



UNIVERSITEIT  
STELLENBOSCH  
UNIVERSITY

## Finance Policy: Costing and Pricing of Research and Research Related Contracts

<b>Type of Document:</b>	Policy
<b>Purpose:</b>	To set a standard full cost calculation basis for the calculation of the costs related to research and research related contracts at SU
<b>Approved by:</b>	Finance Committee
<b>Date of Approval:</b>	2010/04/19
<b>Date of Implementation:</b>	2010/08/01
<b>Date of Next Revision:</b>	2015/03/13
<b>Date of Previous Revision(s):</b>	Revised version no. 1 on 19 November 2012 Revised version no. 2 on 17 April 2013
<b>Policy Owner<sup>1</sup>:</b>	Chief Operating Officer
<b>Policy Curator<sup>2</sup>:</b>	Chief Director: Finance
<b>Keywords:</b>	Full Cost Budgets, Research Contracts, Intellectual Property, Indirect Costs
<b>Validity:</b>	In case of differences in interpretation the English version of this policy will be regarded as the valid version.

SU Policies are available at [www.sun.ac.za/policies](http://www.sun.ac.za/policies)

<sup>1</sup> Policy Owner: Head(s) of Responsibility Centre(s) in which the policy functions.

<sup>2</sup> Policy Curator: Administrative head of the division responsible for the implementation and maintenance of the policy

## **6.5 POLICY FOR COSTING AND PRICING OF RESEARCH AND RESEARCH RELATED CONTRACTS**

Approved by the US Senate: 27 November 2009  
Approved by the US Council: 19 April 2010

### **1. PURPOSE OF THE POLICY**

The purpose of the policy is to set a standard full cost calculation basis for the calculation of the costs related to research and research related contracts at SU.

### **2. BACKGROUND**

Under the new Act regarding Intellectual Property Rights from Publicly Financed Research and Development Act, No. 51 of 2008, any research that is undertaken by private funding on a full cost basis, normally will not be subject to the concerned legislation (Refer clause 15.4 of the relevant Act). It is therefore in the interest of SU and its research partners to ensure that the costing of all research and research related contracts takes place on a full cost basis where applicable.

### **3. POLICY**

#### **3.1 Application**

The policy applies to all projects where SU personnel contractually undertake to render research and research related services and consultation to external parties.

The contract cost must be determined according to the guidelines set out in the policy. If the contract price is determined at less than the full cost, a request for such deviation from the prescribed policy must be directed to the Manager: Research Contracts, who will consider it in consultation with the Senior Directors Research & Innovation and/or Finance (as applicable) for recommendation to the Dean, where the Dean must provide final approval for deviations from this policy. Any contract where it has been agreed with the client that the client will obtain intellectual property rights, will however not be priced at less than full cost.

#### **3.2 Price estimation of contracts**

According to the requirements for the estimation of price according to the full cost approach, all contract prices must be calculated in such a way that all costs relating to the project are taken into account by the contract price. The final price or price estimation of a contract, subject to the applicable minimum requirements regarding the full cost calculation, is left to the discretion of the relevant environment, because the costing model provides for a contract margin which can be determined by the relevant environment itself.

#### **3.3 Full cost calculation**

In order to calculate the full cost of an activity/project, the direct cost to the project has to be identified and determined; the indirect cost to the project must also be calculated and the full cost of the project amounts to the sum of these two categories.

##### **3.3.1 Direct cost**

Direct cost is all those costs which can directly be ascribed to the project and can include the following:

- Salary and salary related expenses of personnel involved with the project. The minimum cost of salaries is specifically instructed to correspond with SU's accepted basic remuneration levels and any deviation must be recommended by the Dean/Environmental Head.
- Salaries / bursaries for students participating as research assistants
- Consumable material / stock

- Purchase & maintenance of equipment & components specifically for the project
- Maintenance of equipment
- Computer equipment & software
- Administrative cost and professional management costs directly related to the project
- Laboratory cost
- Cost for use of specialised equipment (eg The Central Analytical Facilities)
- Consultation services that are bought in
- Audit fees (e.g. where the client specifically insist on i.a. annual audited financial reports)
- Travel & Accommodation cost, as well as day fees
- Additional insurance not included in SU's overhead insurance portfolio
- Any other expenses which can directly be ascribed to the project and are not listed above

### 3.3.2 Indirect Cost

Indirect or overhead cost is those expenses incurred by SU and is essential to provide the necessary support in order to successfully manage and deliver the specific research project. Indirect cost does not represent a profit margin for SU, but is determined by a percentage levy of the total project cost for i) institutional and faculty administrative and support services and ii) cost of physical space and facilities.

The indirect cost that is recovered from research contracts, by levies as referred to above, includes the following:

For the income levy:

- Overhead administrative and other costs within the Faculty/Environment
- Information and Communication Services & Support
- Overhead Financial Services
- Legal Services
- Human Resource Services
- Communication and Liaison Services
- Library Services
- International Office
- Overhead Research Support Services
- Student Administrative Services
- Banking cost
- Audit fees (different as prescribed by the client)
- Liability insurance
- For the space and facilities levy:
  - Facility Management and Planning Services
  - Maintenance of buildings
  - Security Services
  - Buildings and content insurance
  - Cost of municipal services
- Usage of equipment (does not include the use of i.a. Central Analytical Facilities)

The space and facilities levy is determined on the same apportionment basis as the space levy according to SU's accepted budgeting methodology, taking into account the depreciation of equipment.

A set template will be made available by the Divisions Research Development and Finance to assist SU researchers in the calculation of a full cost budget (as

prescribed by the relevant Divisions) with a full explanation of costs that should be taken into account for the costing of a research contract on the full cost basis, as well as the calculation of a final contract amount taking into account VAT and any additional cost as determined by the researcher.

In the event where external parties, according to their own protocol, do not allow SU to impose a levy or where another percentage is being prescribed by external parties, a request for exemption has to be addressed to the Manager: Research Contracts, who will consider it for recommendation to the Senior Directors Research & Innovation and/or Finance, as applicable.

In the event where an external party or the National Intellectual Property Management Office (NIMPO<sup>1</sup>) requires a certificate that a specific project has been priced on a full cost basis and / or has been completed, SU will request an external audit report. The relevant environment is at liberty to recover the audit cost from the external party as part of the full cost calculation.

#### **4. DEFINITIONS**

##### **4.1 FULL COST**

The total cost of all resources used to complete the project, as determined in accordance with the international financial reporting standards (IFRS) and it therefore includes all applicable direct and indirect cost as prescribed.

##### **4.2 DIRECT COST**

Direct cost is all those costs which can directly be ascribed to the project.

##### **4.3 INDIRECT COST**

Indirect or overhead cost is those expenses incurred by SU and is essential to provide the necessary support in order to successfully manage and deliver the project.

##### **4.4 COSTING**

Costing contains the calculation of the Full Cost of a project.

##### **4.5 ESTIMATION OF PRICE**

Estimation of price contains the discretionary inclusion or exclusion of profit margins, additional to the Full Cost of a project.

**Contact department:  
Project Accountant  
Division of Research Development**

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<sup>1</sup> National Intellectual Property Management Office, under the Intellectual Property Rights from Publicly Financed Research and Development Act, No. 51 of 2008