
Graduate Certificate in Social Care Auditing and Compliance

Financial Management and Auditing in Social Care

****Absorption Costing:**** A costing method that includes both fixed and variable costs in the cost of each product or service. This method is used to determine the total cost of producing a product or providing a service and is helpful in determining the profitability of individual products or services. Related terms include variable costing and marginal costing.

****Accrual Accounting:**** A method of accounting that records financial transactions when they occur, rather than when cash is exchanged. This method provides a more accurate picture of a company's financial situation, as it includes accounts payable and accounts receivable. Related terms include cash accounting and double-entry bookkeeping.

****Accountability:**** The obligation of an individual or organization to answer for its activities and accept responsibility for them. In financial management, accountability is essential to ensure that resources are used efficiently and effectively. Related terms include transparency, stewardship, and fiduciary duty.

****Accounts Payable:**** The amount of money a company owes to its suppliers for goods or services that have been received but not yet paid for. Accounts payable is a current liability on a company's balance sheet. Related terms include accounts receivable and credit.

****Accounts Receivable:**** The amount of money owed to a company by its customers for goods or services that have been provided but not yet paid for. Accounts receivable is an asset on a company's balance sheet. Related terms include accounts payable and cash.

****Activity-Based Costing (ABC):**** A costing method that assigns costs to products or services based on the activities required to produce or provide them. This method is helpful in identifying which activities are most costly and in determining the true cost of individual products or services. Related terms include traditional costing and job order costing.

****Assets:**** Resources owned by a company that have value and can be used to generate revenue. Assets include cash, accounts receivable, inventory, property, equipment, and intangible assets such as patents and trademarks. Related terms include liabilities, equity, and balance sheet.

****Audit:**** An independent examination and evaluation of an organization's financial statements, internal controls, and accounting practices. The purpose of an audit is to ensure that financial statements are accurate and comply with accounting standards, and to identify any weaknesses in internal controls. Related terms include assurance, attestation, and financial statement audit.

****Audit Committee:**** A committee of the board of directors responsible for overseeing the audit process,

including the selection and oversight of the external auditor, the review of financial statements, and the assessment of internal controls. Related terms include internal audit, external audit, and financial statement audit.

****Budget:**** A financial plan that outlines expected revenues and expenses for a specific period, such as a year. A budget is used to guide financial decision-making, monitor financial performance, and allocate resources. Related terms include variance analysis, forecasting, and zero-based budgeting.

****Budget Variance:**** The difference between actual and budgeted revenues or expenses. A positive variance indicates that actual revenues or expenses were higher than budgeted, while a negative variance indicates that actual revenues or expenses were lower than budgeted. Related terms include variance analysis, forecasting, and budget.

****Cash Accounting:**** A method of accounting that records financial transactions only when cash is exchanged. This method is simpler than accrual accounting but provides a less accurate picture of a company's financial situation. Related terms include accrual accounting and double-entry bookkeeping.

****Cash Flow:**** The movement of cash into and out of a company. Positive cash flow indicates that a company has more cash coming in than going out, while negative cash flow indicates the opposite. Related terms include cash flow statement, operating cash flow, and free cash flow.

****Cash Flow Statement:**** A financial statement that shows the flow of cash into and out of a company over a specific period. The cash flow statement is divided into three sections: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. Related terms include balance sheet, income statement, and statement of changes in equity.

****Cost of Goods Sold (COGS):**** The direct costs associated with producing a product or providing a service, including materials, labor, and overhead. COGS is subtracted from revenue to determine gross profit. Related terms include gross margin and operating margin.

****Current Assets:**** Assets that are expected to be converted to cash or used up within one year or less. Current assets include cash, accounts receivable, and inventory. Related terms include non-current assets, current liabilities, and liquidity.

****Current Liabilities:**** Debts or obligations that are due within one year or less. Current liabilities include accounts payable, accrued expenses, and short-term debt. Related terms include non-current liabilities, current assets, and solvency.

****Depreciation:**** The gradual reduction in the value of a long-term asset due to wear and tear, obsolescence, or other factors. Depreciation is an expense that is charged against revenue to reflect the decline in the value of an asset over time. Related terms include amortization, impairment, and revaluation.

****Double-Entry Bookkeeping:**** A system of accounting that records each financial transaction twice, once

as a debit and once as a credit. This system ensures that the accounting equation (assets = liabilities + equity) is always in balance. Related terms include accrual accounting and cash accounting.

****Equity:**** The residual interest in the assets of a company after deducting liabilities. Equity represents the ownership interest of shareholders and is reported on the balance sheet. Related terms include assets, liabilities, and net worth.

****Expense:**** A cost incurred in the normal course of business, such as salaries, rent, utilities, and supplies. Expenses are reported on the income statement and are subtracted from revenue to determine net income. Related terms include revenue, cost of goods sold, and operating expense.

****Financial Management:**** The process of planning, organizing, directing, and controlling the financial activities of an organization. Financial management involves the preparation of financial statements, the management of cash, the control of costs, the evaluation of investments, and the assessment of risk. Related terms include financial planning, financial reporting, and financial analysis.

****Financial Planning:**** The process of developing a financial strategy for an organization, including the preparation of budgets, forecasts, and financial statements. Financial planning involves the identification of financial goals, the analysis of financial data, and the development of strategies to achieve financial objectives. Related terms include financial management, financial reporting, and financial analysis.

****Financial Reporting:**** The process of preparing and presenting financial statements that accurately reflect the financial position and performance of an organization. Financial reporting involves the use of generally accepted accounting principles (GAAP) and includes the preparation of balance sheets, income statements, and cash flow statements. Related terms include financial management, financial planning, and financial analysis.

****Financial Statement Audit:**** An independent examination and evaluation of an organization's financial statements, internal controls, and accounting practices. The purpose of a financial statement audit is to ensure that financial statements are accurate and comply with accounting standards, and to identify any weaknesses in internal controls. Related terms include assurance, attestation, and audit committee.

****Forecasting:**** The process of estimating future financial performance based on historical data and assumptions about future events. Forecasting involves the use of statistical models and requires the analysis of trends, cycles, and seasonality. Related terms include budgeting, variance analysis, and rolling forecasts.

****Free Cash Flow:**** The amount of cash generated by a company after accounting for all capital expenditures, including the purchase of property, plant, and equipment. Free cash flow is a measure of a company's financial strength and is used to evaluate its ability to pay dividends, reduce debt, or make investments. Related terms include cash flow, operating cash flow, and capital expenditures.

****Gross Profit:**** The difference between revenue and the cost of goods sold (COGS). Gross profit is a

measure of a company's profitability and is used to evaluate its pricing strategy and cost structure. Related terms include gross margin, operating margin, and net profit.

****Gross Margin:**** Gross profit as a percentage of revenue. Gross margin is a measure of a company's profitability and is used to evaluate its pricing strategy and cost structure. Related terms include gross profit, operating margin, and net profit.

****Internal Audit:**** An independent examination and evaluation of an organization's internal controls, risk management, and governance processes. The purpose of an internal audit is to identify areas for improvement and to provide assurance to management and the board of directors. Related terms include audit committee, external audit, and financial statement audit.

****Inventory:**** Goods or materials that are held for sale or for use in the production of other goods or services. Inventory is reported on the balance sheet as a current asset. Related terms include accounts payable, cost of goods sold, and materials management.

****Investment**