VI.E Cost contributions – Cost sharing example

- Sharing a PA between 2 lawyers
 - Determining the cpst
 - Determining the benefits
 - Balancing payments



VI.E Cost contributions – Cost sharing example

	Budgeted costs:			Actual costs:			Balancing payment	<u>t:</u>	
	Salary	42.000		Salary	45.000		Lawyer 1 paid	19.200	
•	Office space	4.000	2 law	Office space	4.000		(48.000 x 40%)		
	Computer, etc	2.000	st	Computer, etc	3.000		Should have paid	31.200	
	Total	<u>48.000</u>	hefit	Total	<u>52.000</u>		(52.000 x 60%) Owes Lawyer 2	12.000	
	Cost per month	4.000			9.0		(31.200 – 19.200)		
				Actual use:					
	Γ			Lawyer 1	60%		Lawyer 2 paid	28.800	
	Budgeted use:		1	Lawyer 2	40%	1	(48.000 x 60%)	201000	
	Lawyer 1	40%	3			111	Should have paid	20.800	
	Lawyer 2	60%		Annual contribution			(52.000 x 40%)		
				Lawyer 1	31.200		Gets from Lawyer 1	L 8.000	
	Monthly contribu	tributions		Lawyer 2	20.800		(28.800 – 20.800)		
	Lawyer 1	1.600		Total	52.000		Other 4.000 goes to covered additional		
	Lawyer 2	2.400							

VI.E Cost contributions – Product development example

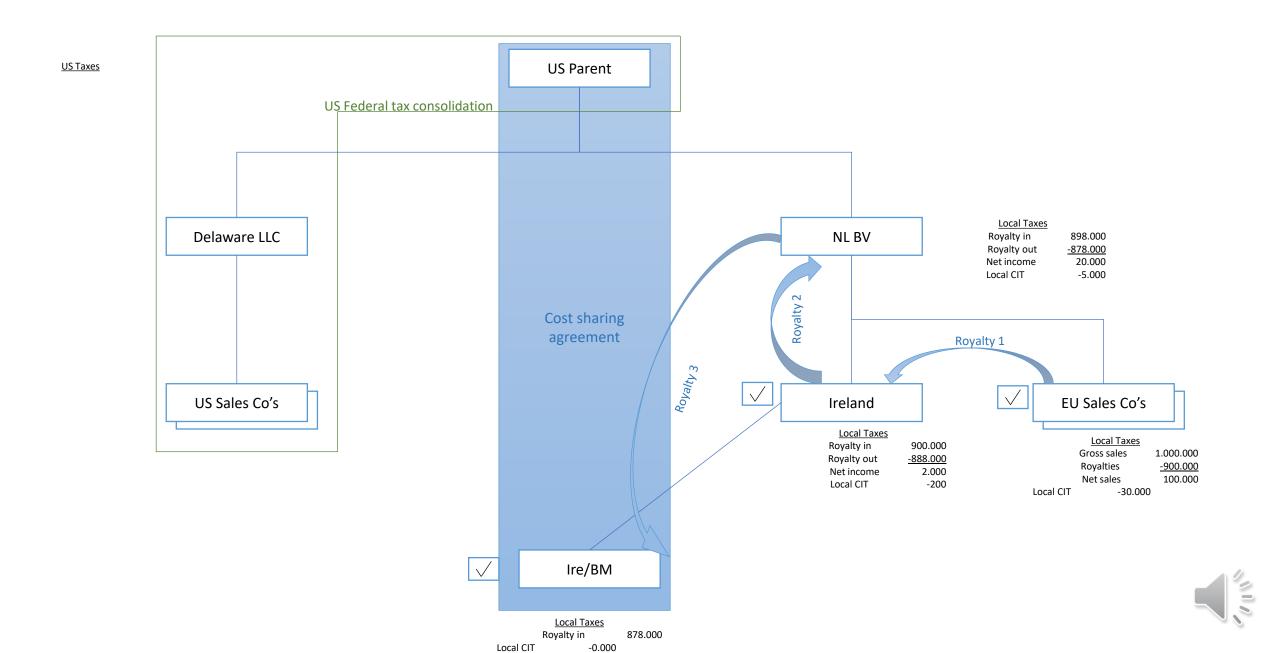
- Building an accounting program for own use between 2 companies
 - Development period 3 years
 - Determining the cost
 - Determining the benefits
 - Balancing payments
 - A third participant in year 5
 - Leaving in year 8

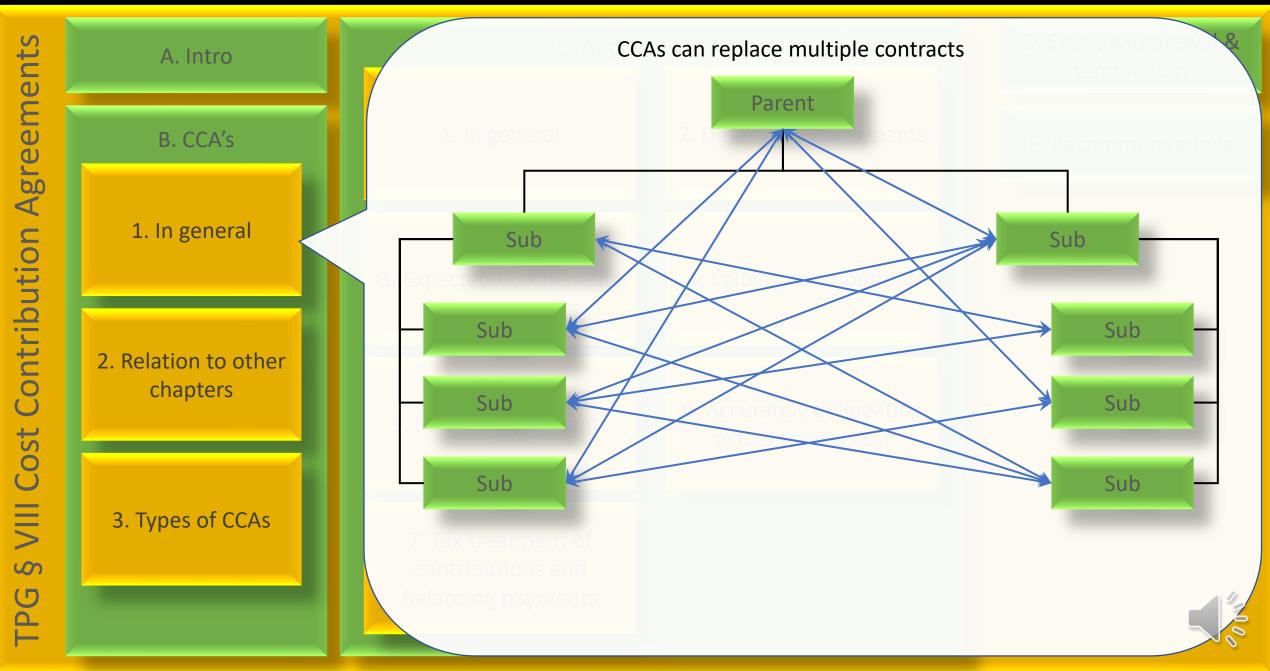
Project Center																
Search Item 🕐 Help 📑 Print 🚦 Filters 🔣 Tools 🔹 🅿 Refresh 😣 Close																
ID 🗠	Name	Client	% Co			Overview	Time/Expense	Journal	Files A	Assignment Alloc	ate Accour	nt Histor	у			
09-PV Count	PV Country Clu	City Servic	37													
10 Municipal	Municipal Offic	County	0			2 🖪	Budget Compa	rison	•							
··· 10-BQE Gen	BQES General	BQES		7	≣	Budget Vs Spent					Hours					
··· 10-CBS New	Crystal Blue Wa	County	71				Budgeted		Spent	Remaining	Budgeted	Spent	Remaining	-		
··· 10-CBS Supp	Crystal Blue Wa	County			-	Services	\$66,155.0	_	\$50,908.75	\$15,246.25	949.00	576.25	372,75	-		
 10-City Healt 	City Health Dep	City Servic	0							(\$741.29)	515100	570125	57205	_		
···· 10-Crystal Bl	Crystal Blue Wa	County	0			Expenses										
···· 10-Dept Of	Dept. of City Se	City Servic	0			Totals \$74,220.00 \$59,715.04				\$14,504.97						
10-DWP:	Dept. of Water	LA DWP	0							Dell Later A						
··· 10-Fun Food	Fun Foods 2.0	Factor Fou	0			Profit Analy	\$57,195.04			Billability Ana	\$57,195.04					
···· 10-Green Th	Green Thumb S	Global Tec	0			\$57195 \$45756				\$57195	\$45756 \$40,716.00					
··· 10-Harbor Bl	Long Beach Har	County	25							\$45756						
···· 10-Harbor T	Long Beach Har	County	20			\$34317	\$35,591.32			\$34317	\$34317					
10-Harbor:	Long Beach Har	County				\$22878			\$21,603.72	\$22878						
- 10-Hillard Re	Hilliard Residen	HILLARD	25										\$16,478.65			
10-HUD Add	Housing and Ur	HUD	0			\$11439			1000	\$11439				\$3,000.00		
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10-HUD Mo	Housing and Ur	HUD	0		-		Billable	Cost	Profit		Billable	Billed	Un-Billed	Non Billable		
+ Options:				-Efficiency -	-Earned Value	Earned Value										
										\$8119				1		
Charts Messag	es (0) To-Do l	s (8)						\$6495				/				
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that bar t	ing the star star	` 4 ⁸⁰		Billable Non Billable Earned Value Actual Cost Earned Value Earned Value Actual							ual					
Actual Cost Earned Value Earned Value Actual						- + Timeline										

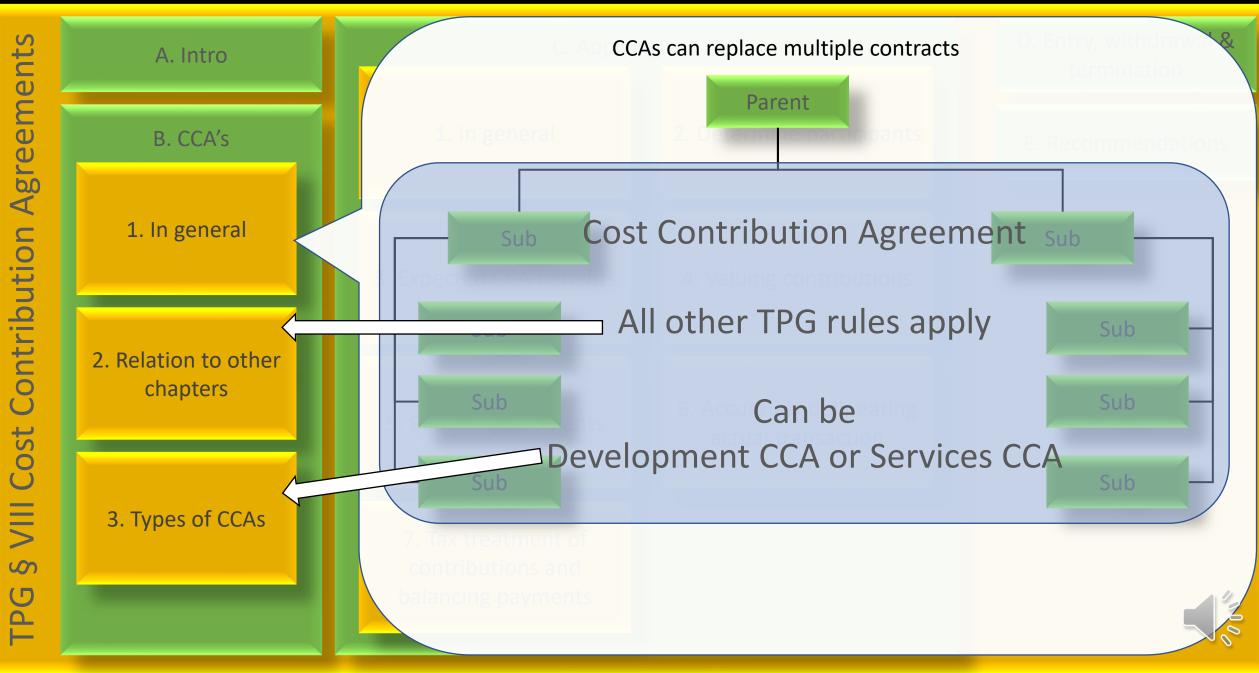
VI.E Cost contributions – Product development example

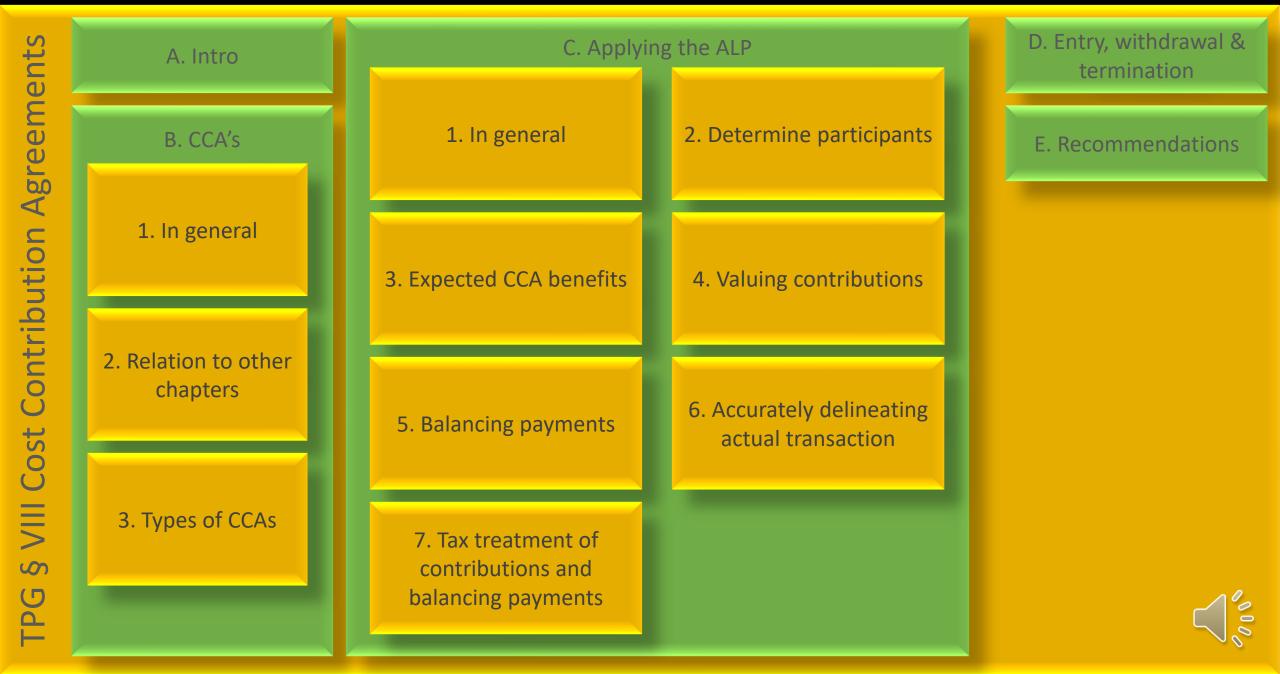
Budgeted costs yr 1 - 3:	pro	Actual use year 4:	betwe	er	Co 3 joining in year 5:
All costs 300.000	veai	Co 1	60%		Remaining value 8 years
Cost per year <u>100.000</u>	ycai	Co 2	40%		(300.000 * 8/10 =) 240.000
Determining the cost	t-c		Filters	2 ense	Anticipated benefit 30%
 Determining the beneficial 	ILS	- 09-PV Count PV Country Clu City Servic 37 - 10 Municipal Municipal Offic Country 0	2 🚔 Budget C	ompar	(turnover based)
Budgeted use yr 4 - >:		Annual contribution	E Rude	atad	Buy-in price (240K x 30%) 80.000
(turnover based) Co 1 30%	ear 5	Deemed life span	10 yrs	6,155.0 8,065.0	Co 1 gets (30%) 24.000
Co 2 70%		"Cost per year"	30.000	4,220.0	Co 2 gets (70%) 56.000
		Co 1 paid (30%)	9.000	04 \$3	Co 2 leaving in year 8:
Annual contributions		Co 2 paid (70%)	21.000		Remaining value 5 years
Co 1 30.000			soo Billable		(300.000 * 5/10 =) 150.000
		Balancing payment			Co 2 share (70/130) 54%
Co 2 70.000		Co 1 should pay (60%)	18 000		Buy-out price (150K x 54%) 81.000
		\$76461			Co 1 pays 40.500
		Owes Co 2 (18-9)	9.000		(30/(130-70) = 30/60) x 81K)
		국 전화 유지한 국가가 가가 유가 승규와 전자 국가 국가 유가	+ Timeline	Billable	Co 3 pays 40.500

V.E.2 Cost contributions – Why CCA's are so popular

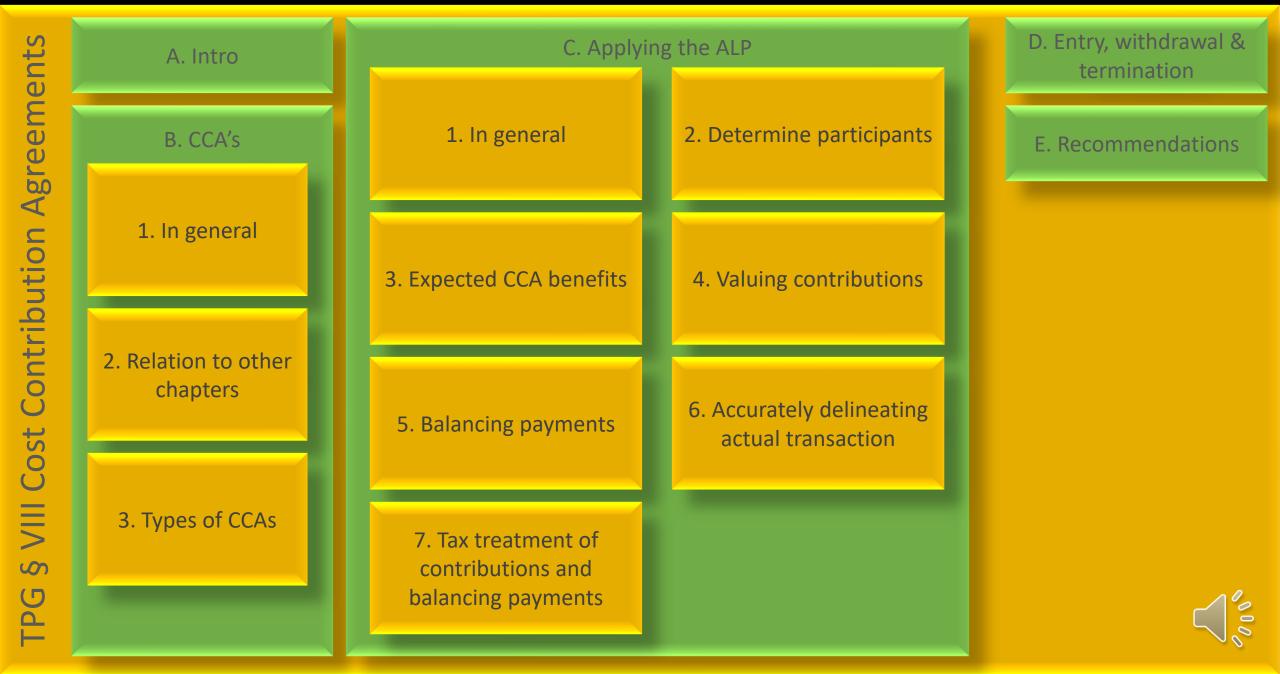


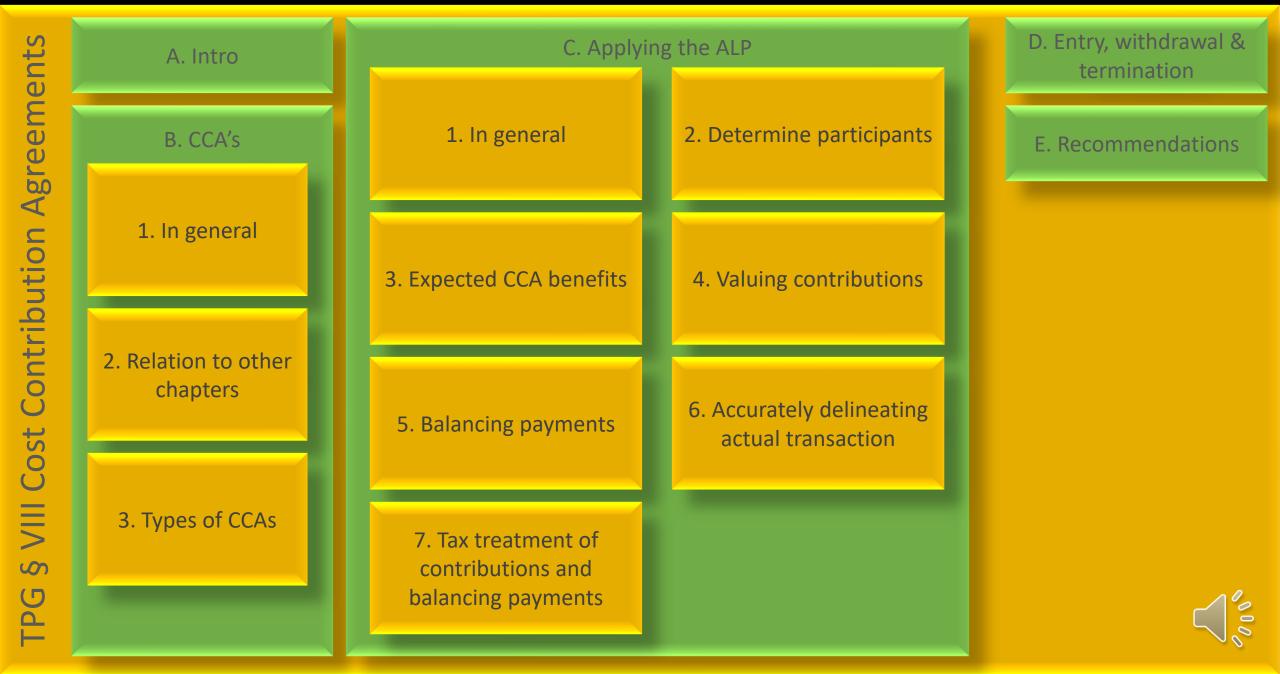






ments C. Applying the ALP 1. In general 2. Determine participants Fundamental: part or all of the AL compensation for each A party providing services to a CCA, without a reasonable Agree participant's input into the CCA is the expected mutual, and expectation of a benefit, is a service provider, not a participant. proportionate, benefit from the pooling of resources & skills Parties must control their CCA risk, to be CCA participants Contribution 3. Expected CCA benefits 4. Valuing contributions All current and pre-existing contributions must be identified Use relevant benefit allocation keys per CCA activity Use projections for development CCAs Cost may not be an accurate allocation key in development CCAs Review those projections where needed 6. Accurately delineating actual transaction 5. Balancing payments The accurately delineated transaction may differ from CCA terms BP's are made to top up a participant's contribution to the CCA Cost 7. Tax treatment of contributions and balancing payments The character of a contribution depends on the nature of the S activity \bigcirc A BP = an addition to the payor's contribution and a deduction from the recipients' contributions





CCA Conditions

- All participants realistically expect benefits (no contributors only).
- Specify the nature and extent of each participant's interest in the results of the CCA activity.
- No payment other than the CCA contributions, appropriate balancing payments and buy-in payments.
- TPG followed for valuing contributions and benefits.
- CCA may allow for reasonable changes after some period to reflect material changes.
- Provisions for buy-in and buy-out payments and for CCA termination.

D. Entry, withdrawal & termination

E. Recommendations

<u>Initial CCA Contract</u>

- List of participants.
- List of other associated parties otherwise involved.
- Scope of CCA activities and who is controlling CCA.
- Duration of CCA.
- How contributions and benefits are measured, plus projections made.
- How future benefits will be exploited.
- Form and value of each participants contributions.
- Anticipated allocation of responsibilities and DEMPE FARs.
- Buy-in, buy-out and termination.
- Balancing payment and future adjustment terms.

D. Entry, withdrawal & termination

E. Recommendations



Information to keep during CCA

- Changes to the CCA and consequences of such changes.
- Comparisson of anticipated benefits vs actual benefits.
- Annual expenditures and form and value of all participants contributions and how valuations were made.

. Relation to other

chapters

5. Balancing payment

3. Types of CCAs

7. Tax treatment of contributions and balancing payments 6. Accurately delineating actual transaction

D. Entry, withdrawal & termination

E. Recommendations

