of costing which identifies the individual costs of performing each job	V
108.	Opportunity cost		Opportunity cost is an important concept – particularly in the context of investment or project appraisal	V
109.	IASB		International Accounting Standards Board, an independent body that sets accounting standards accepted as a basis for accounting in many countries, including all Member States of the European Union	V
110.	Management accounting		Reporting accounting information within a business, for management use only	V
111.	Ratio analysis		Ratio analysis is the study of the relationships between financial variables	V
112.	Margin		Profit, seen as the 'margin' between revenue and expense	V
113.	Return on equity		Return on equity (usually shortened to “ROE”) is a measure of investment return that compares the profit earned by a business with the Accounting and Finance	V
114.	Operating activities		The principal revenue-producing activities of the entity and other activities that are not investing or financing activities.	V
115.	Shareholder		A shareholder is an owner of shares in a limited company or limited partnership. A shareholder is a member of the company	V
116.	Standard cost		The planned unit cost of the products, components or services produced in a period	V
117.	Work in progress		Work in progress is a term used to describe products or services which are in the process of completion	V
118.	Ordinary shares		Shares in a company which entitle the holder to a share of the dividend declared and a share in net assets on closing down the business	V

119.	Zerobased budgeting		Zerobased budgeting is a method of producing a budget which ignores what has happened in the past	V
120.	Cost Concept		Asset is recorded at the cost at which it is acquired instead of taking current market prices of various assets.	V
121.	Straight Line Method		Cost of Asset, Estimated Scrap value-is the value of the asset at the end of life of the asset, Estimated life of Asset	V
122.	Real Accounts		Building Account, Furniture Account, Machinery Account, Land Account	V
123.	Nominal Accounts		Insurance Account, Wages Account, Interest Paid or Received Account, Commission Paid or Received Account	V
124.	Money Measurement Concept		Those transactions find place in the accounting records, which can be expressed in terms of money	V
125.	Fixed assets		Buildings-Factory Buildings as well as Administration buildings, Plant and Machinery, Furniture, Vehicles	V
Placement Questions				
126.	Personal Account		Debit the Receiver, Credit the Giver	
127.	Real Account		Debit what comes in, Credit what goes out	
128.	Nominal Account		Debit all the Expenses, Credit all the Incomes	
129.	Cash Book		Used to record all the cash receipts and payments	
130.	Purchase Book		Used to record all the credit purchases	
131.	Sales Book		Used to record all the credit sales	
132.	Purchase Return Book		Used to record all goods returned by business to the supplier	
133.	Sales Return Book		Used to record all good returned by the customer to the business.	
134.	Bills Receivable Book		Used to record all accepted bills received by business.	
135.	Journal Proper		Used to record those transactions for which there is no separate book.	
136.	Bills Payable Book		Used to record all bill accepted by us to our creditors	

137.	Material Cost		This is the cost of material or the commodity used by the organisation for its production purpose	
138.	Direct Material Cost		It is also described as process material, stores material, production material, etc	
139.	Indirect Material Cost		Used for ancillary purposes of the business and cannot be conveniently identified with the individual cost centre	
140.	Labour Cost		Incurred in the form of remuneration paid to the employees or labours of the organisation	
141.	Direct Labour Cost		The cost incurred on those employees who directly take part in the manufacturing process and easily identified with the individual cost centre	
142.	Indirect Labour Cost		The cost incurred on those employees who do not directly take part in the manufacturing process and cannot identified with the individual cost centre	
143.	Expenses		The costs of services provided to the Organisation. It can be direct or indirect.	
144.	Direct Expenses		the expenses which can be directly identified with the individual cost centres	
145.	Indirect Expenses		the expenses which cannot be directly identified with the individual cost centres	
146.	Job Card		Job Card is a method of recording details of time with reference to the jobs or work orders undertaken by the workers	
147.	Weekly Time Sheets		In this method time is recorded for all the jobs done during the week instead of recording the work done for a day only	
148.	Personal Accounts		Accounts of Customers, Accounts of Suppliers, Accounts of Bank/Financial Institutions, Capital Account	
149.	Accounting Equation		Assets = Liabilities + Owners Equity.	
150.	Branches Of Accounting		Financial Accounting Management Accounting Cost Accounting`	

Faculty Team Prepared

Signatures

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HoD

