

# Class Exercise – Day 1

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## Scenarios

### Allowability

1. Reasonableness
  2. Allocability
  3. Standards of CASB or GAAP
  4. Terms of the contract
  5. Cost principle limitations
  6. Directly associated
  7. Credits
1. As a project manager you supervise many employees who work across a variety of projects. Your time isn't specifically focused on a certain project. You have a weekly meeting with all the employees to go over the status of each contract. How should you and your employees record their time for the meeting? Explain.
  
  2. As the project manager you want to increase employee morale during the busy season. You have leased a photo booth for the office to show your appreciation of everyone's hard work. You have a group meeting during lunch and decided to order a modest lunch. The company has decided to have a mini party after the contract's delivery to celebrate the completion of the project. What is allowable and what is not? Explain.
  
  3. As an analyst on a cost reimbursable contract, you travel to the client site since you prefer to have discussion in person even though the client did not request you to visit. You take a flight, but it is only a 6-hour drive from where you live. The contract has many CLINS to separate funding for the contract. There is a CLIN for direct labor, ODC, and direct material but no travel. Explain what is allowable and/or unallowable.
  
  4. You work on a project that requires a high-tech laptop. The company's average work laptop cost \$1,500 but the high-tech laptop that is needed starts at \$3,500. You are friends with the client and the client approves for you to get a \$6,000 laptop which includes an excess number of features. How much would be allowable and/or unallowable? Explain.

5. You have a work assignment for a contract that requires traveling for the week. To prepare for the trip, you select the lowest airfare ticket and have two check-in bags. One bag is used for your necessities and the other bag is used for gifts that you will buy on this trip. You want to live large but the only hotels around are all within per diem. It is company's policy to provide meal receipts to be reimbursed at cost. Some of the meals include alcohol but each meal is within per diem. What is allowable and/or unallowable? Explain.
  
6. You are working on a contract, but the Project Manager asks you to do something that is out-of-scope to provide the utmost client service to receive great client feedback and to open doors for new contracts. Being the star that you are, you decide to rent a modest car to drive 4 hours to a site to do research, a night spent at the local hotel, have a few extravagant meals along the way, and fill up on gas when you return. How would you treat each cost (direct/indirect and allowable/unallowable)? Explain.
  
7. Your Project Manager volunteers you to plan for an exciting holiday party as everyone on the team is feeling burnt out. The company's policy is to have 1 holiday event that is no more than \$50 per person once a year. The Project Manager gives you a budget of \$25 per person, a date on Saturday a week before the holiday, and a location that is local to the office. The Project Manager instructs you to charge the time spent on the holiday planning to G&A labor as it benefits the company as a whole. How would you treat each cost (direct/indirect and allowable/unallowable)? Explain.
  
8. You work for a company that is building an office for the government under a Firm Fixed Price contract. The contract is for \$1.2 million, and the company estimates it to cost \$1 million to complete. An unexpected event occurred where wood, a main component of the materials, is going to cost more. But there is a sale with a large window manufacturer for buy-one-get-one-free (BOGO) that you will use. How would you treat each cost (direct/indirect and allowable/unallowable)? Explain.