

9904.414-60

(2) The facilities capital cost of money factor for an indirect cost pool shall be determined in accordance with Form CASB CMF, and its instructions which are set forth in appendix A to 9904.414. One form will serve for all the indirect cost pools of a business unit.

(3) For each CAS-covered contract, the applicable cost of capital committed to facilities for a given cost accounting period is the sum of the products obtained by multiplying the amount of allocation base units (such as direct labor hours, or dollars of total cost input) identified with the contract for the cost accounting period by the facilities capital cost of money factor for the corresponding indirect cost pool. In the case of process cost accounting systems, the contracting parties may agree to substitute an appropriate statistical measure for the allocation base units identified with the contract.

9904.414-60 Illustrations.

The use of Form CASB CMF and other computations anticipated for this Cost Accounting Standard are illustrated in appendix B to 9904.414.

48 CFR Ch. 99 (10-1-10 Edition)

9904.414-61 Interpretation. [Reserved]

9904.414-62 Exemption.

(a) For contractors who are not subject to full CAS-coverage as of the date of publication of this part 99 as a final rule, this Standard shall apply only to those fully-covered contracts with subsequent dates of award and pricing certification.

(b) This Standard shall not apply where compensation for the use of tangible capital assets is based on use rates or allowances provided for by other appropriate Federal procurement regulations such as those governing:

- (1) Educational institutions,
- (2) State, local, and federally recognized Indian tribal governments, or
- (3) Construction equipment rates (see 48 CFR 31.105(d)).

9904.414-63 Effective date.

This Standard is effective as of April 17, 1992.

APPENDIX A TO 9904.414—INSTRUCTIONS FOR
FORM CASB CMF

purposes; land which is integral to the regular operation of the business unit shall be included.

Applicable Cost of Money Rate (Col. 1)

Enter here the rate as computed in accordance with 9904.414-50(b).

Accumulation and Direct Distribution of Net Book Value (Col. 2)

Recorded, Leased Property, Corporate.

The net book value of facilities capital items in this column shall represent the average balances outstanding during the cost accounting period. This applies both to items that are subject to periodic depreciation or amortization and also to such items as land that are not subject to periodic write-offs. Unless there is a major fluctuation, it will be adequate to ascertain the net book value of these assets at the beginning and end of each cost accounting period, and to compute an average of those two sets of figures. "Recorded" facilities are the facilities capital items owned by the contractor, carried on the books of the business unit, and used in its regular business activity. "Leased property" is the capitalized value of leases for which constructive costs of ownership are allowed in lieu of rental costs under Government procurement regulations. Corporate or group facilities are the business unit's allocable share of corporate-owned and leased facilities. The net book value of items of facilities capital which are held or controlled by the home office shall be allocated to the business unit on a basis consistent with the home office expense allocation.

Distributed and Undistributed.

All facilities capital items that are identified in the contractor's records as solely applicable to an organizational unit corresponding to a specific overhead, G&A or other indirect cost pool which is used to allocate indirect costs to final cost objectives, are listed against the applicable pools and are classified as "distributed." "Undistributed" is the remainder of the business unit's facilities capital. The sum of "distributed" and "undistributed" must also correspond to the amount shown on the "total" line.

Allocation of Distributed.

List in the narrative column all the overhead and G&A expense pools to which "distributed" facilities capital items have been allocated. Enter the corresponding amounts in (Col. 2). The sum of all the amounts shown against specific overhead and G&A expense pools must correspond to the amount shown in the "distributed" line.

Allocation of Undistributed (Col. 3)

Business unit "undistributed" facilities are allocated to overhead and the G&A expense pools on any reasonable basis that approximates the actual absorption of depreciation or amortization of such facilities. For instance, the basis of allocation of undistributed assets in each business unit between; e.g., engineering overhead pool and the manufacturing overhead pool, should be related to the manner in which the expenses generated by these assets are allocated between the two overhead pools. Detailed analysis of this allocation is not required where essentially the same results can be obtained by other means. Where the cost accounting system for purposes of Government contract costing uses more than one "charging rate" for allocating indirect costs accumulated in a single cost pool, one representative base may be substituted for the multiplicity of bases used in the allocation process. The net book value of service center facilities capital items appropriately allocated should be included in this column. The sum of the entries in Column 3 is equal to the entry in the undistributed line, Column 2.

A supporting work sheet of this allocation should be prepared if there is more than one service center or other similar "intermediate" cost objective involved in the re-allocation process.

Alternative Allocation Process—As an alternative to the above allocation process all the undistributed assets for one or more service centers or similar intermediate cost objectives may be allocated to the G&A expense pool. Consequently, the cost of money for these undistributed assets will be distributed to the final cost objectives on the same basis that is used to allocate G&A expense. This procedure may be adopted for any cost accounting period only when the contracting parties agree (a) that the depreciation or amortization generated by these undistributed assets is immaterial, or (b) that the results of this alternative procedure are not likely to differ materially from those which would be obtained under the "regular" allocation process described previously.

Total Net Book Value (Col. 4)

The sum of Columns 2 and 3. The total of this column should agree with the business unit's total shown in Column 2.

Cost of Money for the Cost Accounting Period (Col. 5)

Multiply the amounts in Column 4 by the percentage rate in Column 1.

Allocation Base for the Period (Col. 6)

Show here the total units of measure used to allocate overhead and G&A expense pools (e.g., direct labor dollars, machine hours,

total cost input, etc.). Include service centers that make charges to final cost objectives. Each base unit-of-measure must be compatible with the bases used for applying overhead in the Federal Government contract cost computation. The total base unit of measure used for allocation in this column refers to all work done in an organizational unit associated with the indirect cost pool and not to Government work alone.

Facilities Capital Cost of Money Factors (Col. 7)

The quotients of cost of money for the cost accounting period (Col. 5) separately divided by the corresponding overhead or G&A expense allocation bases (Col. 6). Carry each computation to five decimal places. This factor represents the cost of money applicable to facilities capital allocated to each unit of measure of the overhead or G&A expense allocation base.

APPENDIX B TO 9904.414—EXAMPLE—ABC CORPORATION

ABC Corporation has a home office that controls three operating divisions (Business Units A, B & C). The home office includes an administrative computer center whose costs are allocated separately to the business units. The separate allocation conforms to the requirements specified in the Cost Accounting Standard No. 403. Tables I through VI deal with home office expense allocations to business units.

The A Division is a business unit as defined by the CASB, and it uses one engineering and one manufacturing overhead pool to accumulate costs for charging overhead to final cost objectives. In addition, the indirect cost allocation process also uses two "service centers" with their own indirect cost pools: Occupancy and technical computer center.

The costs accumulated in the occupancy pool are allocated among manufacturing overhead, engineering overhead, and the technical computer center on the basis of floor space occupied. The costs accumulated in the technical computer center cost pool are allocated to users on the basis of a CPU hourly rate. Some of these allocations are made to engineering or manufacturing overhead while others are allocated direct to final cost objectives.

At the business unit level, all the indirect expense incurred is regarded either as an engineering or manufacturing expense. Thus the sole item that enters into the business unit G&A expense pool is the allocation received by the A Division from the home office.

Operating results for the A Division are given in Table VII. Facilities capital items for the division are given in Table IX.

The example is based on a single set of illustrative contract cost data given in Table VIII. Since two methods, the "regular" and the "alternative" method, are potentially available for computing cost of money on facilities capital items two sets of different results can be considered.

In addition, total cost input is used in the example as the allocation base for the G&A expense. Two variations of this example have been prepared to illustrate the impact of excluding or including cost of money from total cost input. Variation I, summarized in Table XIII, excludes cost of money from the cost input allocation base. Variation II, summarized in Tables XVII and XVIII, includes cost of money in the cost input allocation base.

Throughout the example, where appropriate, cross references have been made to the text of the relevant parts of the Standard.

VARIATION I—TOTAL COST INPUT ALLOCATION BASE EXCLUDES COST OF MONEY
TABLE I—NET BOOK VALUE OF HOME OFFICE FACILITIES CAPITAL

	Dec. 31, 1974	Dec. 31, 1975
Administrative computer center facilities capital ...	\$550,000	\$450,000
Other home office facilities capital	420,000	380,000
Total	970,000	830,000

The assets in the above table generate allowable depreciation or amortization, as explained in Instructions for Form CASB CMF (Basis). Thus they should be included in the asset base for cost of money computation.

TABLE II—HOME OFFICE FACILITIES CAPITAL ANNUAL AVERAGE BALANCES

Administrative computer center facilities capital	\$500,000
Other home office facilities capital	400,000
Total	900,000

The above averages are based on data in Table I computed in accordance with the criteria in Instructions for Form CASB CMF (Recorded, Leased Property, Corporate).
 $\$970,000 + \$830,000 = \$1,800,000 \div 2 = \$900,000$

TABLE III—HOME OFFICE DEPRECIATION AND AMORTIZATION FOR 1975

Administrative computer center facilities capital	\$100,000
Other home office facilities capital	40,000
Total	140,000

TABLE IV—ALLOCATION OF ABC HOME OFFICE EXPENSES TO DIVISIONS (BUSINESS UNITS)

	Total ex- pense	Allocation of business units		
		A	B	C
Administrative computer center	\$1,800,000	\$900,000	\$900,000	
Other home office	4,800,000	2,400,000	1,200,000	1,200,000
Total	6,600,000	3,300,000	2,100,000	1,200,000

The above allocation is carried out in accordance with CAS 403. The expense allocated to individual business units above in-

cludes depreciation and amortization as reflected in Table V.

TABLE V—DEPRECIATION AND AMORTIZATION COMPONENT OF ABC HOME OFFICE EXPENSE

	Total depre- ciation and amortization expense	Allocation of business units		
		A	B	C
Administrative computer center	\$100,000	\$50,000	\$50,000	
Other home office	40,000	20,000	10,000	10,000
Total	140,000	70,000	60,000	10,000

TABLE VI—ALLOCATION OF HOME OFFICE FACILITIES CAPITAL TO BUSINESS UNITS

(a) Depreciation and amortization allocation in Table V converted to percentages.

	Total depre- ciation and amortization expense (in percent)	Allocation of business units (in percent)		
		A	B	C
Administrative computer center	100	50	50	
Other home office	100	50	25	25

(b) Application of percentages in (a) to average net book values in Table II, in accordance with criteria in Instructions for Form

CASB CMF (Recorded, Leased Property, Corporate).

	Total net book value	Allocation of business units		
		A	B	C
Administrative computer center facilities capital	\$500,000	\$250,000	\$250,000	
Other home office facilities capital	400,000	200,000	100,000	\$100,000
Total	900,000	450,000	350,000	100,000

TABLE VII—"A" DIVISION 1975 OPERATING RESULTS

	Total cost input and other work G.&A.	Fixed-price CAS-covered contract	Cost reim- bursement CAS-covered contracts	Commercial and other work
Direct material:				
Purchased parts	\$2,000,000	\$100,000	\$100,000	\$1,800,000
Subcontract items	21,530,000	11,750,000	7,205,000	2,575,000
Total	23,530,000	11,850,000	7,305,000	4,375,000
Director labor and overhead:				
Engineering labor	2,000,000	1,500,000	500,000	

TABLE VII—"A" DIVISION 1975 OPERATING RESULTS—Continued

	Total cost input and other work G.&A.	Fixed-price CAS-covered contract	Cost reimbursement CAS-covered contracts	Commercial and other work
Engineering overhead (80 pct of direct engineering labor)	1,600,000	1,200,000	400,000	
Manufacturing labor	3,000,000	1,200,000	200,000	1,600,000
Manufacturing overhead (200 pct of direct management labor)	6,000,000	2,400,000	400,000	3,200,000
Other direct charges:				
Technical computer center direct charge 2,280 h at \$250/h	570,000	200,000	370,000	
Total cost input (excluding cost of money)	36,700,000	18,350,000	9,175,000	9,175,000
G. & A. (8.99 pct of cost input)	3,300,000	1,650,000	825,000	825,000
Total	40,000,000	20,000,000	10,000,000	10,000,000

TABLE VIII—COST DATA FOR THE CONTRACT

Purchased parts	\$85,000
Subcontract items	990,000
Technical computer time 280 h at \$250/h	70,000
Engineering labor	330,000
Engineering overhead at 80 pct	264,000
Manufacturing labor	1,210,000
Manufacturing overhead at 200 pct	2,420,000
Total cost input (excluding cost of money)	5,369,000
G & A. at 8.99 pct	483,000
Total cost input and G. & A. (excluding cost of money)	5,852,000

TABLE IX—DIVISION A FACILITIES CAPITAL CMF. Average figures only are given, the underlying beginning and ending balances for 1975 have not been reproduced.

Average net book values are computed in accordance with Instructions to Form CASB

Name of indirect cost pool the asset is associated with	Average net book value	Annual depreciation
Engineering overhead	\$320,000	\$40,000
Manufacturing overhead	4,500,000	900,000
Technical computer center	450,000	90,000
Occupancy	3,000,000	200,000
Facilities capital recorded by division A (see Form CASB CMF instructions for description of recorded)	8,270,000	1,230,000
Allocated from home office, table VI	450,000	
Total division A	8,720,000	

TABLE X—ALLOCATION OF UNDISTRIBUTED FACILITIES CAPITAL

(a) *Occupancy Pool Assets.* Total occupancy pool expenses are assumed to be \$1,000,000 of

which \$200,000 is depreciation per Table IX. Allocation of the \$3,000,000 net book value of assets per Table IX is performed on the basis of floor space utilization.

Indirect cost pool	Occupancy expense and depreciation allocation	Percent of total floor space utilized	Asset allocation
Engineering	\$200,000	20	\$600,000

Indirect cost pool	Occupancy expense and depreciation allocation	Percent of total floor space utilized	Asset allocation
Manufacturing	750,000	75	2,250,000
Technical computer	50,000	5	150,000
Total	1,000,000	100	3,000,000

(b) Technical Computer Center Assets. Total technical computer center expenses for the year are assumed to be \$770,000 including \$90,000 depreciation per Table IX and \$50,000 charge from the occupancy pool per paragraph (a) of this table. A charging rate of

\$250 per hour is computed assuming a total of 3,080 chargeable CPU hours per annum. The net book value of assets amounting to \$600,000 (\$450,000 per Table IX plus the \$150,000 allocated per (a) above) is allocated on the basis of CPU hours utilized.

Overhead pool or cost objective	Hours charged	Amount charged	Percent	Asset allocation
Fixed price contracts, table VII	800	\$200,000	26	\$156,000
Cost reimbursement contracts, table VII	1,480	370,000	48	288,000
Engineering overhead pool	800	200,000	26	156,000
Total	3,080	770,000	100	600,000

(c) Summary of Undistributed Facilities Capital Allocation. Undistributed (per Table IX).

Technical computer center	\$450,000
Occupancy	3,000,000
Total	3,450,000

Distribution per paragraph (a) or (b) of this table of balances to overhead pools that result in charges direct to final cost objectives.

Overhead pool	(a)	(b)	Total
Engineering	\$600,000	\$156,000	\$756,000
Manufacturing	2,250,000	.....	2,250,000
Technical computer center (direct charge to contracts) .....	.....	444,000	444,000
Total	2,850,000	600,000	3,450,000

TABLE XIII—SUMMARY OF COST OF MONEY COMPUTATION ON FACILITIES CAPITAL
 [Cost of money excluded from total cost input]

Allocation base	Allocated to contract, table VIII	Computation using regular facilities, capital cost of money factor, table XI	Amount	Computation using alternative facilities capital, cost of money factor, table XI	Amount
Engineering labor	\$330,000	0.04304	\$14,203	0.0128	\$4,244
Manufacturing labor	1,210,000	.18	217,800	.12	145,200
Technical computer time	¹ 280	15.57895	4,362	.....	.....
Cost input	\$5,369,000	.00098	5,261	.00850	45,636
Total cost of money on facilities capital .....	.....	.....	241,626	.....	195,060

¹ Hours.

VARIATION II—TOTAL COST INPUT ALLOCATION BASE INCLUDES COST OF MONEY

TABLE XIV—RECOMPUTATION OF "A" DIVISION TOTAL COST INPUT TO REFLECT INCLUSION OF COST OF MONEY

(a) Regular method:	
Total cost input per table VII	\$36,700,000
Cost of money applicable to facilities capital identified with overhead pools per subtotal in column 5, table XV	661,600
Total cost input including cost of money	37,361,600
(b) Alternative method:	
Total cost input per table VII	36,700,000
Cost of money applicable to facilities capital identified with overhead pools per subtotal in column 5, table XVI	385,600
Total cost input including cost of money	37,085,900

TABLE XV FACILITIES CAPITAL COST OF MONEY FACTORS COMPUTATION ("Regular" Method - Cost of Money Included in Total Cost Input)						
CONTRACTOR: ABC Corp.		ADDRESS:				
BUSINESS UNIT: A Division		ADDRESS:				
COST ACCOUNTING PERIOD: Y/E 12/31/75	1. APPLICABLE COST OF MONEY RATE: 11%	2. ACCUMULATION & DIRECT DISTRI- BUTION OF N.B.V.	3. ALLOCATION OF UNDISTRIBUTED	4. TOTAL NET BOOK VALUE	5. COST OF MONEY FOR THE COST ACCOUNTING PERIOD	7. FACILITIES CAPITAL COST OF MONEY FACTORS
	Table IX	8,270,000	BASIS OF ALLOCATION	COLUMNS 2 + 3	COLUMNS 1 x 4	COLUMNS 5 + 6
BUSINESS UNIT FACILITIES CAPITAL	RECORDED LEASED PROPERTY CORPORATE OR GROUP TOTAL UNDISTRIBUTED DISTRIBUTED	8,270,000 450,000 8,720,000 3,450,000 5,270,000	Worksheet Table X			
OVERHEAD POOLS	Engineering	320,000	756,000	1,076,000	86,080	.04304
	Manufacturing	4,500,000	2,250,000	6,750,000	540,000	.18
	Technical Computer		444,000	444,000	35,520	2.280 hr 15,57895
	Subtotal: Cost of Money to be included in Total Cost Input				661,600	
	G & A Expense	450,000		450,000	36,000	\$37,361.600 .00096
TOTAL		5,270,000	3,450,000	8,720,000	697,600	//////////

TABLE XVI FACILITIES CAPITAL COST OF MONEY FACTORS COMPUTATION (*Alternative* Method - Cost of Money Include in Total Cost Input)							
CONTRACTOR: ABC Corp.		ADDRESS:					
BUSINESS UNIT: A Division							
COST ACCOUNTING PERIOD: Y.E. 12/31/75	1. APPLICABLE COST OF MONEY RATE: 8.2%	2. ACCUMULATION & DIRECT DISTRIBUTION OF R.E.V.	3. ALLOCATION OF UNDISTRIBUTED	4. TOTAL NET BOOK VALUE	5. COST OF MONEY FOR THE COST ACCOUNTING PERIOD	6. ALLOCATION BASE FOR THE PERIOD	7. FACILITIES CAPITAL COST OF MONEY FACTORS
	Table IX	8,270,000	BASIS OF ALLOCATION	COLUMNS 2 + 3	COLUMNS 1 x 4	IN UNIT(S) OF MEASURE	COLUMNS 5 + 6
BUSINESS UNIT FACILITIES CAPITAL	RECORDED LEASED PROPERTY	8,270,000	All to G&A Expense Pool				
	CORPORATE OR GROUP TOTAL	450,000				Table VII & Table XIV	
	UNDISTRIBUTED	8,720,000					
	DISTRIBUTED	3,450,000					
		5,270,000					
	Engineering	320,000		320,000	25,600	\$ 2,000,000	.0128
	Manufacturing	4,500,000		4,500,000	360,000	\$ 3,000,000	.12
OVERHEAD POOLS	Subtotal: Cost of Money to be included in Total Cost Input				385,600		
G & A EXPENSE POOLS	G&A Expense	450,000		3,900,000	312,000	\$37,085,600	.00841
TOTAL		5,270,000		8,720,000	697,600		

TABLE XVII—SUMMARY OF COST OF MONEY COMPUTATION ON FACILITIES CAPITAL
[Cost of money included in total cost input—regular method]

Allocation base	Allocated to contract, table VIII	Computation using regular facilities, capital cost of money factor, table XV	Amount
Engineering labor	\$330,000	0.04304	\$14,203

TABLE XVII—SUMMARY OF COST OF MONEY COMPUTATION ON FACILITIES CAPITAL—Continued
[Cost of money included in total cost input—regular method]

Allocation base	Allocated to contract, table VIII	Computation using regular facilities, capital cost of money factor, table XV	Amount
Manufacturing labor	1,210,000	.18	217,800
Technical computer time	¹ 280	15.57895	4,362
Cost of money related to overheads			236,365
Cost of money above to be included in cost input	236,365		
Cost input, table VIII	5,369,000		
Cost input including cost of money	5,605,365	.00096	5,381
Total cost of money on facilities capital			241,674

¹ Hours.

TABLE XVIII—SUMMARY OF COST OF MONEY COMPUTATION ON FACILITIES CAPITAL
[Cost of money included in total cost input—alternative method]

Allocation base	Allocated to contract, table VIII	Computation using alternative facilities, capital cost of money factor, table XVI	Amount
Engineering labor	\$330,000	0.0128	\$4,224
Manufacturing labor	1,210,000	.12	145,200
Cost of money related to overheads			149,424
Cost of money above to be included in cost input	149,424		
Cost input, table VIII	5,369,000		
Cost input including cost of money	5,518,424	.00841	46,410
Total cost of money on facilities capital	5,518,424		195,834

[57 FR 14153, Apr. 17, 1992; 57 FR 34081, 34167, Aug. 3, 1992]

9904.415 Accounting for the cost of deferred compensation.

9904.415-10 [Reserved]

9904.415-20 Purpose.

(a) The purpose of this Standard 9904.415 is to provide criteria for the measurement of the cost of deferred compensation and the assignment of such cost to cost accounting periods. The application of these criteria should increase the probability that the cost of deferred compensation is allocated to cost objectives in a uniform and consistent manner.

(b) This Standard is applicable to the cost of all deferred compensation except the following which are covered in other Cost Accounting Standards:

(1) The cost for compensated personal absence, and

(2) The cost for pension plans that do not meet the definition of an Employee Stock Ownership Plan (ESOP).

[73 FR 23964, May 1, 2008]

9904.415-30 Definitions.

(a) The following are definitions of terms which are prominent in this Standard 9904.415. Other terms defined elsewhere in this Chapter 99 shall have the meanings ascribed to them in those definitions unless paragraph (b) of this section requires otherwise.

(1) *Deferred compensation* means an award made by an employer to compensate an employee in a future cost accounting period or periods for services rendered in one or more cost accounting periods prior to the date of the receipt of compensation by the employee. This definition shall not include the amount of year end accruals for salaries, wages, or bonuses that are to be paid within a reasonable period of