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NASA Procedural Requirements

COMPLIANCE IS MANDATORY FOR NASA EMPLOYEES

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Subject: Working Capital Fund Policies and Requirements (Revalidated with Change 1, on January 24, 2018)

Responsible Office: Office of the Chief Financial Officer

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Appendix A. Definitions

A.1 Acceptance. Acceptance constitutes acknowledgment that the supplies or services conform to applicable customer order 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 customer order.

A.2 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.

A.3 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.

A.4 Anticipated Reimbursements. An estimate of reimbursements expected to be earned during the current fiscal year.

A.5 Business Entity. A NASA WCF authorized program/function that provides goods or products (i.e. supplies, materials, equipment) or services (i.e. 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.

A.6 Capital. (1) Those goods whose purpose is to generate income. (2) The net difference between assets and liabilities.

A.7 Capital Expenditure. The amount used during a particular period to acquire or improve assets such as property, plant or equipment.

A.8 Capital Investment. The reinvestment in the infrastructure of business entities.

A.9 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).

A.10 Capitalized Costs. To record and carry forward into one or more future periods any expenditure, the benefits from which will then be realized. Generally, notwithstanding the period of an expenditure or outlay, that would result in classifying the costs as an asset with costs recognized over future periods.

A.11 Cash Corpus. An amount of cash provided to start up a working capital fund. These funds are used to cover expenses until customer advances or collections for goods and services provided are received.

A.12 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; 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.

A.13 Costs. The monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service. Depending on the nature of the transaction, cost may be charged to operations immediately, (i.e., recognized as an expense of the period, or to an asset account for recognition as an expense of subsequent periods).

A.14 Cost Allocation. A method of assigning costs to activities, functions, or outputs.

A.15 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.

A.16 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.

A.17 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.

A.18 Depreciation. Amount of expense charged against business entity earnings to recognize the cost of a capital asset over its useful life.

A.19 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.

A.20 Expenses. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period from providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period.

A.21 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.

A.22 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, (i.e. rent, utilities, equipment maintenance, etc.).

A.23 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.

A.24 Rates. The prices customers are charged for specific items of supply or services on new orders received and accepted during a specific fiscal year. WCF rates are calculated 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.

A.25 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.

A.26 Revenue. Revenue is an inflow of resources that the Government demands, earns, or receives by donation. Revenue can include inflows of resources from selling goods and providing services to customer. The term "revenue" does not encompass all financing sources of Government reporting entities, such as most of the appropriations they receive.

A.27 Revolving Funds. A fund established by the Congress that conducts continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. Intragovernmental revolving funds conduct business-like operations mainly within and between Government agencies. A WCF is an intragovernmental revolving fund.

A.28 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 shall 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.

A.29 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.

A.30 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.

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