

Putting the business side of your operation in order

Business management

“the customers perception of the transaction is that value has been gained”

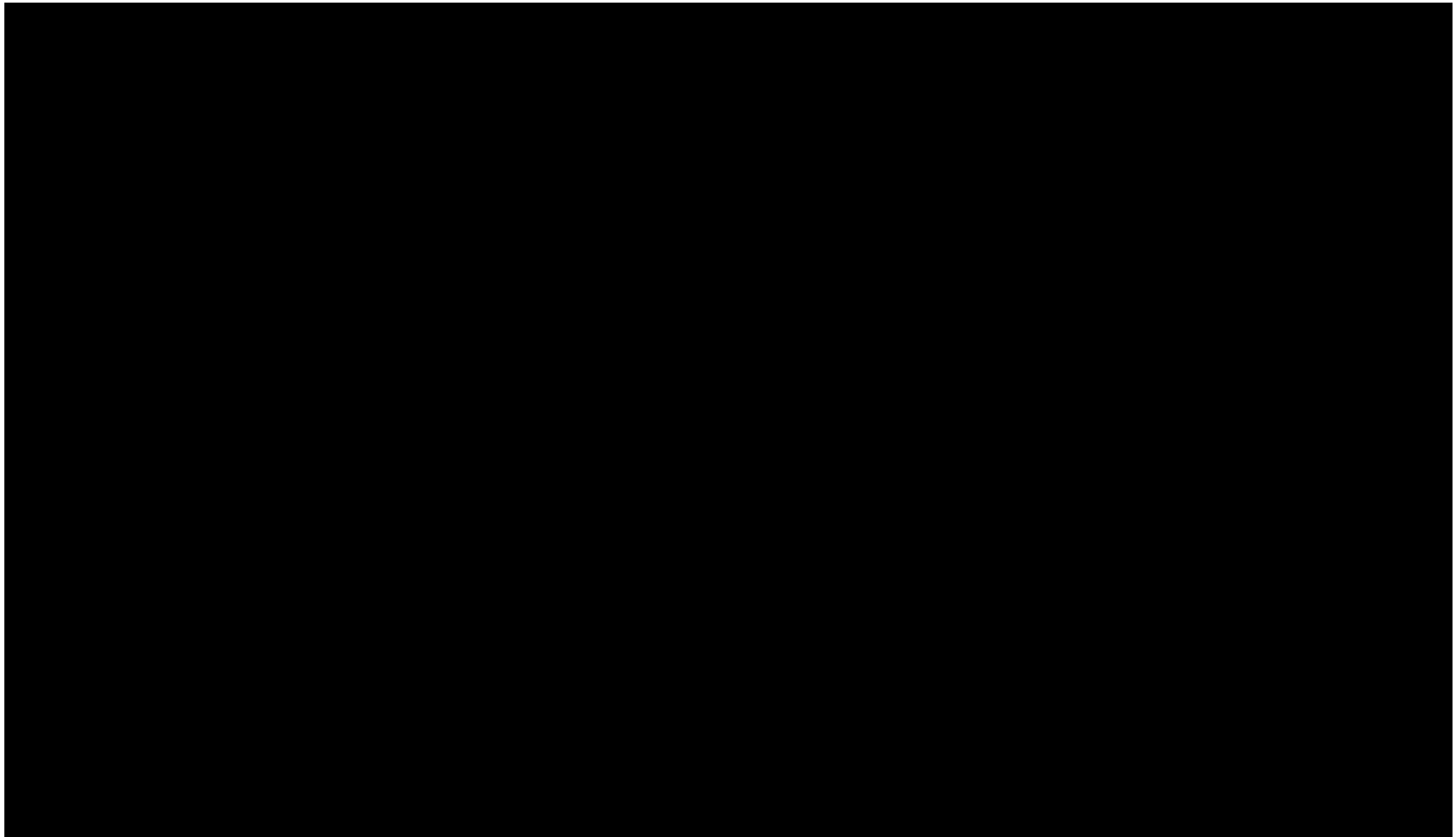
What Influences that Perception?

- **Q**uality Management
- **M**arketing
- **B**usiness Management
- **I**nformation Economics

Managerial Accounting

- Rate and volume analysis
- Business metrics development
- **Price modeling**
- Product profitability
- Geographic vs. Industry or client segment reporting
- **Sales management** scorecards
- **Cost analysis**
- Cost–benefit analysis
- Cost-volume-profit analysis
- Life cycle cost analysis
- **Client profitability analysis**
- IT cost transparency
- Capital budgeting
- **Buy vs. lease analysis**
- Strategic planning
- Strategic management advice
- Internal financial presentation and communication
- Sales forecasting
- Financial forecasting
- Annual budgeting
- **Cost allocation**

Need for Managerial Accounting



Areas to improve

- Business planning
- Cost accounting
- Rate Documentation
- Budgeting
- Depreciation
- Day to day business
- Regulatory Environment
- Record Data and Sample Retention

Cost Accounting

- Compensation
- Supplies
- Service
- Rent
- *Variable vs. Fixed Costs*
- *Marginal Costs*
- *Opportunity Costs*

COMPENSATION

- 6012 - SAL FACULTY REG Tenured TenureTrack
- 6013 - SAL FACULTY REG NonTenTrack w Benft
- 6140 - SAL EXEMPT STAFF
- 6144 - SAL EXEMPT
- 6145 - SAL EXEMPT STAFF Regular Staff
- 6160 - SAL NONEXMPT STFF REG
- 6163 - SAL NONEXMPT STFF REG Non Union
- 6500 - FB DEPT CHARGES Benefits
- 6501 - FB DEPT CHARGES Benefits
- 6505 - FB DEPT CHARGES Benefits
- 6511 - FB DEPT CHARGES Benefits

OTHER EXPENSES

- 7116 - EQUIP 2500 to 24999 Laboratory
- 7266 - MAINT EQUIP Laboratory
- 7269 - MAINT EQUIP Office
- 7272 - MAINT EQUIP Specialized
- 7315 - MAINT CONT EQUIP Laboratory
- 7471 - SUPPLIES LAB Chemical Gases
- 7472 - SUPPLIES LAB Chemicals Reagents
- 7473 - SUPPLIES LAB Disposables
- 7501 - SUPPLIES Bottled Beverages Water
- 7503 - SUPPLIES Food and Beverage
- 7505 - SUPPLIES Computer Software
- 7511 - SUPPLIES Office
- 7512 - SUPPLIES Photocopying and Printing
- 7513 - SUPPLIES Posters and Flyers
- 7533 - BOOKS PUBLCTN Subscriptions
- 7571 - CAP EQUIP OVR 25K Scientific
- 7682 - POSTAGE FRGHT SHIP Freight
- 7723 - PROF FEES CONTRACTOR General
- 7774 - PUR SRVCS OTHR Moving and Delivery
- 7778 - PUR SRVCS OTHR Printing External
- 7789 - PUR SRVCS OTHR Other Services
- 7818 - SERVICE CTR Hazardous Waste Dispose
- 7821 - SERVICE CTR Mailing Services
- 7823 - SERVICE CTR Repair Shops
- 7853 - INT DEPT Copying and Printing
- 7855 - INT DEPT Fees
- 7863 - INT DEPT Sales
- 7875 - INT DEPT Computer Equip less 2499
- 7877 - INT DEPT Computer Software
- 7879 - INT DEPT **Maintenance Contracts**
- 7883 - INT DEPT Repayment
- 8141 - TRAVEL DOMESTIC Air
- 8142 - TRAVEL DOMESTIC Ground
- 8143 - TRAVEL DOMESTIC Lodging
- 8144 - TRAVEL DOMESTIC Meals
- 8151 - NONTRAVEL Meals Local
- 8161 - CONFERENCE Registration Fees
- 8643 - DEBT SERV PRIN Capital Asset Loan
- 8703 - DEP **Depreciation** Service Center
- 8704 - DEP Depreciation Lieu of Debt Svc

Rate Calculation

- Total Compensation (from above)
- Prior Year (surplus)/deficit
- **Prior Year Inventory**
- Billable Admin Time
- Total Billable Expenses
- Projected Number of units
- Actual Cost per unit
- Current rate per unit
- Projected rate increase
- New Rate
- Projected income (New Rate)
- Subvention
- (Surplus)/Shortfall Subvention-NCCC Net

Excel Book

- Salaries - % effort process
- Service Contracts – 100%
- Inventory -
- Admin Time - % time dedicated to administration
- Subvention – All forms(direct salaries etc.)
- Rate Calculation – Cost of the service
- Budget

Business Plan Lite for Core Facilities

Business Plan Exercise

Maintenance Contracts

- Manufacturer
- Alternative instrument specific vendors
- Comprehensive vendors
- Self Insuring
- Institutional Support
- In Lab Knowledge
- What is Included

Depreciation (Funded)

- \$350,000 instrument cost
- \$250,000 from Grant funds
- \$100,000 from other non-government funds
- Depreciate \$100,000 over 5 years
- 50,000 samples per year
- 5 years x 50,000 samples = 250,000 samples
- Adds about \$0.40 to rate
- At the end of 5 years = \$100,000

Regulatory Environment

- Office of Management and Budget
- Institutional Interpretation
- Funding Agency
- Institutional Regulations

Understanding A-21

- Facilities Cost
- Administrative Cost
- Sec J 47 Core Facilities

OMB Circular A-21 Section J 47

- a. The costs of services provided by highly complex or specialized facilities operated by the institution, such as computers, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either subsection 47.b. or 47.c. and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under subsection C.5. of this Circular.
- b. The costs of such services, when **material**, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that
- (1) does not **discriminate** against federally supported activities of the institution, including usage by the institution for internal purposes, and
 - (2) is designed to recover only the **aggregate** costs of the services. The costs of each service shall consist normally of both its direct costs and its allocable share of all F&A costs. Rates shall be adjusted at least biennially, and shall take into consideration over/under applied costs of the previous period(s).
- c. Where the costs incurred for a service are not material, they may be allocated as F&A costs.
- d. Under some extraordinary circumstances, where it is in the best interest of the Federal Government and the institution to establish alternative costing arrangements, such arrangements may be worked out with the cognizant Federal agency.

Cost Allowability Guidelines

- ✓ Reasonable: “incurred by a prudent person”, “necessary for the operation”
- ✓ Allocable: “benefits received”
- ✓ Allowable: Circular, law, T&C, local reg.

Day to Day Operations

- Is it difficult to make a purchase?
- Is the experience pleasant?
- Is it the same for everyone?
- How do you make data available?
- Do you make billing errors?

Billing

- Timely
- Accurate
- Informative
- System for Challenge

Sample, Data and Record Retention

- Institutional policy
- Data - Dartmouth OSP 3 years
- Sample – core facility policy
- Records billing etc. – 7 years

Choosing Business Management Software

- Cost – Is it cost effective
- Flexibility – will it fit all Shared Resources
- Adaptability – Work with Institutional System
- Comprehensive – Do All or just Some
- Control – Where is the System Based
- Remember You are the Customer

Customer Interactions

Are you customers informed

- Ordering Process
- Sample Preparation
- Data Collection
- Billing