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
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**
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.