

**Self-Funded Accounting
21/22 Fund Checklist**

-] Assess the viability of the activity
-] Does the activity fit with the mission
-] Is the activity a 21, 22, 13 or 32 fund?
-] Complete new account application
-] Obtain necessary signatures
 -] designated account manager
 -] department head or director
 -] dean or vice-president
-] Write a business plan
-] Billing rate calculation
-] 3-year projection
-] Budget request form
-] Are there any concerns about Unrelated Business Income Tax
-] Are there any concerns related to unfair competition
 -] Is this already available in the private sector?
-] Outlined terms of doing business
 -] Are there contract issues with customers
-] Will the activity require cash up front or will you bill
-] Does the department have a policy on when to extend credit
-] Where is the activity currently taking place (which account)
-] If activity involves purchasing equipment, what account will fund the purchase?
-] Who will fund start-up costs?
-] Are there any patent/license issues
-] Are disclosure statements on file with CSURF (contact Arundeeep Pradhan, 482-2916)
-] Bad debt collection policy in place (checks)
-] Contact Cost Accounting (Laura Streit , 491-7099 or Dana Schwartz, 491-7143)
-] Does your department have SARSBUS access for billing through the university accounts receivable system?
-] Does your department have CASHNET access for processing deposits to the university cashier's office?

Self-Funded Accounting Self-Funded User's Guide

Recharge Center 21 Accounts
Educational Business Activities 22 Accounts
Enterprise 29 Accounts

December 8, 2000

NEW ACCOUNT APPLICATIONS, BUSINESS PLANS, BILLING RATES AND BUDGETS FOR 21 AND 22 ACCOUNTS

New account applicants will submit a New Account Request Form (see form in appendix), a business plan (including a billing rate calculation), a budget, and a three year projection. For on-going activities, account managers will submit a budget and, if substantial changes have occurred, an updated annual business plan (including billing rate calculation).

I. NEW ACCOUNT APPLICATIONS

Prior to completing an account application, business plan, or budget, an account manager should first assess the viability of the activity. There must also be reasonable assurance that departmental self-funded activities will be successful and generate the necessary revenues required to cover the operating costs.

New account applications must have the approval signatures of the designated account manager, department head or director, and dean or vice-president. For account budget approvals, only the responsible person and department head signatures are required unless the responsible college specifies stricter signature requirements.

II. WHY WRITE A BUSINESS PLAN

A business plan offers a means of communicating plans to others and provides a basis for any financing proposal. The process of putting a plan together encourages the account holder to take an objective, critical, unemotional look at the business as a whole. A business plan becomes an operating tool to help manage the business and make it successful.

III. HOW TO WRITE A BUSINESS PLAN

The business plan is in a narrative format and creates a foundation document for reference as the business evolves. It provides a guide for monitoring how well the business is meeting its original objectives and helps identify any variances caused by changes in the business activity. A business plan should include five general categories: General Description, Market Analysis, Revenue and Expense Analysis, Additional Considerations, Billing Rate Calculation, and Three-Year Projection.

A. General Description

Describe your business - briefly explain what your business does by answering the following questions in your narrative:

- What is the service/product?
- Who will use it?
- What other products do you plan to develop?
- How does this activity relate to the mission of the university, college or department?
- Instruction, Research, Public Service
- Who will oversee the operation?
- What assumptions are you making about the economy or other related factors that may impact your projections? Identifying and monitoring these factors will help anticipate needed changes in operations.

B. Market Analysis

A comprehensive review of the targeted market should assess whether the product/service demand warrants establishing a new activity or continuing an existing activity. Although this review is subjective, billings to customers must ultimately cover expenses incurred. Therefore, it is imperative to determine whether sufficient sales/revenue potential exists to ensure the on-going viability of the activity.

Analyze your market by answering the following questions:

- What is the current client base?
- How do you contact clients?
- Advertising, Referrals, Other (Explain)
- For clients within the University, what is the approximate number of accounts to be served?
- How does your product/service meet the market need?
- Could changes in your product/service better meet the market needs?
- Who is your competition? How do your charges compare with the competition?
- Is the cost prohibitive? (Do costs exceed revenues?)
 - If yes, you may want to reevaluate continuing the activity.
 - If you believe this activity is imperative to the mission of the University and must continue, even if cost-prohibitive, explain your justification and reasons for this.
 - Explain any current subsidizing agreements that this account has and identify the accounts providing funding.
- Are there any patent or license issues related to the activity?
- Is a disclosure statement necessary? If so, is one on file with CSURF?

C. Revenue and Expense Analysis

Identify all revenues including internal, external or other state agency customers. Identify all expenses required to deliver goods and services. These expenses include direct labor and operating expenses required to produce the goods or services. These revenues and expenses will be itemized on the Budget Request form.

The following questions may help develop this revenue and expense analysis:

- Does this activity provide services/products for both internal and external customers? If yes, which of the following three methods is used to record revenues and expenses:
 - a. Operate out of a Recharge Center (21) account and bill an Educational Business Activities (22) account. Please identify the related 21 or 22 account.
 - b. Split revenues and expenses between 21 and 22 accounts based on proportional sales that are internal versus external
 - c. Operate out of one account where either external revenues in 21 accounts or internal revenues in 22 accounts are less than \$5,000
- Are the revenues and expenses evenly distributed over the fiscal year (July-June)?
 - If no, please explain, e.g., costs accumulate on a monthly basis (evenly distributed) but sales occur only in the March.
- Does this account generate billings to external accounts?
 - If yes, do you use the University Commercial Accounts Receivable system?
 - If no, do you have an in-house system to maintain records of these billings?
 - Are you reporting these to the Fund Accountant for entry on the University system as receivables? Monthly, Quarterly, Annually, Other
- Does the department have a policy on when to extend credit? Cash up front?
- Does this activity use equipment?
 - If yes, was the equipment purchased from this account?
 - If no, what account purchased the equipment?
 - Is the cost of the equipment (depreciation (21 accounts only) and/or maintenance) included in the billing rate?

Note: For Recharge Center (21) accounts, equipment purchase costs (depreciation) cannot be included in the billing rate unless the equipment was purchased from the 21 account. When equipment is fully depreciated, depreciation expense should be eliminated from the billing rate calculation.

- Does this activity have inventory?
 - Is the inventory recorded in your general ledger account?
 - If not, is the inventory value above the threshold (\$35,000) at any time during the fiscal year?
 - If yes, contact Self-Funded Accounting to discuss capitalizing inventory.
- How are the inventory records maintained? Perpetual, Physical
- How is the inventory value determined? LIFO, FIFO, Weighted Average
- Are inventories counted periodically to verify accuracy of records? If yes, how often?

D. Additional Considerations

The following questions may be helpful in developing this section:

- Do the activities produce or use hazardous waste materials?
 - If yes, has Environmental Health Services reviewed your activity? Include a description of any potential hazardous waste produced or used.
- Where will the activity's records be retained? (Department, college, account manager's office.)
 - If this account bills federal activities, will the records be retained for three years beyond the end of the sponsored agreement it supports?
- Are there circumstances when unique costs extend over several billing rate time periods (e.g., based on historical data, replacement "tubes" are required for scientific equipment every 5 years)? Note: This information should also be documented when completing current and future billing rate calculations.

For Educational Business Activities (22) or Enterprise (29) funds, the following questions are applicable:

- Has Financial Reporting & Analysis reviewed this account for compliance with FPI C-2 regarding Unfair Competition Rules that relate to sales to external customers? If not, please contact the manager of Financial Reporting & Analysis for review.
- Has this activity been reviewed by Financial Reporting & Analysis for compliance with FPI C-3- Unrelated Business Income Tax? If not, please contact the University Tax Accountant in Financial Reporting & Analysis for review.
- Will sales tax be collected on products or services being sold outside the University?
 - If not, please explain why this is not taxable.
 - If yes, are related taxes being deposited into university sales tax accounts?

E. Fund Raisers

If a proposed activity will involve fund raising, please refer to the New Financial Procedure Instructions, found in Netscape.

Where a fund raising activity or public relations event also includes the sale of merchandise or a service of some type (for example, a fund raising dinner), the expenses and gross receipts from the activity or event must be deposited into a Conference Services (2-6) account. Departments should contact Conference Services in the planning stage of the event for assistance. When it is intended that some portion of a ticket or sales price is to be considered a donation, proper disclosure on the face of the ticket or sales receipt is required. The sponsoring department is responsible for assuring that this disclosure is correct. Information on determining this disclosure can be obtained from the University Tax Accountant who is in the Business and Financial Services Department. Conference Services charges a fee for administering accounts that are based on a sliding scale. The fee ranges from \$500 to \$2,500 depending on the gross revenue for the event. This fee takes the place of the usual indirect cost and should be included in the estimated costs of these activities.

Alumni accounts have been specifically created for alumni related fund raising. Contact the Auxiliary Fund Accountant for information on setting up an alumni fund raising account.

IV. WHY DO A BILLING RATE CALCULATION

Billing rates are calculated to ensure cost recovery. Review billing rates annually and adjust for any significant changes (e.g., reduction of personnel). Billing rates are developed using one-year financial and operating data. Normally, this period is the University's fiscal year, but the activity may use other appropriate time periods. When considering another base period, please explain what the base period is and why the alternative is necessary. It is the account manager's responsibility to retain schedules of current and past billing rate calculations.

Identification and recording of all applicable expenses incurred by the activity are the responsibility of the account manager. For billing rate calculation purposes, expenses are categorized as either direct costs or indirect costs. Direct costs are those expenses that can be identified and charged directly to the job, such as, the time of employees, equipment, and/or materials used directly on the job. Indirect costs are those expenses that cannot be identified with a specific job, and, therefore, are prorated to all jobs. All utilized expenses, which are charged for this activity, need to be included either as direct or indirect costs.

FRS reports are used when calculating a billing rate for an existing activity. FRS reports provide gross numbers for the activity. These gross numbers need to be split by product or service prior to proceeding with the billing rate calculation. If information is not readily available, the split may need to be estimated.

When calculating a billing rate for a new activity, base expenses on a sound estimate of anticipated production or service. Billing rate charges are based on either a time (e.g., hourly) or unit rate.

General Billing Rate Calculation and Explanation

The following general format is recommended for determining the amount billed to customers. Descriptions of each component follow the format example. Several billing rate examples are included in the Appendix.

a) Direct Labor (hours time rate)	\$\$\$
b) Materials (quantity times unit cost)	\$\$\$
c) Other Direct Costs (e.g., postage)	<u>\$\$\$</u>
d) Total Direct Costs	\$\$\$
e) Indirect Costs (indirect cost rate applied to either a or d above)	<u>\$\$\$</u>
f) Total Cost to be billed	\$\$\$

If the customer is a non-University client, add the following:

g) University G&A Overhead	\$\$\$
h) Profit Margin	<u>\$\$\$</u>
i) Total Cost for non-University clients	\$\$\$

Component Descriptions:

a. Direct Labor - Labor costs for workers directly involved in the production of products or performance of services. Cost of applicable fringe benefit rates is included.

b. Direct Material - Raw materials that can be specifically identified with this product or service. Materials are charged at actual cost. Costs of materials may be treated as indirect costs when the value is small in relation to the overall account operation.

c. Other Direct Costs - Other expenses that can be specifically identified with this product or service. When unique expenses (e.g., travel) can be identified to a specific unit, project or customer, the expense should be added after the billing rate has been applied.

d. Total Direct Costs - The total of expenses that can be specifically identified with this product or service.

e. Indirect Costs - Costs that cannot be identified with a specific product or service. These costs are prorated to all jobs. Examples are clerical costs, inventory operations, inventory adjustments, supervisory time, leave, holiday pay and idle time. Applicable fringe benefit charges are included.

All costs charged to the account that are not direct costs are indirect costs.

The cost of using equipment or other assets may be either direct or indirect depending on the degree of identification to products or service.

Calculate the indirect cost rate based on either percent of total direct cost or as a percent of direct labor cost. The method used should be applied consistently.

$$\text{Ex: Total Indirect Cost for Year} = \frac{\text{Indirect Cost Rate \%}}{\text{Total Direct Costs}}$$

Total anticipated indirect cost for the year is divided by the anticipated total direct cost or the anticipated total direct labor cost to arrive at the indirect cost rate.

f. Total Cost to be Billed - The total of the direct costs and indirect costs

g. University G&A Overhead - Total costs of the items subject to university indirect costs. Certain items such as depreciation are not subject to university indirect cost.

h. Profit Margin - A percentage that the market will support multiplied by the total cost.

i. Total Costs for Non-University Clients - The total of the total cost to be billed, university G&A overhead and profit margin.

V. THREE-YEAR PROJECTION

Using a three-year time period gives an account manager an opportunity to review and predict the account's status in the future. When completing a three-year projection for the first time, information is based on a sound estimate of production volumes and operating expenses. After the first year is completed (or close to completion), actual data can be used to assist with the on-going projections.

Projections are normally summarized by revenue and expense categories. Revenues can either be totaled as one or split between product categories. Expenses are usually categorized as: Salaries, Materials, Travel (if applicable), Supplies, Other Operating, and University G&A Overhead (if applicable). These categorizes are similar to those used when entering budget information into the university budgeting system (ABYSS).

The second and third year projections should be based on anticipated increases/decreases in revenues or expenses (e.g., employee raises). It may be necessary to calculate a new billing rate depending on the expected changes.

Financial 3- Year Projections:

Revenues (Billings):	Year _____	Year _____	Year _____
Expenses (Costs):	\$ _____	\$ _____	\$ _____
Salaries, Wages	_____	_____	_____
Supplies, Services	_____	_____	_____
Inventory	_____	_____	_____
Depreciation	_____	_____	_____
Indirect Costs (Other			
Operating)	_____	_____	_____
Total Costs	_____	_____	_____
Fund Balance at June 30			
(Beg. Fund balance +			
billings – costs)	_____	_____	_____
Inventory purchases	_____	_____	_____
Equipment purchases	_____	_____	_____
Working capital needs	_____	_____	_____

VI. BUDGETS

Budget amounts are calculated by reviewing expected activities for the upcoming year. Prior year activities provide a guideline for current year budgets. Budgeted numbers are adjusted to reflect any changes in the activity, e.g., additional staff.

The budget form is divided into categories that coincide with activities reported on the FRS account sub-ledger report. Various sub-codes are rolled into one sub-code for budget recording purposes e.g., sub-code range 3400-3999 is recorded as budget sub-code 3400. When completing the budget form, refer to the activity billing rate calculation and the prior year FRS reports.

- Revenues - Revenue is the compensation received for the products or services provided by the activity. The following sub-codes are used to budget revenues:
 - 04xx-06xx - External revenue received via cash, check, credit cards, or accounts receivable billings.
 - 0700-0769 - External revenues received from other state agencies.
 - 0770-0799 - Revenues received from sales between a Recharge Center (21) account and a related Educational Business Activities (22) account.
 - 08xx - Internal revenues received via IMO or journal entry from other university accounts.
 - Expenses - Expenses are the costs, including salaries, associated with the products or services provided by the activity. The following sub-codes are used to budget expenses:
 - 18xx-19xx - Material costs recorded as inventory on the University FRS system.

- 2xxx - Salaries applicable to the activity are divided among numerous sub-codes based on the staffing category of the employee. Salaries are budgeted in the HRS system and uploaded into the University budget system (ABYSS). If no salaries are budgeted to the account, please provide an explanation on the Budget Request Form.
- 3xxx-3399 - Travel must relate directly to the activity of the budgeted account. For Recharge Center (21) accounts, a memo explaining the travel costs must be submitted with the budget for approval.
- 3400-3999 - Other operating expenses include general supplies, copy charges, and equipment
- 37xx - Material costs not recorded as inventory on the University FRS system.
- 4000-5799 - Other direct costs include outside services, graduate tuition, depreciation, services charged from Recharge Center (21) accounts to related General Operations (22) accounts and other similar costs associated with the activity.
- 4820 - Official functions are federal unallowable costs and are not allowed in Recharge Center (21) accounts that bill federal projects.
- 577x-5799 - If costs are recorded in a related Recharge Center (21) account, do not budget or record the individual costs in the Educational Business Activities (22) account. The costs in the 22 account are budgeted in total to 577x-5799 - purchases from 21.
- 7800 - Utility costs billed directly to the activity.
- 8000 - Capital equipment lease/purchase arrangements are budgeted in this sub-code.
- 8210 - Equipment purchases in the 22 accounts only. Equipment purchases in 21 accounts are capitalized (general ledger 021xxx-1821) and depreciated.
- 9xxx - University G&A overhead is calculated in Educational Business Activities (22) accounts using the supplemental worksheet provided in the Budget Request Form.
- Fund Balance - 3200 General Ledger - Fund balance reflects the on-going financial status of the activity. The beginning fund balance estimates the expected balance as of the current fiscal year-end (6/30/9x). If a deficit fund balance is projected, a corrective action plan detailing the resolution should be included with the Budget Request Form.
- Cash Balance - 1100 General Ledger - Cash Balance reflects the activity's capacity to provide working capital for on-going operations and equipment purchases. The beginning cash balance estimates the expected balance as of the current fiscal year-end (6/30/9x). If a deficit cash balance is projected in a General Operations (22) account, a corrective action plan detailing the resolution should be included with the Budget Request Form. If a deficit cash balance is projected in a Recharge Center (21) account and is not attributable to net equipment and/or inventory, a corrective action plan detailing the resolution should be included with the Budget Request Form.

EXAMPLE BUSINESS PLAN

Testing Laboratory

A. General Description:

The Testing Laboratory (Lab) was established to provide testing services for various internal and external users. The Lab concentrates on providing services to external customers. However, internal customers may use the services as needed.

The Lab supports the mission of the University by providing an on-campus facility that specializes in and is an integral part of the research occurring on campus. Nearly every science and engineering department on campus uses the facilities of the Lab. In addition, graduate students are allowed to perform sample testing in the Lab, after proper training, in order to complete their degrees. In conclusion, the Lab not only provides testing services but also plays a major role in teaching, research and outreach programs for the people of Colorado.

The Lab's manager is a testing expert and oversees the daily operations and supervises all assistants. The manager reports to the head of Research Operations.

Several assumptions are made about the economy and related factors that may impact the Lab's operation:

- The need for specialized testing will be ongoing
- Efficiency, based on location, will continue to draw internal users.

B. Market Analysis:

The current client base is primarily external. New clients are obtained by referrals from other clients. The markets needs are met by providing testing at a reasonable cost to the client. Consultations are also provided to review the test results with the client to help in their decision making process. Changes in the services provided could better meet the markets needs. The changes would include an upgraded computerized testing program to speed up service to clients. In addition, networking the Lab could also save time.

Competition includes other laboratories in the geographic region. Our charges are higher than private labs because of the smaller number of samples received; this causes the cost to be higher per sample.

Revenues exceed the costs for the Lab. However, there is a subsidizing agreement in place that pays for one-third of the Lab manger's salary. The account providing funds for the subsidy is XXXXXX.

As the Lab costs increase, fees are adjusted to cover the additional expenses. Similar fee increases are reflected in the private sector.

The costs of Lab services for internal clients do not exceed the revenues and are equal to or less than comparable off-campus non-university vendors, making this a cost effective university activity.

C. Revenue and Expense Analysis:

Historically, revenues and expenses have been evenly distributed over the fiscal year. Slight increases in activity are anticipated in the summer months. However, the impact is minimal. External demand will cause revenues to exceed the \$5,000 University limitation of external revenues in recharge center (21) accounts. Costs will be recorded in the recharge center (21) account, the educational business activities (22) account will be billed when services are provided to the external customers. External customers will be billed through the University Commercial Accounts Receivable system on a monthly basis and recorded in the general operations (22) account.

Equipment was purchased in the recharge center (21) account and depreciation is included in the calculation of the billing rate.

Supplies are purchased as needed and expensed. Supply purchases do not exceed the \$35,000 inventory threshold at any given point in time, and therefore, no inventory is recorded.

The Lab does not have inventory.

D. Additional Considerations:

The Lab produces hazardous waste. Environmental Health Services was consulted when the Lab was established and has continued to review our activity.

Billing records are retained at the Lab for a three-year period. The Lab bills federal activities. Records of federal billings are retained for at least five years after the end of the sponsored agreement they support.

There are circumstances where unique costs may extend over several billing rates time periods.

Financial Reporting & Analysis has reviewed this account for compliance with FPI C-2 regarding unfair competition rules that relate to the sales to external customers. In addition, Financial Reporting & Analysis has reviewed the Lab for compliance with Unrelated Business Income Tax. Sales tax is not collected on services being sold outside the University since the Lab performs analytical services and the results of the services are provided in a report.

**Financial 3-Year Projections
Testing Laboratory**

	Year 98-99	Year 99-00	Year 00-01
Revenues (Billings):	393,438	413,110	433,765
Expenses (Costs):			
Salaries, Wages	262,700	277,149	292,392
Supplies, Services	18,500	19,000	19,500
Inventory	0	0	0
Depreciation	1,500	1,500	1,500
Indirect Costs (Other Operating)	93,000	94,000	95,000
Total Costs	375,700	391,649	408,392
Fund Balances at June 30	17,738	29,199	44,572
Inventory Purchases	0	0	0
Equipment Purchases	0	0	0
Working Capital Needs	10,000	10,000	10,000

**Billing Rate Calculation
Testing Laboratory**

Lab Test #1

Direct Costs:

1.	Salaries and fringe (per unit)	9.50
2.	Testing materials (per unit)	.70
3.	Paper	.30
4.	Postage	<u>2.00</u>
	Total direct costs per unit	<u>12.50</u>
5.	Estimated number of tests per year	8000

Total direct costs (direct cost per unit x estimated number) **100,000.00**

Indirect Costs:

	Monthly	Annually
6. Depreciation	1,500.00	18,000.00
7. Telephone	255.00	3,060.00
8. Assistants salary & fringe	1,000.00	12,000.00
9. Vacation	170.00	2,040.00
10. Supplies	<u>50.00</u>	<u>600.00</u>
Total indirect costs	<u>2,975.00</u>	<u>35,700.00</u>

Estimated number of tests per year 8000

Indirect costs as a percent of direct costs (35,700.00/100,000.00) 35.7%

Total direct costs per unit 12.50

Total indirect costs per unit (direct cost x indirect cost %) 4.46

(12.50 x 35.7%)

Total cost per unit 16.96

University G&A (19.5% x total cost) 3.31

Total cost including University G & A 20.27

Billing rate for Revolving Fund **16.96**

Billing rate for General Operations Fund (break-even point) 20.27

Add a percentage for profit (5%) 1.01

Billing rate for General Operations Fund (with profit margin) **21.28**

**Billing Rate Calculation
Testing Laboratory**

Lab Test #1

1. Hourly rate of salary and fringe is \$9.50 per hour. Each test requires one hour to perform.
2. Testing materials are purchased in large lots, each lot will perform 8,000 tests at a cost of \$.70 per test.
3. Paper for the analytical reports is purchased at a cost of \$15 per 500 sheet ream. Each report is 10 pages long, making the cost per sheet \$.03.
4. The cost of postage averages \$2.00 per report.
5. The number of test per year is based on historical information or a sound estimate.
6. The testing equipment originally cost \$90,000 with a useful life of 5 years. Depreciation is charged at \$1,500 per month for the Revolving Fund. ($\$90,000/5/12 = 1,500$)
7. Telephone expense is taken from the FRS report at a monthly rate of \$255.
8. Assistant salary is \$900 per month with a \$100 fringe per month. The assistant does the billing, mailing, ordering and compliance with the University's FPI.
9. Vacation time is an indirect cost of providing services.
10. Other supplies are taken from the FRS report.

**Billing Rate Calculation
Testing Laboratory**

Lab Test #2

Direct Costs:

1.	Salaries and fringe (per unit)	25.40
2.	Testing materials (per unit)	5.20
3.	Paper	.30
4.	Postage	<u>2.00</u>
Total direct costs per unit		<u>32.90</u>

5.	Estimated number of tests per year	1,506
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Total direct costs (direct cost per unit x estimated number) **49,548**

Indirect Costs:

	Monthly	Annually
6.	Depreciation	0
7.	Telephone	3,060.00
8.	Assistants salary & fringe	12,000.00
9.	Vacation	2,040.00
10.	Supplies	<u>600.00</u>
Total indirect costs		<u>17,700.00</u>

Estimated number of tests per year 1,506

Indirect costs as a percent of direct costs (17,700.00/49,548) 35.7%

Total direct costs per unit 32.90

Total indirect costs per unit (direct cost x indirect cost %)
(32.90 x 35.7%) 11.75

Total cost per unit 44.65

University G&A (19.5% x total cost) 8.71

Total cost including University G & A 53.36

Billing rate for Revolving Fund **44.65**

Billing rate for General Operations Fund (break-even point) 53.36

Add a percentage for profit (5%) 2.67

Billing rate for General Operations Fund (with profit margin) **56.03**

**Billing Rate Calculation
Testing Laboratory**

Lab Test #2

1. Hourly rate of salary plus fringe is \$25.40 per hour. Each test requires one hour to perform
2. Testing materials are purchased in large lots; each lot will perform 1,506 tests at a cost of \$5.20 per test.
3. Paper for the analytical reports is purchased at a cost of \$15 per 500 sheet ream. Each report is 10 pages long, making the cost per sheet \$.03.
4. The cost of postage averages \$2.00 per report.
5. The number of tests per year is based on historical information or a sound estimate.
6. The testing equipment has been fully depreciated and is not longer included in the billing rate.
7. Telephone expense is taken from the FRS report at a monthly rate of \$255.
8. Assistant salary is \$900 per month with a \$100 fringe per month. The assistant does the billing, mailing, ordering and compliance with the University's FPI.
9. Vacation time is an indirect cost of providing services.
10. Other supplies are taken from the FRS report.