SAP Business ByDesign Extension for Indirect Rate Calculations

Calculate Indirect Cost Pool Allocations at a Project Level

Indirect Rate Calculator (IRC) is an extension to SAP Business ByDesign that allows a Finance user to gather cumulative indirect costs by pool or service center and calculates the allocation of costs at a project level based upon YTD percentages. IRC takes into consideration complexities of multiple indirect cost pools, different allocation bases (such as direct labor or total cost), provisional vs. actual rates, and different rates by site. The parameters by which rates are calculated are configurable and maintained within the IRC tool.

The IRC solution provides the following functionality:

- **Calculation of Provisional and Actual Indirect Rates**: Quickly calculate indirect costs based on inputted rates and allocate them by project
- **Recalculate Based Upon New Rate Structures:** Easily reset the baseline on YTD figures with one-time recalculations using updated rate structures
- **Detailed Reports:** Provide calculations to burden direct costs with indirect allocations by pool and by project.

IRC solves the following pain points:

- **Distributions by Cost Center:** Provides calculations by project or production run
- **Manual Processes: Automate** repetitive, low value-added tasks through scheduled activities
- **Single Rate Allocations:** Calculations available on either budget or actual rates

Define Pools

Pools are groupings of two or more GL cost accounts that are combined and charged to the benefitting projects through an allocation process.

Indirect cost pools (numerator) are created, defined, and activated as placeholders for allocation rates, such as Fringe and Fee. Indirect Pools can be defined as either a Cost pool or Revenue pool. Users can define the list of General Ledger accounts to be included in each indirect pool and each allocation base.

Edit | New | Export | Toggle Status

Indirect Pool ID	Description	Indirect Pool Type	Status
COM	Cost of Money	1 - Cost	1 - Active
FEE	Fee	2 - Revenue	1 - Active
FRINGE	Fringe Benefits	1 - Cost	1 - Active
G&A	General and Administrative	1 - Cost	1 - Active
OVERHEAD	Overhead	1 - Cost	1 - Active

Indirect Pools

Edit | New | Export | Toggle Status

Direct Pool ID	Description	Burden Calculation Type	Status
LABOR	Direct Labor	1 - Labor Accounts	1 - Active
MATERIALS	Direct Materials	2 - Non-Labor Accounts	1 - Active
ODC	Other Direct Costs	2 - Non-Labor Accounts	1 - Active
SERVICES	Direct Outside Services	2 - Non-Labor Accounts	1 - Active
TRAVEL	Direct Travel	2 - Non-Labor Accounts	1 - Active

Allocation Bases

Rate Structures

With IRC, a collection of rates is known as a Rate Structure and can be assigned at multiple levels with priority, so that a higher-listed rate will override a lower one:

1) Project
2) Project Type
3) Business Residence (Organization)

For example, if both a Project Rate and a Business Residence Rate applies, the Project Rate will be selected. Rate structures are created for each type of rate (budget or actual), type of structure required (provisional government indirect rates or commercial contract terms) and rate percentage for indirect cost pools.

This has two benefits – first, any default rates set at the Business Residence can be overridden at the Project Type or Project levels. Second, only rates that differ need to be specified. If a new project is created of a type that has an existing Project Type Rate defined, and it does not require specific rates, nothing further needs to be done.

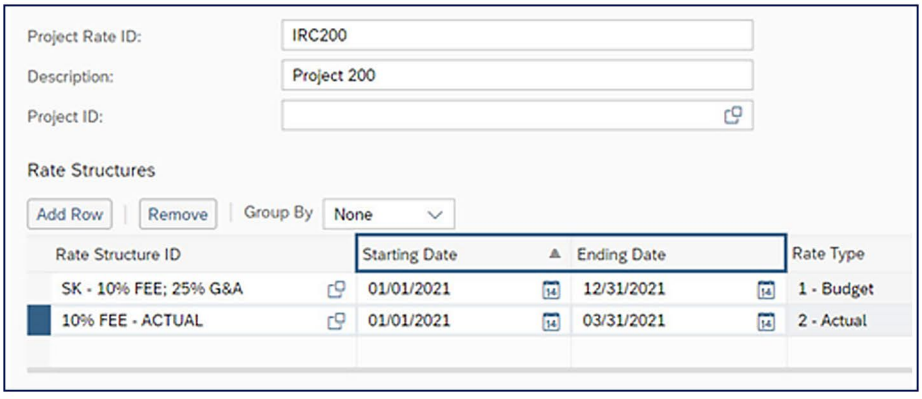
For this application, a Rate Structure serves a single purpose to define a reusable set of rates that can be applied to any Project, Project Type, or Business Residence. Note that IRC rate structures need to be set up by Company.

Set up Rate Structures

Rate Structure ID	Description	Rate Type	Status
FY21 Company 1	FY21 Provisional Rates ABC	1 - Budget	1 - Active
FY21 Company 2	FY21 Provisional Rates XYZ	1 - Budget	1 - Active
FY21 Company 1	FY21 Actual Rates ABC	2 - Actual	1 - Active
FY21 Company 2	FY21 Actual Rates XYZ	2 - Actual	1 - Active
Commercial Project 555-A	20% G&A; 10% FEE	1 - Budget	1 - Active
Commercial Project 555-A		2 - Actual	1 - Active
Commercial Project 555-B	18% G&A; 12% FEE	1 - Budget	1 - Active
Commercial Project 555-B		2 - Actual	1 - Active

Define Project Rates

A Project Rate allows you to assign a Rate Structure to a specific Project for a specific Posting Date range. Project Rates take priority over Project Type Rates and Business Residence Rates.

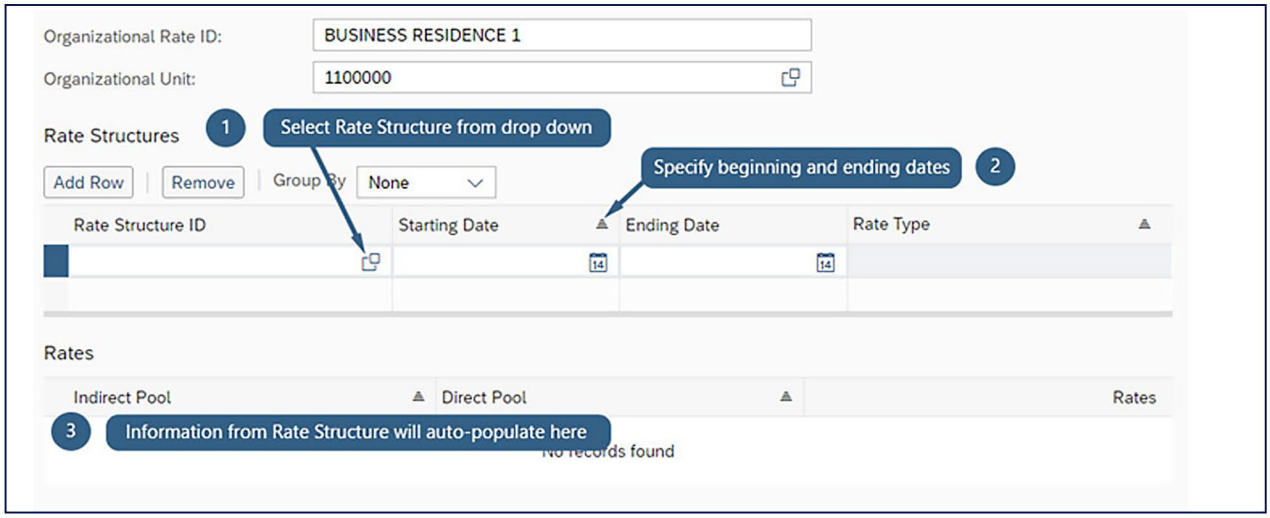


Define Organization Rates

A Business Residence Rate is similar in nature to a Project Rate, except that it is assigned to one of the Business Residence elements in the Organizational Structure.

A Business Residence Rate is the lowest-priority rate considered when determining the effective rate to use for a burden calculation.

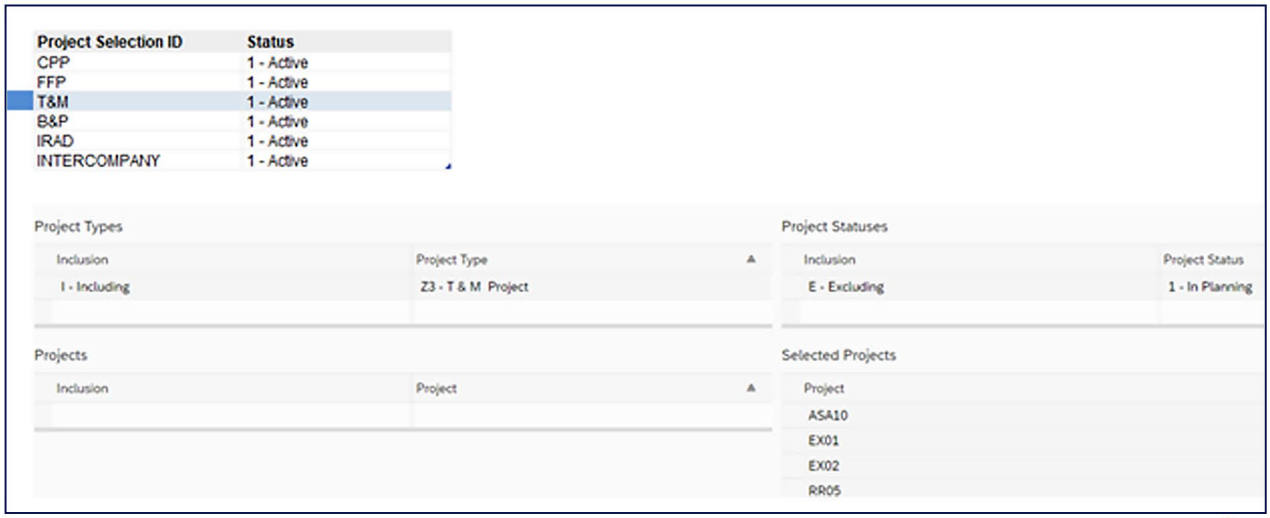
Organizational Rate ID	Organizational Unit
Business Residence 1	1100000 - 1100000
Business Residence 2	1200000 - 1200000
Business Residence 3	1300000 - 1300000



Define Projects to be Included

A Project Selection is a set of rules for dynamically determining the list of Projects that will be included in a Calculation Run. You can set any combination of inclusion or exclusion rules based on the following attributes:

- *Project Type* – Select any predefined project type (Cost Plus, Firm Fixed Price, etc.)
- *Project Status* – Select any predefined project status code (In Planning, Started, Completed, etc.)
- *Project* – Select from the list of available projects

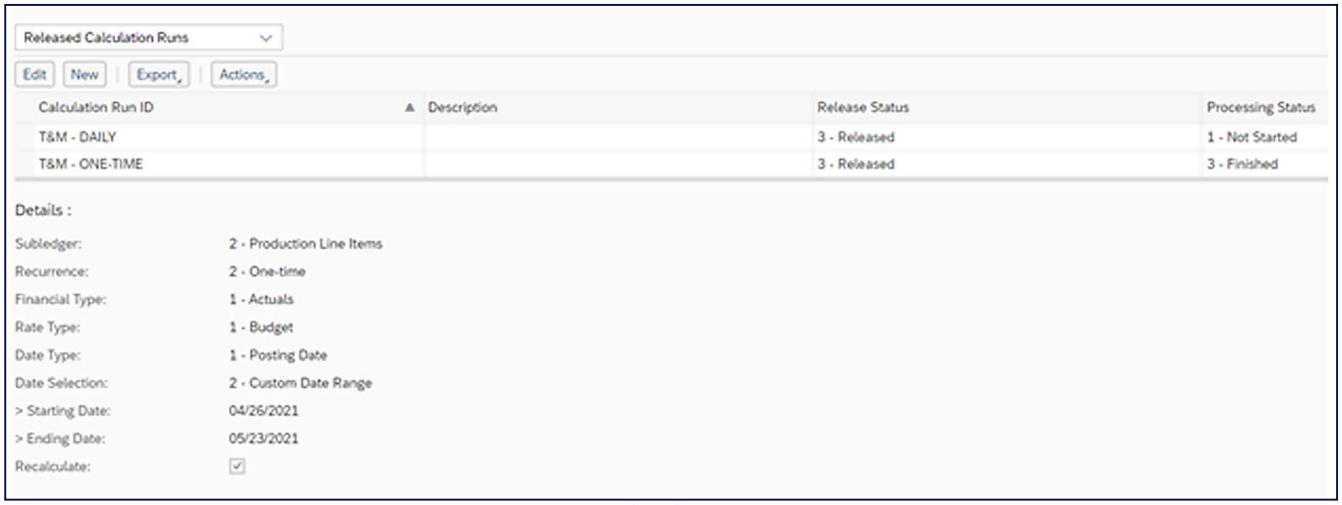


Calculation Runs

Mass Data Runs

A Calculation Run -- also known as a Mass Data Run (MDR) by SAP -- allows for mass processing of a task or business transaction. Utilizing a Calculation Run for batch processing requires two steps. First, you define what the run will include. Secondly, you use the Calculation Run Scheduler to determine when and how often the run will be executed. The Calculation Run defines aspects of the run, such as:

- Which data source it will analyze – Project or production line items, actual postings or project plans, transaction dates, etc.
- How many times and how often it should be executed
- Whether it should recalculate any previous results, useful primarily when rates have been retroactively changed or applied

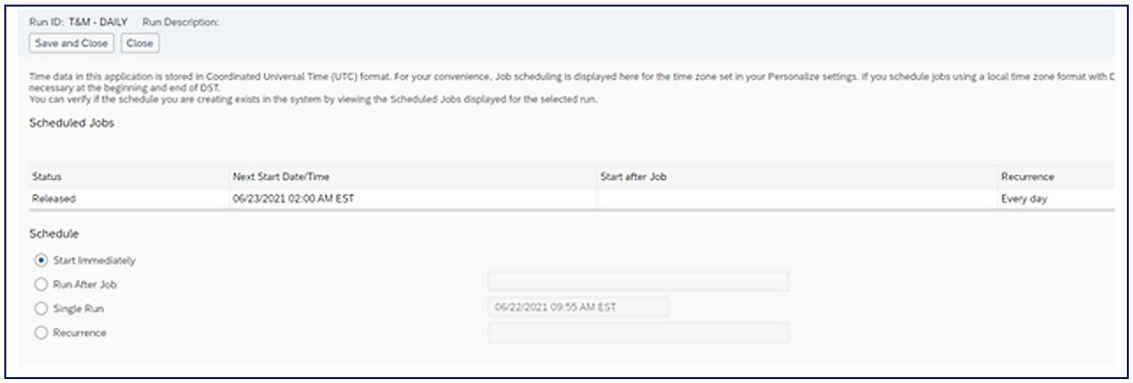


Create Calculation Runs

When a Job is created/edited, the Status = In Revision by default. It must be set to Active before the Job will execute. This can be done within the edit screen by clicking Set to Active, then Save and Close.

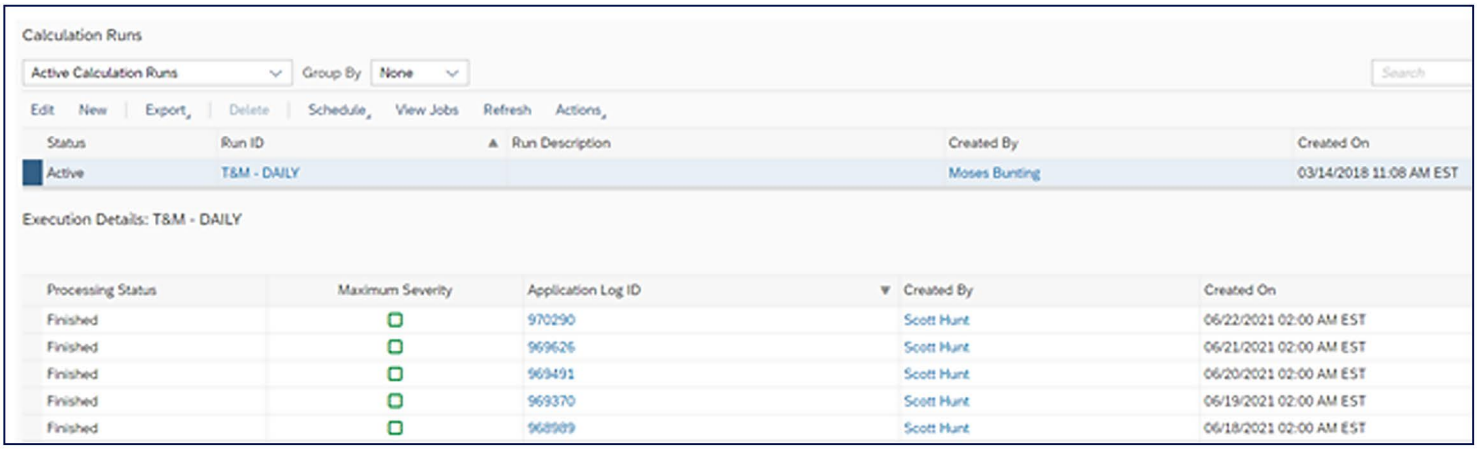
Schedule Calculation Runs

The scheduler determines when and how often a Calculation Run will be executed. These can be scheduled to run immediately, once at a specified time/date, or on a recurring basis of daily, weekly, or monthly.



Review Completed Calculation Runs

The status of each calculation run can be monitored in the screen below.



Reporting Calculations

Users can quickly see calculated results for one or more projects in their Project Cost Reports within SAP Business ByDesign. They can specify which accounting period and company to view cost allocation calculations.

Thales Standard - Project Cost Report - Online V3

Sent at: 06/23/2021 12:04:31 PM EST
Data Based on User: VistaVu Solutions
Access Context Code: * (No Restrictions)

FR = fringe pool on direct labor base
OH = Overhead pool on total direct cost base
GA= G&A pool on total cost base

Selection:
Company 2 (Thales USA Inc.)
Accounting Period/Year 009/2020 (009/2020)
Set of Books 1000 (US GAAP)
Journal Entry Type (Journal Entry) !(90098 (Rvsl of Expense Assignm. to Sales Docs.); 00098 (Expense Assignment to Sales Documents))

Project	DirectCost	FR Actual	OH Actual	GA Actual	COM Actual	IndirectCost Actual	TotalCost Actual	FEE Actual	TOTAL Actual
A1000	35,000.00	10,500.00	8,750.00	1,750.00	-	21,000.00	56,000.00	5,600.00	61,600.00
A1001	50,000.00	15,000.00	12,500.00	2,500.00	500.00	30,500.00	80,500.00	8,050.00	88,550.00
A1002	6,000.00	1,800.00	1,500.00	300.00	60.00	3,660.00	9,660.00	966.00	10,626.00
A1003	8,931.00	2,679.30	2,232.75	446.55	-	5,358.60	14,289.60	1,428.96	15,718.56

Sample view of Excel format of Project Cost Report from ByDesign