

# **Attachment 17**

## **Subject: OMB Circular A-87**

### **(General Information)**

#### **Exercise 2/With Answers**

- 1. What is the dollar threshold for capitalization of equipment under OMB Circular A-87? \$5,000**
- 2. Your accountant asked you where he could find details on the definition of reasonable costs for state agencies.**

**You told him to look in which Attachment to Circular A-87: Attachment A, B, or C? (continued) Attachment A**

**OMB Circular A-87 (General Information) (continued)****Exercise 2/With Answers (continued)**

- 3. A cost is allocable to a particular cost objective in accordance with which of the following:
  - a. Where the CFO says to allocate the cost,**
  - b. Where easily identifiable direct costs are being charged,**
  - c. Relative benefits received as a result of incurrence of the cost or This is the golden rule of the Cost Principles**
  - d. Which programs have funding available****
- 4. In a unit of local government (such as a county or city), would the personnel director's salary normally be a pool or a base item? Pool**
- 5. Circular A-87 refers to items that serve to reduce expenses such as purchase discounts, refunds, and rebates. What name does the circular give to these? (continued) Applicable Credits**

## OMB Circular A-87 (General Information) (continued)

### Exercise 2/With Answers (continued)

6. In a state agency, would the salary of a vocational rehabilitation staff worker, be in the pool or in the base of the indirect cost rate computation? Normally in the base
7. Your accountant asked you about whether a particular item of cost would be classified as programmatic or administrative in reports to the Feds. Do you tell him to refer to OMB Circular A-87 for guidance on this matter? No, refer to the legislation and the grant
8. PAR is an abbreviation for what item prevalent in OMB Circular A-87? (Hint: not a golf term) Personnel Activity Report
9. If an employee works on two or more indirect activities, which are allocated using different bases, does A-87 require the person to maintain a PAR? Yes