

## Glossary of key terms

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**attainable standard** A standard that assumes efficient levels of operation, but which includes allowances for normal loss, waste and machine downtime.

**basic standard** A standard that remains unchanged since the previous period and probably many previous periods, that may be used for comparison but is likely to be out of date and irrelevant.

**closed-loop system** A control system that includes a provision for corrective action, taken on either a feedback or a feedforward basis.

**ex ante** Means before the event. An *ex ante* budget, or standard, is set before a period of activity commences, and is based on the best information available at that time on expected levels of cost, performance, etc.

**ex post** Means after the event. An *ex post* budget, or standard, is set after the end of a period of activity, when it can represent the optimum

achievable level of performance in the conditions which were experienced. Thus the budget can be flexed, and the standards can reflect factors such as unanticipated changes in technology and in price levels.

**ideal standard** A standard that is only attainable under the most favourable conditions and makes no allowance for normal loss, waste and machine downtime.

**management by exception** The practice of focusing on activities which require attention and ignoring those which appear to be conforming to expectations.

**materiality** Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of financial information. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement.

**operational variance** A classification of variances in which non-standard performance is defined as being that which differs from an *ex post* standard. Operational variances can relate to any element of the standard product specification.

**planning variance** A planning or revision variance is a classification of variances caused by *ex ante* budget allowances being changed to an *ex post* basis.

**standard** A benchmark measurement of resource usage, set in defined conditions.

**standard cost** The planned unit cost of the products, components or services produced in a period. The standard cost may be determined on a number of bases. The main uses of standard costs are in performance measurement, control, stock valuation and in the establishment of selling prices.