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)
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)
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?