

# ACEC Indiana

## Short List

PUBLISHED FOR ACEC INDIANA MEMBERS

### Maximize Your FAR (Federal Acquisition Regulations) Overhead Rate (Part 2 of 2)

Selling is a generic term encompassing all efforts to market a consultant's services. Selling includes such broad categories as advertising, public relations, bid and proposal, market planning and direct selling.

**Advertising** is defined in FAR section 31.205-1 as the use of media (conventions, exhibits, free goods, magazines, newspapers, outdoor advertising, radio, television, etc.) to promote the sale of products or services. The only allowable advertising costs are those that are specifically required by contract, costs related to employee recruitment, or costs to promote sales of services normally sold to the U.S. Government.

**Public relations** is defined in FAR section 31.205-1 as maintaining, protecting, and enhancing the image of a concern or its products or maintaining or promoting reciprocal understanding and favorable relations with the public at large, or any segment of the public. Allowable public relations costs include costs specifically required by contract, costs of responding to inquiries on company policies and activities, costs of participation in community service activities, and costs of plant tours and open houses (but not if designed to call favorable attention to the consultant and its activities). Unallowable public relations activities include activities whose primary purpose is to promote the sale of products or ser-

VICES, messages calling favorable attention to the consultant for purposes of enhancing the consultant's image to sell products or services, costs of trade shows which do not contain a significant effort to promote the export sales of products normally sold to the U.S. Government, costs of sponsoring meetings, conventions and other special events when the principal purpose is other than dissemination of technical information or stimulation of production, costs of corporate celebrations, costs of promotional material designed to call attention to the consultant or its activities, costs of souvenirs, imprinted clothing, buttons, and other mementos provided to customers or the public, costs of memberships in civic and community organizations.

**Bid and proposal costs** are defined in FAR section 31.205-18 to mean the costs incurred in preparing, submitting, and supporting bids and proposals (whether or not solicited) on potential contracts. Bid and proposal costs are allowable to the extent that those costs are reasonable.

**Market planning** (per FAR section 31.205-38) involves market research and analysis and generalized management planning concerned with development of the consultant's business. Market planning costs are generally allowable to the extent that they are reasonable.

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**Direct selling** efforts (per FAR section 31.205-38) are those acts or actions to induce particular customers to purchase particular products or services of the consultant. Direct selling is characterized by person-to-person contact and includes such activities as familiarizing a potential customer with the consultant's services, capabilities, etc. It also includes negotiations, demonstrations, liaison between customer and contractor personnel, etc. The cost of direct selling efforts is allowable if reasonable in amount.

These costs are often commingled on the consultant's books. Consultants should establish procedures for segregating these costs within their accounting systems — even if the costs are incurred by the consultant's marketing department who may participate in both allowable and unallowable activities. Segregation of unallowable costs is required under the FAR and such unallowable costs are not allowable merely because they are incurred in connection with allowable selling activities.

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