



Cost Analysis/Profit Evaluation Instructions

Uniform Guidance [200.323 a and b](#) requires that federal award purchases over \$150,000 with no price competition have a cost analysis and profit evaluation completed. A cost analysis breaks down elements that make up a price. Those elements can be direct costs (direct labor, subcontracts, materials, facilities capital), indirect costs (indirect labor rates, overhead pools, general and administrative costs, etc.) and profit.

A cost analysis should be done when a price analysis is unable to be completed (via price sold to federal government; catalog/market pricing; historical pricing: comparison to in-house estimate; comparison to similar items; comparable customer's invoice; identification in federal award).

University Procurement Services has outlined a [template](#) for units to work with their chosen supplier. The template should be used as a guide for units to ensure that Uniform Guidance requirements are being followed. It is the unit's responsibility to ensure that the supplier completes the template correctly. Units should contact [University Procurement Services](#) for questions.

- **Purchase Title:** Title of sourcing event (e.g. Biology lab equipment upgrade)
- **Unit:** The unit contact name who is responsible for overseeing the contract/project.
- **Direct Labor, Estimated Hours, Cost per Hour:** Direct Labor is an employee or worker who is directly involved in the production of the good (or service if applicable).
- **Materials:** Materials are what goes into making a product.
- **IT Support:** This would be if the good or service requires any IT support staff from the supplier for the duration of the project.
- **Overhead:** Overhead includes all ongoing business expenses not including or related to direct labor or direct materials used in creating a product or service, such as rent, utilities and insurance.
- **Subcontractors:** Subcontractors would be any outside help that the supplier may need to hire on a temporary basis, to complete the project, including estimated hours and rates.
- **Travel/Living:** Travel/living would cover any travel and living expenses that may need to be covered if the supplier has to travel for the project.
- **Tax*:** Tax is any tax that needs to be factored in, however it must be noted that Rutgers is tax-exempt in many areas. The unit should verify with [Rutgers Tax Department](#) that any tax added to the project is valid.
- **Profit:** Profit should be given by percent, not overall dollar. In most cases, profit should not exceed 10% for most good and services. For research, experimental, developmental, or new custom work, profit should not exceed 15%.



Cost Analysis/Profit Evaluation			
Purchase Title:			
Unit:			
Cost Elements			
1. Direct Labor	Estimated Hours	Cost Per Hour (\$)	Estimated Cost (\$)
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
Total Direct Labor:			\$ 5.00
2. Materials	Units Required	Cost Per Unit (\$)	Estimated Cost (\$)
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00
Total Materials:			\$ 5.00
3. IT Support			Estimated Cost (\$)
Total IT:			\$ 1.00
4. Overhead			Estimated Cost (\$)
Total Overhead:			\$ 1.00
5. Subcontractor(s)	Estimated Hours	Cost Per Hour (\$)	Estimated Cost (\$)
	1	\$ 1.00	\$ 1.00
	1	\$ 1.00	\$ 1.00



	1	\$ 1.00	\$	1.00
Total Subcontractors:			\$	3.00
6. Travel/Living			Estimated Cost (\$)	
Total Travel/Life:			\$	1.00
7. Tax*			Estimated Cost (\$)	
Total Tax:			\$	1.00
8. Profit		%	Estimated Cost (\$)	
		5%	\$	0.85
Total Cost:			\$	17.85

* Rutgers is tax-exempt depending on the transaction