

# **Attachment 12**

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

### **(General Information)**

#### **Exercise 2**

- 1. What is the dollar threshold for capitalization of equipment under OMB Circular A-87?**
- 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 12**

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

#### **Exercise 2 (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**
  - 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?**
- 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)**

# **Attachment 12**

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

### **Exercise 2 (continued)**

- **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?**
  
- 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?**
  
- 8. PAR is an abbreviation for what item prevalent in OMB Circular A-87? (Hint: not a golf term)**
  
- 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?**