

backflush costing A costing method in which *costs are allocated to products when a manufacturing process is finished, or when a sale is made. Backflush costing is normally associated with *just-in-time (JIT) manufacturing and delivery practices, and it offers the advantage of avoiding cumbersome and expensive cost tracking mechanisms. It is particularly suited to the typically low *inventory levels of JIT environments.

back office The administrative functions of a *brokerage operation that trades in *securities, *commodities, and *currencies. Compare *front office.

backup **1.** The periodic copying of accounting and other data in case of loss of information. The backup of computerized information systems permits data recovery and is normal practice in modern organizations. The frequency and storage arrangements of backup copies are driven by the importance and difficulty of replacement of the information, though adequate backup procedures are often required for *business continuity *insurance purposes. **2.** Moral, financial, or administrative support given to an individual or organization.

bad debt An *accounts receivable balance whose collection is doubtful. Under most systems of *Generally Accepted Accounting Principles, an *allowance for bad debts is raised to acknowledge the reduced likelihood of recoverability of a customer balance. When an item is known with certainty to be irrecoverable, it is usually subjected to a *write-off to expenses. The term “bad debt” is sometimes distinguished from “doubtful debt” in that the former designates a customer balance known to be irrecoverable, while the latter indicates a customer balance of potential, if unlikely, recoverability. However, the two terms are frequently used synonymously.

balance **1.** The net total of *debit and *credit entries in a *general ledger *account. **2.** The equalizing effect of the total *debit and *credit entries in a *general ledger. An assessment of the integrity of the mechanics of *double entry book-keeping can be effected through preparation of a *trial balance. **3.** The net total of *debit and *credit entries in a bank or loan account, or in an *accounts payable or *accounts receivable account.

balance of payments The record of a country's economic *transactions with other countries and with international institutions. The balance of payments is normally analyzed into a current account that records trading transactions and a capital account that records transactions relating to *long-term assets and liabilities.

balance sheet An accounting summary of the financial position of an organization or individual at a specific date. A balance sheet offers a snapshot of *assets, *liabilities, and *equity, and it sets out the results of the *accounting equation of *double entry bookkeeping. Under most systems of *Generally Accepted Accounting Principles, balance sheets are based on *historical costs and, therefore, are unlikely to reflect the *fair market value of an organization's assets. Along with an *income statement, the balance sheet is prepared from a *trial balance: The balance sheet and income statement are the primary elements of *financial statements.

balance sheet equation, the An alternative term for the *accounting equation.

balancing figure An item inserted into a *general ledger account, a *trial balance, or a *balance sheet in order to make the totals of *debit and *credit entries agree with each other. The inclusion of a balancing figure in a trial balance is sometimes used to correct mistakes in computations of the *accounting equation.

bank float See *float (definition 2).

bank reconciliation A periodic *internal control procedure to identify differences between *bank statements and corresponding bank *balances stated in *general ledger *accounts. Errors and timing differences may arise between the accounting of *transactions by a bank and its customers. To ensure the accuracy of both bank balances and the general ledger, an organization or individual periodically *reconciles bank statements with related general ledger accounts. Typical differences include *checks not yet processed through the bank, and items in transit.

bankruptcy The legal status of an organization or individual unable to settle its *liabilities. Bankruptcy tends to mean the end of a business as a *going concern, though bankruptcy laws in most jurisdictions include allowance for attempts to rescue all or part of the business. In the United States, for example, *Chapter 11 of the 1978 *U.S. Bankruptcy Reform Act* provides for the financial reorganization of a business while it continues to operate under defined restrictions. Bankruptcy law relating to individuals tends to be markedly different from corporate bankruptcy law in most jurisdictions.

bank statement A summary of *transactions in a bank account prepared for a bank customer. Bank statements are usually prepared at regular intervals, and they increasingly have *real-time availability. *Bank reconciliations—the agreeing of bank statement amounts to corresponding *general ledger accounts—are a fundamental *internal control procedure.

barriers to entry Restrictions on the entry of new competitors into a *market. Barriers to entry may result from technical and economic factors. For example, the large-scale investment in machinery needed for some production processes may be beyond the economic means of many potential entrants to a market, or a firm may hold an exclusive *patent right that gives it a technical advantage in manufacturing a product. Barriers can also derive from *monopolistic and restrictive trade practices, or from *tariffs and other *protectionist measures. Compare *barriers to exit.

barriers to exit Restrictions on the ability of participants in a *market to withdraw from an activity or to deploy resources elsewhere. A common barrier to exit is the existence of a law or regulation that forces an organization to produce goods or provide services deemed to be for the public good. Another barrier to exit is the impact of *sunk costs: An organization that makes massive investments in machinery may find it impractical to abandon the activity for which the machinery was purchased.

barter The acquisition of goods or services through exchange for other goods or services, without the intermediary of *money. Although barter systems tend to be cumbersome and inefficient, and have largely been replaced by money systems, individual barter transactions are still common. For example, some *developing countries frequently exchange *raw materials for food or manufactured goods. The accounting treatment of the elements of barter transactions normally values them at *fair market values.

base document **1.** A document that serves as *audit evidence. Examples include *bank statements, *vendor invoices, and *general ledger extracts. **2.** A document that includes the *population of data from which a *sample can be extracted for audit purposes.

base period **1.** A period of time that serves as a framework or starting point for financial or operational analysis. **2.** A specific date from which an index is calculated. Comparisons of *inflation rates and the *market values of *securities are often calculated in this manner.

base rate **1.** An *interest rate used for reference or comparative purposes. **2.** A term used in the United Kingdom (and in some other countries with strong

British influence) for the *interest lending rate set by a *central bank. Base rates are used as a control mechanism for a national economy, and commercial banks calculate their lending rates in line with national base rates.

base stock The minimum level of *inventory required for day-to-day operational purposes. The base stock level is a critical measurement, and inventory falling below it can adversely affect an organization's operations.

bear 1. [noun] An individual who believes that *prices in a *securities or *commodities market will fall. Contrast *bull. **2.** [adjective] A *securities or *commodities market in which there are general expectations of falling market *prices. Contrast *bull.

Behavioral Research in Accounting A U.S. scholarly accounting journal. Established in 1989, it is published annually in both print and online formats by the Accounting, Behavior and Organizations (ABO) Section of the *American Accounting Association. It frequently includes analysis of behavioral aspects of auditing.

Web link: business.baylor.edu/Charles_Davis//abo/briainfo_home.htm

bell curve See *normal distribution.

below the line In a position in an *income statement that does not directly affect *net income. The "line" is the point in the income statement that separates items that determine net income from items that determine *funding and the *distribution of net income. If an item is below the line, it is excluded from net income. Traditionally, *extraordinary items were treated below the line, but in recent years *Generally Accepted Accounting Principles around the world have moved toward encouraging such items to appear *above the line, and thereby to directly affect *earnings per share.

benchmarking The comparison of data or operations against those of similar organizations. Benchmarking, whether *quantitative or *qualitative, is often performed with the intention of seeking ways to improve an organization's operations. Auditors also frequently use benchmarking as part of their *analytical review procedures. For example, an industry average of payroll cost per employee is a common benchmark to assess the reasonableness of payroll costs in a specific organization. The *Global Auditing Information Network of the *Institute of Internal Auditors offers benchmarking information at the level of the *internal audit function.

best practices Policies, procedures, or *internal controls held by general consensus to represent optimal conduct. An example of voluntary adherence to

auditing best practices can be observed in the following by many internal auditors, even non-members of the Institute of Internal Auditors (IIA), of the Professional Practices Framework of the (IIA).

beta 1. A measure of the degree to which the *returns on a *security track the rest of a market. A beta coefficient is a measurement of the volatility of a *security's *systematic risk, which under *portfolio theory cannot be reduced through *diversification. A beta of one suggests that a security's returns follow the movements of the rest of the market, and that it therefore has an average risk. A beta of more than one indicates that a security moves in the same direction as a market, but to a greater degree. A beta of less than one denotes that a security moves in the same direction as a market, but is less responsive than the market as a whole. A negative beta indicates that a security's returns follow a market inversely. **2.** The second letter of the Greek alphabet, used extensively in statistics and financial economics.

Beta Alpha Psi (BAP) A U.S. national accounting fraternity. BAP was founded in 1919, and its Web site states that it “recognizes academic excellence and complements members’ formal education by providing interaction among students, faculty and professionals, and fosters lifelong growth, service and ethical conduct.”

Web site: *www.bap.org*

beta coefficient See *beta (definition 1).

betterment The enhancement of the condition and operational functionality of a *fixed asset. Betterment costs are normally *capitalized in a *balance sheet. Contrast *maintenance.

big bath reserves *Reserves created for charges arising from *acquisitions or *restructuring. Many systems of *Generally Accepted Accounting Principles restrict the use of big bath reserves, owing to their rather tainted reputation as a potential means of *cooking the books. The creation of inflated reserves can be exploited to release the reserves (and thereby inflate *net income) during periods of weak financial performance. Such misuse of big bath reserves is a subversion of the *accruals basis of accounting. See also *cookie jar reserves.

Big Five, the The name given to the largest global accounting and professional services firms prior to the demise of *Arthur Andersen in 2002. Now known as the *Big Four.

Big Four, the **1.** The Big Four accounting firms are *Deloitte Touche Tohmatsu, *Ernst & Young, *KPMG, and *PricewaterhouseCoopers. These firms are more

than merely global accountants and auditors: External auditing is their core activity but they also provide a range of professional services, from tax advice to business *consulting. The *outsourcing of internal auditing has been an important area of Big Four activity in recent years. However, regulators throughout the world have raised concerns about the levels of the Big Four's often-lucrative *management advisory services (MAS), and the extent to which MAS can allegedly compromise the *independence of external *audit opinions. These concerns have intensified following the *Enron corporate scandal, and have crystallized in the United States' *Sarbanes-Oxley Act of 2002, part of which addresses the topic of external auditors' provision of MAS. Nonetheless, the Big Four remain the first-choice external auditors for large, *multinational corporations, for whom they offer a common auditing approach around the world.

Other than Ernst & Young, the origins of the current Big Four can be traced back to the United Kingdom in the nineteenth century, but their center of gravity has long shifted to the United States. Decades of cut-throat competition has led to consolidation among the international accounting firms: The Big Eight of the 1980s were halved in number by 2002, with the demise of *Arthur Andersen following the *Enron corporate scandal. **2.** In Japan, the term “Big Four” has traditionally referred to the country's four main investment banks. **3.** In the United Kingdom, the term “Big Four” is commonly used to refer to the country's four largest high-street, commercial banks.

Further reading: Matthews et al. (1998)

Big “R,” the A U.S. educational novel that expounds *internal auditing principles. Coauthored by Larry D. Crumbley, Douglas E. Ziegenfuss, and John J. O'Shaughnessy, the novel uses the plot of a murder mystery set in the world of baseball to illustrate internal auditing theory. As the authors write in their preface: “This instructional novel mixes baseball, auditing, serial killers, *fraud, *risks, anthrax, and scuba diving to help students learn the principles of internal auditing.” This original and entertaining approach of using a fictional narrative to expound auditing principles is rare. Another example is K. H. Spencer Pickett's *Internal Control—A Manager's Journey* (Pickett, 2001).

Further reading: Crumbley et al. (2000)

billion **1.** One thousand million. **2.** An archaic, British term for one million million. Modern British usage normally means one thousand million, but the visitor to the United Kingdom should be wary of the term's potential ambiguity.

bill of exchange A written payment order used in international commerce. A bill of exchange is raised by an exporter and addressed to an importer (or an importer's *agent), to request payment of a specific amount at a specific date. It is similar to a *post-dated check.

bill of lading A document that serves as evidence of the delivery of goods in accordance with contractually agreed terms. Legal title for the goods is often linked to the physical transfer of the bill from vendor to purchaser.

bill of materials (BOM) A summary of the *raw materials and other elements of a manufactured product. A BOM can serve as (i) a record of the components of a product and (ii) a control document for the manufacturing process. The term can also be used in reference to the construction of a *fixed asset.

bill of sale A document that summarizes the contractual terms of a sale. The bill of sale confirms legal title to goods, rather than the possession of goods.

black, in the To achieve *income (definition 2) or to have positive *cash flow. Contrast the phrase “in the *red.”

“black box” audit approach An *audit approach that sidesteps the technical complexities of a computerized processing system. A “black box” refers to a computer system ignored by an auditor, who focuses instead on a comparison of inputs with outputs. For example, an auditor may compare transactions entered into a computerized accounting system with *general ledger account balances printed from the system, without reviewing the detail of the manner in which the system processed the transactions. A “black box” approach is often adopted in the context of an auditor's inadequate technical knowledge of computerized systems, or in cases of restricted time or resources. It can produce worthwhile *audit evidence, but it is essentially *substantive and historical in nature, and it does not offer any ongoing *assurance for *internal controls.

black economy An alternative term for *underground economy.

black market An alternative term for activity in an *underground economy.

blind entry A *general ledger *transaction or *journal entry that lacks narrative explanation.

blue chip A corporation or its *common stock with a history of impressive *returns to investors and which is perceived as low *risk. The term derives from the color of chips used to place high-value bets in casinos.

Blue Ribbon Commissions *Corporate governance review panels established by the *National Association of Corporate Directors (NACD). The NACD Web site describes the reports of its Blue Ribbon Committees as “thought-leadership publications compiled by a commission of seasoned *directors and governance experts.” In recent years areas investigated by commissions include *audit committees and *executive remuneration. In 2000, for example, the NACD published its *Report of the NACD Blue Ribbon Commission on Audit Committees*, which reviewed ways in which audit committees can function effectively, and the types of director that should be considered for audit committee service.

Further reading: NACD (2000); NACD (2001)

Web site: *www.nacdonline.org*

board of directors A group of *directors with ultimate responsibility for the *stewardship of an organization. Boards of directors have been described as “inescapably, the centre of the [corporate] governance system” (Cadbury, 2002, 33). Boards exercise their governance duties in several ways: they (i) elaborate strategies and plans for an organization, (ii) define *internal control strategies, (iii) oversee and report on *external control, (iv) provide leadership to an organization, and (v) address the concerns of *stakeholders. A main board of directors (or “top table”) may delegate some of its authority to subordinate boards (e.g., in operational divisions and overseas *subsidiaries), but it retains overall responsibility for an organization’s stewardship.

The responsibilities of a board of directors can be distinguished from those of an organization’s *managers—a board has a strategic oversight role, while management takes charge of day-to-day operations. This difference has been summarized by the *National Association of Corporate Directors in the acronym NIFO—“nose in, fingers out” (NACD, 1996). Individual *inside directors, however, may have to juggle the potentially conflicting responsibilities of directing and managing an organization.

In English-speaking countries, a board of directors tends to have a unitary (or single-tier or monistic) structure. In contrast, two-tier (or dualistic) boards are the norm in continental Europe and some other parts of the world. In Germany, for example, a corporation’s supervisory board (made up of representatives of *stockholders and employees) appoints a management board to run the corporation’s day-to-day business. This arrangement is intended to promote social partnership between various parties interested in an organization’s stewardship, and to avoid an excessive concentration of power within the board structure. Although there is little evidence of moves toward a two-tier structure in the English-speaking world, the increasing importance of *outside directors may be interpreted as an enhancement of independent oversight within the unitary board structure.

See also *audit committee, *remuneration committee, and *tone at the top.

Board of Environmental, Health & Safety Auditor Certifications

(BEAC) A U.S. *environmental auditing organization. Founded in 1997 by the *Institute of Internal Auditors (IIA) and the *Auditing Roundtable, the BEAC is based at the IIA's headquarters in Altamonte Springs, FL. Its certification programs cover environmental and health and safety auditing, and include the *Certified Professional Environmental Auditor (CPEA) designation. The BEAC also issues environmental *auditing standards and a competency framework for auditors in this specialized field.

Web site: *www.beac.org*

boilerplate Standardized language used in *audit reports, legal contracts, and other documents. Boilerplate language is often used to minimize legal *risks. The term is frequently used in a pejorative sense to indicate the allegedly unimaginative, uninformative, and clichéd content of external auditors' reports and corporate statements on *internal control and *risk management.

bond A *financial instrument issued by a *public or *private sector institution. There are many varieties of bonds: (i) secured (by *collateral) or unsecured, (ii) short- or *long-term, and (iii) with fixed or variable *interest. The issuer of a bond commits to paying the bond's owner its *face value at a specific *maturity date, and often also periodic *interest payments. Unlike *common stock, a corporation's bonds do not normally carry voting rights.

book 1. [plural noun] The *financial statements, *general ledger, and other accounting records and *ledgers of an organization or individual. The term is used in a range of expressions from *book value to *cooking the books. **2.** [verb] To record an *entry in a *general ledger account or in a *subsidiary ledger. See also *posting.

bookkeeper An individual responsible for recording *general ledger *transactions and preparing a *trial balance. The duties of bookkeepers vary between organizations, but there is a commonly understood distinction between the supporting functions of a bookkeeper and the more complex activities of an accountant.

bookkeeping audit An audit of *general ledger *transactions that focuses on the detection of *bookkeeping errors or *fraud.

books of account See *book (definition 1).

books of prime entry A rather archaic term for accounting records used to summarize information before the information is transferred to a *general ledger. A *petty cash register is an example of a book of prime entry. Compare *subsidiary ledger.

book value **1.** The historical cost of an asset recorded in a *general ledger. Book values do not take account of *revaluations and, in financial statements, they are normally stated net of any *amortization. Contrast *fair market value. **2.** An alternative term for *carrying value.

bottleneck A stage of a process or activity subjected to congestion or obstruction. In production processes, a bottleneck indicates that manufacturing capacity has been exceeded.

bottom line **1.** *Net income as recorded in an *income statement. The net income figure is used in *earnings per share calculations. **2.** The outcome of an activity or campaign in activities as diverse as advertising and employee recruitment (e.g., “The bottom line is that this recruitment campaign must bring results”). **3.** The crux of an argument.

box-ticking approach An approach to auditing or *compliance testing characterized by a superficial or unimaginative use of *checklists and *questionnaires. The term is used pejoratively, to imply a focus on the formalities of auditing or compliance over a true understanding and appreciation of underlying issues. A common theme in *corporate governance is the desirability of proactive compliance in a spirit of understanding, rather than a box-ticking approach that fails to address the true areas of concern.

boycott The withdrawal of economic relations with an individual, organization, or country. Boycotts arise from economic or political disputes, and examples include the actions of pressure groups to discourage the purchasing of the goods and services of corporations of whose actions they disapprove. The term derives from the name of a nineteenth century British land agent in colonial Ireland, who was the subject of economic protests against excessively high rents. Compare *embargo and *sanction.

brainstorming The spontaneous suggestion of ideas by an individual or a group of individuals. Brainstorming is often advocated by modern management theory as a means of tossing out a large number of ideas to solve a problem, or to enhance the so-called *Three E's in an organization's operations. Generally, the large number of suggestions generated by a brainstorming session are gradually pruned and narrowed to produce focused recommendations for action.

branch An operational or administrative unit of an organization. Many *multinational corporations have branches around the world, and *control over remote operating units of this nature present particular challenges to auditors. Organizational *risks are magnified for branches separated from their

head offices by (i) large geographical distances, (ii) cultural dissonance, (iii) linguistic differences, (iv) variations in local laws, regulations, and taxation, (v) differences in *Generally Accepted Accounting Principles, and (vi) differences in *Generally Accepted Auditing Standards. The degree of *decentralization and the level of autonomy granted to the managers of individual branches can also complicate an organization's *internal control environment. Control over branches is sometimes effected by the supervisory role of *divisional groups.

Further reading: O'Regan (2003a)

brand The value of the attraction to *consumers of the name or logo of a product or service. Brands are *intangible assets, and are notoriously difficult to quantify. The value of brands is often evident during corporate *acquisitions, when it is reflected in *goodwill figures.

break-even point A level of activity at which total *costs equal total *revenues. Break-even analysis can be applied to individual products or services, or to an entire organization. At a break-even point, no profit or loss is made.

bribe An improper or illegal inducement made with the intention of gaining influence over an individual or organization. Bribes can take the form of cash, assets, or services. Most legal and ethical systems forbid bribes, owing to their *corrupting effects, though in practice the dividing lines between bribes and acceptable *gifts and entertaining can often be fuzzy. In some cultures, the offering of expensive gifts is commonplace. The *Foreign Corrupt Practices Act forbids U.S. organizations and individuals from engaging in international bribery. Compare *facilitating payment.

Further reading: Pacini et al. (2002)

Brink, Victor Z. (1906–1992) A pioneering U.S. *internal auditing author, educator, and practitioner. With experience straddling both academic life (at Columbia University) and professional life (at Ford Motor Company and the Pure Oil Company), Brink has been described as “the most influential individual in the history of internal auditing” (Flesher and McIntosh, 2002, 149). He was one of three main cofounders of the *Institute of Internal Auditors (IIA), along with *Robert B. Milne and *John B. Thurston. Brink authored the pioneering text *Internal Auditing* in 1941, which was based on a doctoral thesis and is considered by many to be the first major text on the subject. Still in print today, the book has been updated by other authors under the eponymous title *Brink's Modern Internal Auditing* (Brink et al., 1999). Brink's 1941 book acted as a major catalyst in the creation of the IIA, as it brought its author to the attention of Milne and Thurston.

Brink made many contributions to the IIA: He held senior positions in the organization's hierarchy (e.g., the IIA's first research director) and he also wrote the IIA's first history, *Foundations for Unlimited Horizons* (1977). The IIA awarded him with its first Lifetime Achievement Reward in 1991.

Further reading: Brink (1941); Brink (1977); Brink and Dittenhofer (1994); Brink et al. (1999); Flesher (1991); Flesher and McIntosh (2002)

British Accounting Association (BAA) A British scholarly accounting organization. The British equivalent of the *American Accounting Association, the BAA was established in 1947. It is administered from Sheffield University, in the north of England. The BAA Web site states its main objective to be "the advancement of knowledge and understanding of accounting," and its activities focus on the encouragement of accounting research and teaching. It also publishes the **British Accounting Review*, a scholarly journal.

Web site: www.shef.ac.uk/~baa

British Accounting Review A British scholarly accounting journal. Established in 1984, the journal is published quarterly by Elsevier Science on behalf of the *British Accounting Association. It is available in both print and online formats, and its notes describe it as "a forum for communication throughout the world between members of the academic and professional community concerned with the research and teaching, at degree level and above, of accounting, finance, and cognate disciplines." Its coverage is more internationally focused than its title might imply, and it frequently addresses auditing subjects. (Before becoming a fully fledged academic journal in 1984 the magazine existed in several forms. It traces its history back to the *Association of University Teachers of Accounting Newsletter* that first appeared in 1948.)

Web link: www.elsevier.com/locate/issn/0890-8389

broker An intermediary in financial transactions. Brokers typically act as *agents to purchase and sell assets on behalf of others, and they operate in *markets for *securities, *commodities, *currencies, and *insurance policies. Brokers are normally rewarded by *commission fees.

budget A quantitative plan for the future activities of an organization or individual. The preparation of budgets is common in most *private and *public sector organizations, and budgets normally fulfill one or more of the following purposes: They act as (i) a record of planned activities, (ii) a standard against which to compare *variances with actual performance, (iii) a means of communicating an organization's plans to employees, (iv) an *accountability mechanism for activities and assets, (v) a means of motivating and rewarding individuals for performance against budget, and (vi) an *internal control over operations. The

sophistication and methodology of budgets varies widely. Budgets can be limited to high-level data on assets, revenues, and expenses, or they can consist of detailed financial statements, *cash flows, and operational statistics for individual areas of an organization. Budgeting methodologies tend to follow the costing methodologies adopted by an organization, like *activity based costing or a *just-in-time philosophy.

While budgets can have a motivational effect on individuals, they can also have dysfunctional consequences. For example, employees may be tempted to incur inappropriate expenses to fully use a budget, in order to ensure they are allocated a similar budgetary level in future years. More generally, organizational turf wars can erupt over the allocation of budgeted resources, and it has been perceptively noted that “it is a rare organization in which budgets do not create a framework for conflict” (Sawyer and Vinten, 1996, 245). Compare *forecast.

budget committee A group of individuals responsible for *authorizing budgets. Budget committees tend to comprise (i) an organization’s senior operational managers, (ii) the *Chief Financial Officer, and sometimes also (iii) the *Chief Executive Officer.

bug **1.** An error or flaw in a computer software program. **2.** An error in the operation of computer hardware. **3.** [less commonly] An alternative term for *virus (both definitions).

bull **1.** [noun] An individual who believes that *prices in a *securities or *commodities market will rise. Contrast *bear. **2.** [adjective] A *securities or *commodities market in which there are general expectations of rising *prices. Contrast *bear.

business combination The amalgamation of one or more organizations to form a new economic unit. Most business combinations take the form of *acquisitions or *mergers, and give rise to *consolidated financial statements.

business continuity planning Policies and procedures designed to ensure the survival of an organization following a disaster. Continuity planning addresses potential disasters like (i) the loss of accounting data, (ii) the destruction of buildings and inventory by fire, and (iii) the disruption of distribution networks by adverse weather conditions.

Typical components of business continuity planning include (i) adequate *backup of accounting information, (ii) procedures for the rapid replacement of key employees who may be injured or killed, and (iii) guidelines for conducting press relations to explain *material disruption to operations.

business process re-engineering (BPR) Radical changes to an organization's *processes and *procedures aimed at reducing costs or enhancing the *Three E's of operations.

Further reading: Frigo et al. (1995)

by-product An incidental product emerging from a *production process. By-products typically have significantly less value than main production items, and are often unavoidable: for example, paraffin and lubricants are frequent by-products of oil refining processes. Depending on *materiality, a by-product can be accounted as a separate unit of *inventory, or revenues from its sale can simply be offset against the production costs of the principal manufactured items. Compare *joint product.