

**CHAPTER 5/COST ACCOUNTING**

**TABLE 5-5: SAMPLE INDIRECT COST RATE SCHEDULE**

**Sample Consulting Company**  
**Statement of Direct Labor, Fringe Benefits, and General Overhead**  
**For the Year Ended December 31, 200x**

<b>Description</b>	<b>General Ledger Account Balance</b>	<b>Disallowed Costs</b>	<b>Notes</b>	<b>Proposed Company Wide</b>	<b>% of Direct Labor</b>
DIRECT LABOR.....	\$ 1,950,501	\$ -		\$ 1,950,501	100.00%
<b>FRINGE BENEFITS</b>					
6300 Benefits: Bonuses.....	\$ 234,060	\$ (28,560)	(a)	\$ 205,500	10.54%
6310 Benefits: 401(k) - Employer's Contribution.....	97,525	-		97,525	5.00%
6320 Benefits: PTO (vacation, sick, and holiday)....	253,565	-		253,565	13.00%
6820 Insurance: Disability.....	58,515	-		58,515	3.00%
6830 Insurance: Life.....	21,846	(800)	(b)	21,046	1.08%
6840 Insurance: Medical.....	136,535	-		136,535	7.00%
6850 Insurance: Workers' Comp.....	15,799	-		15,799	0.81%
7500 Payroll Taxes: FICA and Med.....	180,421	-		180,421	9.25%
7510 Payroll Taxes: FUTA and SUTA.....	78,020	-		78,020	4.00%
TOTAL FRINGE BENEFITS.....	\$ 1,076,286	\$ (29,360)		\$ 1,046,926	53.67%
<b>GENERAL OVERHEAD</b>					
6700 Indirect Labor.....	\$ 741,190	\$ (3,300)	(c)	\$ 737,890	37.83%
6000 Advertising and Marketing.....	23,991	(6,750)	(d)	17,241	0.88%
6100 Automobile Expense.....	68,268	(13,580)	(e)	54,688	2.80%
6200 Bank Service Charges.....	9,753	-		9,753	0.50%
6400 Contributions and Gifts.....	14,629	(14,629)	(f)	-	0.00%
6500 Depreciation Expense.....	117,030	-		117,030	6.00%
6600 Dues and Subscriptions.....	16,189	(350)	(g)	15,839	0.81%
6800 Insurance: Automotive.....	15,409	-		15,409	0.79%
6810 Insurance: Business Liability.....	23,406	-		23,406	1.20%
6900 Interest Expense.....	36,084	(36,084)	(h)	-	0.00%
7000 Licenses and Permits.....	21,456	-		21,456	1.10%
7100 Maintenance and Repairs.....	97,135	-		97,135	4.98%
7200 Meals and Entertainment.....	19,310	(1,050)	(i)	18,260	0.94%
7300 Miscellaneous Fees, Fines, and Penalties.....	6,827	(6,827)	(j)	-	0.00%
7400 Office Expense: Cleaning.....	8,192	-		8,192	0.42%
7410 Office Expense: Postage and Delivery.....	4,486	-		4,486	0.23%
7420 Office Expense: Office Supplies.....	32,183	-		32,183	1.65%
7430 Office Expense: Other Office Expense.....	35,889	-		35,889	1.84%
7600 Personal Property Tax.....	42,911	-		42,911	2.20%
7700 Professional Fees: Accounting and Legal.....	30,428	-		30,428	1.56%
7800 Rent.....	180,049	(2,400)	(k)	177,649	9.11%
7900 Telephone.....	60,466	-		60,466	3.10%
8000 Utilities.....	29,472	-		29,472	1.51%
Direct Cost Recovery.....	-	(107,278)	(l)	(107,278)	-5.50%
TOTAL GENERAL OVERHEAD.....	\$ 1,634,753	\$ (192,248)		\$ 1,442,505	73.96%
TOTAL FRINGE BENEFITS AND GENERAL OVERHEAD.....	\$ 2,711,039	\$ (221,608)		\$ 2,489,431	127.63%

**FAR References and Notes:**

- (a) 31.205-6(b)(2): Executive compensation in excess of reasonable amount is disallowed.
- (b) 31.205-19: Key-officers' life insurance is disallowed (beneficiary is company and/or officers).
- (c) 31.201-6(e)(2): Labor costs associated with advertising, entertainment, and other unallowable activities are disallowed.
- (d) 31.205-1: Advertising materials and costs are disallowed.
- (e) 31.205(m)(2) & 31.205-46(d): Personal use of a company asset (automobile) is disallowed.
- (f) 31.205-8 & 31.205-13: Contributions and gifts are disallowed.
- (g) 31.205-22: Lobbying costs, paid as a percentage of professional dues, are disallowed.
- (h) 31.205-20: Interest is disallowed.
- (i) 31.205-13 & 31.205-50: Entertainment is disallowed.
- (j) 31.205-15: Late fees, fines, and penalties are disallowed.
- (k) 31.205-11(f) & 31.205-36: Related party rent is limited to allowable cost of ownership.
- (l) 31.202: Internal allocation direct cost credit.

**CHAPTER 5/COST ACCOUNTING**

**TABLE 5-6: SAMPLE INDIRECT COST RATE SCHEDULE  
( WITH FIELD RATE )**

**SAMPLE CONSULTING COMPANY, INC.**  
**Statement of Direct Labor, Fringe Benefits, and General Overhead—with Field Rate**  
**For the Year Ended December 31, 200x**

Description	General Ledger Account Balance	Disallowed Costs	Notes	Proposed Company Wide	ALLOCATIONS			Percent to Field Office
					Proposed Home Office	Proposed Field Office	Notes	
DIRECT LABOR.....	\$ 1,950,501	\$ -		\$ 1,950,501	\$ 1,826,853	\$ 123,648	(m)	6.34%
<b>FRINGE BENEFITS</b>								
6300 Benefits: Bonuses.....	\$ 234,060	\$ (28,560)	(a)	\$ 205,500	\$ 193,000	\$ 12,500	(m)	
6310 Benefits: 401(k) - Employer's Contribution.....	97,525	-		97,525	91,254	6,271	(m)	
6320 Benefits: PTO (vacation, sick, and holiday).....	253,565	-		253,565	241,421	12,144	(m)	
6820 Insurance: Disability.....	58,515	-		58,515	54,805	3,710		6.34%
6830 Insurance: Life.....	21,846	(800)	(b)	21,046	19,712	1,334		6.34%
6840 Insurance: Medical.....	136,535	-		136,535	127,879	8,656		6.34%
6850 Insurance: Workers' Comp.....	15,799	-		15,799	14,797	1,002		6.34%
7500 Payroll Taxes: FICA and Med.....	180,421	-		180,421	168,982	11,439		6.34%
7510 Payroll Taxes: FUTA and SUTA.....	78,020	-		78,020	73,074	4,946		6.34%
TOTAL FRINGE BENEFITS.....	\$ 1,076,286	\$ (29,360)		\$ 1,046,926	\$ 984,924	\$ 62,002		
Note allocation of indirect labor to Home Office and Field Office.								
<b>GENERAL OVERHEAD</b>								
6700 Indirect Labor (G&A and support allocation)....	\$ 741,190	\$ (3,300)	(c)	\$ 737,890	\$ 681,482	\$ 37,760	(n)	5.25%
6700 Indirect Labor (field labor allocation)				-		18,648	(m)	
6000 Advertising and Marketing.....	23,991	(6,750)	(d)	17,241	16,336	905		5.25%
6100 Automobile Expense.....	68,268	(13,580)	(e)	54,688	51,817	2,871		5.25%
6200 Bank Service Charges.....	9,753	-		9,753	9,241	512		5.25%
6400 Contributions and Gifts.....	14,629	(14,629)	(f)	-	-	-		5.25%
6500 Depreciation Expense.....	117,030	-		117,030	115,801	1,229	(o)	1.05%
6600 Dues and Subscriptions.....	16,189	(350)	(g)	15,839	15,007	832		5.25%
6800 Insurance: Automotive.....	15,409	-		15,409	14,600	809		5.25%
6810 Insurance: Business Liability.....	23,406	-		23,406	22,177	1,229		5.25%
6900 Interest Expense.....	36,084	(36,084)	(h)	-	-	-		5.25%
7000 Licenses and Permits.....	21,456	-		21,456	20,330	1,126		5.25%
7100 Maintenance and Repairs.....	97,135	-		97,135	92,035	5,100		5.25%
7200 Meals and Entertainment.....	19,310	(1,050)	(i)	18,260	17,301	959		5.25%
7300 Miscellaneous Fees, Fines, and Penalties.....	6,827	(6,827)	(j)	-	-	-		5.25%
7400 Office Expense: Cleaning.....	8,192	-		8,192	8,106	86	(o)	1.05%
7410 Office Expense: Postage and Delivery.....	4,486	-		4,486	4,439	47	(o)	1.05%
7420 Office Expense: Office Supplies.....	32,183	-		32,183	31,845	338	(o)	1.05%
7430 Office Expense: Other Office Expense.....	35,889	-		35,889	35,512	377	(o)	1.05%
7600 Personal Property Tax.....	42,911	-		42,911	42,460	451	(o)	1.05%
7700 Professional Fees: Accounting and Legal.....	30,428	-		30,428	28,831	1,597		5.25%
7800 Rent.....	180,049	(2,400)	(k)	177,649	175,784	1,865	(o)	1.05%
7900 Telephone.....	60,466	-		60,466	57,292	3,174		5.25%
8000 Utilities.....	29,472	-		29,472	29,163	309	(o)	1.05%
Direct Cost Recovery.....	-	(107,278)	(l)	(107,278)	(106,152)	(1,126)	(o)	1.05%
TOTAL GENERAL OVERHEAD.....	\$ 1,634,753	\$ (192,248)		\$ 1,442,505	\$ 1,363,407	\$ 79,098		
TOTAL FRINGE BENEFITS AND GENERAL OVERHEAD.....	\$ 2,711,039	\$ (221,608)		\$ 2,489,431	\$ 2,348,331	\$ 141,100		

INDIRECT COST RATE AS PERCENTAGE OF DIRECT LABOR.....	<b>128.55%</b>	<b>114.11%</b>
	<b>Home Office</b>	<b>Field Office</b>

**FAR References & Notes:**

- (a) 31.205-6(b)(2): Executive compensation in excess of reasonable amount is disallowed.
- (b) 31.205-19: Key-officers' life insurance is disallowed (beneficiary is company and/or officers).
- (c) 31.201-6(e)(2): Labor costs associated with advertising, entertainment, and other unallowable activities are disallowed.
- (d) 31.205-1: Advertising materials and costs are disallowed.
- (e) 31.205(m)(2) & 31.205-46(d): Personal use of a company asset (automobile) is disallowed.
- (f) 31.205-8 & 31.205-13: Contributions and gifts are disallowed.
- (g) 31.205-22: Lobbying costs, paid as a percentage of professional dues, are disallowed.
- (h) 31.205-20: Interest is disallowed.
- (i) 31.205-13 & 31.205-50: Entertainment is disallowed.
- (j) 31.205-15: Late fees, fines, and penalties are disallowed.
- (k) 31.205-11(f) & 31.205-36: Related party rent is limited to allowable cost of ownership.
- (l) 31.202: Internal allocation direct cost credit.
- (m) Field employee labor and fringe specifically identified.
- (n) Indirect general administrative and support labor less identified field portion is allocated.
- (o) Accounts allocated at a lower percentage to field offices--see facilities cost calculation in Table 5-7.

**CHAPTER 5/COST ACCOUNTING**

**TABLE 5-7: FIELD OFFICE COMPUTATIONS**

<b>Field Employee Worksheet</b>					
<b>Employee Name &amp; Classification</b>	<b>Direct Labor</b>	<b>Bonuses (fringe benefit)</b>	<b>401(k) (fringe benefit)</b>	<b>PTO (fringe benefit)</b>	<b>Field-Specific Totals</b>
Name 1 - Project Manager.....	-	-	-	-	-
Name 2 - Senior Engineer.....	\$ 50,176	\$ 7,500	\$ 2,620	\$ 4,928	\$ 65,224
Name 2 - Project Engineer.....	41,216	3,500	1,966	4,048	50,730
Name 4 - Technician 1.....	32,256	1,500	1,685	3,168	38,609
	<u>\$ 123,648</u>	<u>\$ 12,500</u>	<u>\$ 6,271</u>	<u>\$ 12,144</u>	<u>\$ 154,563</u>

<b>Field Office Direct Labor Calculation</b>		<b>Field Office Labor Calculation</b>		
Direct Labor (Field Office)	\$ 123,648		<u>Company Wide</u>	<u>Field Office</u>
	÷	Direct Labor	\$ 1,950,501	\$ 123,648
Total Direct Labor (Home + Field)	<u>1,950,501</u>	PTO (vacation/sick/holiday)	253,565	12,144
Field Office Direct Labor %	<u>6.34%</u>	Indirect Labor	737,890	18,648
		Totals	<u>\$ 2,941,956</u>	<u>\$ 154,440</u>
				÷
		Total Company Labor		<u>2,941,956</u>
		Field Office Labor %		<u>5.25%</u>

<b>Facilities Cost Calculation</b>	
Number of support staff in home office (†)	8
	÷
Total number of staff in home office	<u>40</u>
Percentage of facilities cost to allocate to home and field	20%
	x
Field Office Labor %	<u>5.25%</u>
Facilities Cost Allocation %	<u>1.05%</u>

(†) Support staff are employees in positions such as HR, Accounting, Payroll, Management supporting all employees (home and field).