

NASA WORKING CAPITAL FUND DEFINITIONS

These definitions are provided as a reference guide to terms used in the regulation, which are unique to the Federal Government or the National Aeronautics Space Administration. Other terms used in accounting and financial management maybe defined in other volumes within this Regulation and is not duplicated in this volume.

Acceptance. Acceptance constitutes acknowledgment that the supplies or services conform to applicable contract quality and quantity requirements. Acceptance may take place before delivery, at the time of delivery, or after delivery, depending on the provisions of the terms and conditions of the contract.

Accumulated Operating Results (AOR). Represents the net difference since the inception of the business entity between (1) expenses and losses, and (2) financing sources including appropriations, revenues, and gains.

Amortization. The process of spreading the cost of an intangible asset over the expected useful life of the asset. For example: a company pays \$100,000 for a patent, they amortize the cost over the 16-year useful life of the patent.

Anticipated Reimbursements. An estimate of reimbursements expected to be earned during the current fiscal year.

Anti-Deficiency Act (ADA). The main features of this Act (31 U.S.C. 1517) include: prohibitions against authorizing or incurring obligations or expenditures in excess of amounts apportioned by the Office of Management and Budget (OMB) or in excess of amounts permitted by agency regulations; and establishment of procedures for determining the responsibility for violations and for reporting violations to the President, through OMB and to the Congress.

Beginning of Period (BOP). The start of a specified fiscal year normally on October 1 used to determine the opening "snapshot" status of resources.

Break-even. The point at which revenues from sales exactly equal total incurred cost, i.e., Revenues = Costs.

Rates. The NASA CFO will review and approve all final rates and prices developed for the President's budget submission during the budget review. Rates to be charged customers will be developed by the WCF business entities in their budget estimate submission to recoup all costs associated with the operating and capital budgets including all labor and non-labor, direct, indirect, and general and administrative overhead costs. Business entities will make corresponding adjustments in appropriated customer account budget requests to ensure the customer and WCF business budgets are in balance.

Business Entity. A NASA WCF authorized program/function that provides goods or products (e.g. supplies, materials, equipment) and services (e.g. contract administration, test services) on a reimbursable basis to other organizations within NASA; to other agencies or instrumentalities of

the United States; to any State, Territory, or possession or political subdivision thereof; to other public or private agencies; or to any person, firm, association, corporation, or educational institution on a reimbursable basis. .

Capital. (1) Those goods whose purpose is to generate income. (2) The net difference between assets and liabilities.

Capital Expenditure. The amount used during a particular period to acquire or improve assets such as property, plant or equipment.

Capital Investment. The reinvestment in the infrastructure of business entities.

Capitalized Costs. Capital investments that are written off or deducted over a period of time through depreciation or amortization schedules.

Capitalize. Record capital outlays as additions to asset accounts, not as expenses; or convert a lease obligation to an asset/liability form of expression called a *capital lease*, i.e., to record a leased asset as an owned asset and the lease obligation as borrowed funds.

Cash Corpus. The amount of cash required to maintain and operate the working capital fund. These funds are used to cover expenses until an advance or collection for goods and services provided is received.

Centralized Management. The concept of using a single, designated management authority. It includes system management, program/project management, and product management.

Charter. Formal document prepared by the Program Manager and approved by the NASA CFO to establish a business entity. The charter delineates the Program Manager's responsibility, authority and major functions, and describes relationships with other organizations that use and/or support the program and identifies the goods/products that will be provided or the services that will be performed. The charter also describes and authorizes unique management requirements of that business entity.

Costs. The price or cash value of the resource used to produce a program, project, or activity.

Cost Allocation. A method of assigning costs to activities, functions, or outputs.

Cost-Benefit Analysis. An analytic technique that compares the costs and benefits of investments, programs, or policy actions in order to determine which alternative or alternatives maximizes net profits. Net benefits of an alternative are determined by subtracting the present value of costs from the present value of benefits.

Cost Per Output. The term Cost per Output is synonymous with Unit Cost. It is the relationship of resources consumed to outputs produced. Simply stated: the Cost of Resources divided by the Number of Outputs equals the Cost per Output or Unit Cost.

Cost Estimate A judgment or opinion regarding the cost of an object, commodity, or service. A result or product of an estimating procedure, which specifies the expected dollar cost required to perform a stipulated task or to acquire an item. A cost estimate may constitute a single value or a range of values.

Customer Order. A funded request for goods or services from an ordering activity (customer). A customer order creates a quasi-contractual relationship between a NASA WCF business entity and its customer since acceptance of a customer order requires that the performing business entity agree to perform the work for the customer entity. Customer orders also provide the budgetary and cash resources necessary to finance operations.

Depreciation. Amount of expense charged against business entity earnings to write off the cost of a capital asset over its useful live, giving consideration to wear and tear, obsolescence, and salvage value. Within the NASA WCF, unless otherwise approved by the NASA CFO, the straight-line depreciation method should be used through which depreciation expense is recognized in equal amounts in each business period over the life of the asset.

Direct Labor Hour (DLH). DLHs are the number of hours required to perform the direct work on a product, or to perform a billable service for customers. Direct labor hours generally include the hands-on direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. Direct Labor Hours do not include the support work or man-hours identified as either indirect or general and administrative in nature.

Expenditure. The dollar value of goods and services received for which payment (cash outlay) has been made. Expenditure differs from expense in that expense refers to the consumption (use) of a good or service.

Expenses. Value of resources (goods and services) consumed during current period operations.

Federal Accounting Standards Advisory Board (FASAB). The FASAB was established October 1990 and their role is to deliberate upon accounting principles and standards for the federal government and its Executive Branch agencies and to forward final standards for a 90-day review period.

Fixed Costs/Expenses. Operating expenses that are incurred to provide facilities and organization that are kept in readiness to do business without regard to actual volumes of production and sales. Fixed costs remain relatively constant until changed by managerial decision. Within general limits they do not vary with business volume. Examples of fixed costs consist of civil service salaries and rent.

General and Administrative (G&A) Costs. Costs that cannot be related or traced to a specific project, but benefit all activities. Such costs are allocated to a project based on a reasonable, consistent basis.

General Ledger. Accounting record that shows all the financial statement accounts of a business.

Indirect Cost. That portion of cost that is indirectly expended in providing a product or service for sale (cannot be traced to a given cost object in an economically feasible manner) and is included in the calculation of Cost Of Goods Sold, e.g. rent, utilities, equipment maintenance, etc.

Operating Budget. The operating budget contains the annual operating costs of a business entity including depreciation or amortization expenses, and major maintenance and repair.

Overhead. Costs associated with providing and maintaining a working environment. For example: renting the building, heating and lighting the work area, supervision costs and maintenance of the facilities. Includes indirect labor and indirect material.

Rate Change. The WCF rate change is the percentage change of the stabilized rate or price between fiscal years. As an example, the budget year rate is determined by dividing the approved Direct Labor Hour rate proposed for the budget year by the stabilized Direct Labor Hour rate in effect for the current execution year. That value, expressed as a percentage (plus or minus from a base of one), is the composite price change rate customers will use in their appropriated funds submissions.

Revenue. The inflows of assets from selling goods and providing services to customers; including the reduction of liabilities from selling goods and providing services to customers.

Revolving Funds. A fund established by the Congress to finance a cycle of operations through amounts received by the fund. A WCF is one type of revolving fund.

Stabilized Rates. The cost customers are charged for the goods and services provided by a WCF business entity. A stabilized rate is established for the fiscal year(s) budget being formulated during the budget review process. The stabilized rate is determined by taking the approved output measure for the budget year and adjusting it for changes in the costs of purchases and for the impact of prior year gains or losses as reflected by the Accumulated Operating Result and other needs for working capital. This annual stabilized rate is the rate that will be charged for all new customer orders received and accepted during that specific fiscal year, regardless of the fiscal year the work is actually executed and billed.

Standard Price. The price customers are charged and which remains constant throughout a fiscal year except for the correction of significant errors or other extraordinary events and then, only with approval of the NASA CFO.

Straight-Line Depreciation Method. Allows an equal amount to be charged as depreciation for each year of the expected use of the asset. It is computed by dividing the adjusted basis of a property by the estimated number of years of remaining useful life.

Transfer. The movement of budgetary resources from one budget account to another. Depending upon the circumstances, the budget may record a transfer as an expenditure transfer that involves an outlay, or as a non-expenditure that does not involve an outlay.

Working Capital Fund. A revolving fund that operates as an accounting entity in which the assets are capitalized and in which all income is derived from the operations of its activities. The fund is available to finance continuing operations without fiscal year limitations.

Working Capital Fund Corporate Board: A board, chaired by NASA's Chief Financial Officer (CFO), that works collaboratively to develop, review, and recommend WCF policies and procedures.