

## Cost Principles Activity

Distribute copies of the “Cost Principles” handout. Working in teams, ask participants to review one of the following scenarios at their table. After they have come to their determination using the definition of cost principles, ask teams to share their scenario and the answers with the larger audience.

1. ABC Child and Family Services’ Head Start program received from its regional office an award of quality improvement funds to purchase two buses. The manufacturer notified the grantee that shipping will be delayed. The grantee will not take possession of the buses in the grant year. The director wants to issue a check to cover the costs of the buses before they are delivered or else use the funds in this grant year to cover the costs for Head Start supplies and other incidental items they could use during the next grant year. If they do this, the following year’s grant funds could be used to cover the costs for the buses.
  - Consider whether this is reasonable, allowable, and allocable.
2. John Jacobs, a certified public accountant, completes monthly documentation of the time he volunteers as a board member at ABC Child and Family Services, including the time he spends driving from his home to the board meetings and back. John reports his time at an hourly rate of \$200, which is equal to what his employer charges clients for his services. Given his high level of education and many years of experience, he believes this is a reasonable value for his services.
  - Consider whether this is reasonable, allowable, and allocable.
3. ABC Child and Family Services operates Head Start center-based services for 6 hours each day. It also provides child care for an hour before and an hour after its Head Start day. The child care is not compliant with the Head Start Program Performance Standards. A review of payroll records indicates that 90 percent of the salaries for the teacher and assistant teacher in each classroom is charged to the Head Start grant.
  - Consider whether this is reasonable, allowable, and allocable.