

Attachment 16

Subject: General Indirect Cost Concepts (continued)

Exercise 1/With Answers

1. As the CFO of a state agency, you ask your accountant to tell you how an indirect cost rate is computed. He says, no problem boss, it's just PBR. What does he mean? Pool Over Base Equals Rate
2. If a given distribution base is \$100,000 and the indirect cost rate is 22.57%, then what is the total amount of burden or overhead? \$22,570
3. Total funding for an organization is \$5,000,000 directly from the U. S. Department of Housing and Urban Development and \$5,000 in locally subsidized funding. Is this organization required to obtain a Federally approved indirect cost rate? (continued) Yes.

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Exercise 1/With Answers (continued)

4. The indirect cost pool is \$10,000. Which rate would be numerically higher, one based on direct salaries and wages or one based on modified total direct costs?

Direct salaries and Wages

5. What is the thing Federal cost negotiators call the golden rule of all Federal cost principles and what does it mean?

Equitable Distribution based on benefits received

6. Name the two methods of indirect cost rate calculation used primarily by state agencies. (continued) Simplified and Multiple Allocation

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Exercise 1/With Answers (continued)

7. What kind of indirect cost rate is based on projected information, historical information, or a combination of the two for the organization's fiscal year and allows for recovery of indirect costs during the contract/grant period until the rate can be finalized? Provisional Rate