

### TITLE

## THE ACCOUNTING CLASSIFICATION OF WORKPOINT COSTS

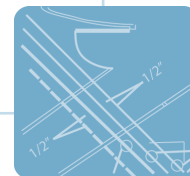
### CREDITS

The Institute of Management Accountants (IMA®) issued a Statement on Management Accounting in January 1991 relating to real estate occupancy costs. The IMA was made aware of the need for establishing uniformity in accounting practices in this area by the International Development Research Council (IDRC) and its research organization, the IDRC Foundation (Foundation). Representatives of the Foundation have subsequently made IMA aware of the need to update the 1991 Statement with respect to occupancy costs as well as extend the classification to a more inclusive set of workpoint costs.

The IMA is grateful to all who contributed to this publication. A special thanks goes to the members of the research and development team, who included KPMG Peat Marwick LLP—Carl Kane and Tom Wenkstern of the Real Estate Consulting Group; Comsul Ltd.—Peter Valentine; and Commonwealth Advisors—Steven Dixon and Michael Schmidt. Joel Parker, the IDRC Foundation's director of research, also provided staff support and coordination of this effort.

The research and development team utilized a methodology in the development of these standards of measurements that involved a number of U.S.-based public and private organizations. These organizations were interviewed and consulted as to their existing practices as well as for needs and opportunities for new approaches.

The IMA also thanks the corporate sponsors: American Express, Bankers Trust, Chase Manhattan, Colgate-Palmolive, Deutsche Bank, Dun & Bradstreet, Ernst & Young, First Union, Hewlett-Packard, IBM, Kodak, KPMG Peat Marwick, Merck, Pacific Telesis, Sprint, Sun Microsystems, and Travelers. In addition, several of these organizations provided financial assistance to the development effort, for which the team is extremely appreciative.

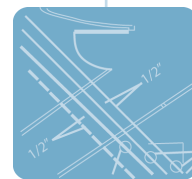


## PRACTICE OF MANAGEMENT ACCOUNTING

### THE ACCOUNTING CLASSIFICATION OF WORKPOINT COSTS

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## PRACTICE OF MANAGEMENT ACCOUNTING

### I. INTRODUCTION

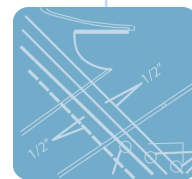
The office workplace is becoming an extremely diverse and complex environment. Office workers have become a dominant presence in the total workforce, and, with concerns about productivity lags, they are receiving a great deal of attention from employers, consultants, government, and financial markets. Office workers are generally defined as those workers who collect, process, analyze, disseminate, and utilize data and information as the primary content of their job. A significant part of these workers may also be categorized as workers who do not necessarily depend on large amounts of data but on specific tools to complete their job mission. Because their work is driven significantly by access to data, computing capability, and communications capability, this work can be performed in a variety of configurations and locations.

Further, these technological elements must be considered in the context of the entire workplace decision. Knowledge and office workers traditionally have worked from office settings in suburban office buildings or in high-rise office towers in central cities. Recent developments include hotelling arrangements; working in their client's facilities; working at home, on airplanes, and from cars and park benches; and working internationally. They work with high levels of technology and connectivity with others or, at times, with little or no such advanced tools. They work as part-time employees and independent contractors and also as traditional corporate employees. In addition to the varied locations where this knowledge work is performed, these workers require a broad set of tools and support. This support typically includes computing capability, voice and data connections, access to files, both paper and electronic and other media, copying, mailing, facsimile, courier, and other forms of collection and dissemination of data and reports,

clerical support, security, and storage. The forecast is that such diversity in the places of work or "workpoints" will increase in the coming decades. It should be noted also that most organizations may have several if not all of these worksettings to consider, develop and implement, and coordinate and manage into a compatible and productive environment.

It is important that management and management accountants have the tools and knowledge to understand the cost and productivity impact of having workers function from these multiple settings. To facilitate this analysis, it is important to standardize the classification of costs for this worksetting spectrum. We must move the perspective beyond just the real estate discipline and the cost categories encompassed by occupancy costs as previously defined. This Statement serves as a foundation for such a classification and is an extension to the prior Statement, *The Accounting Classification of Real Estate Occupancy Costs*. It is not the intent for this Statement to replace the prior Statement or make it obsolete but rather to complement and extend it. Accordingly, this Statement should be read in conjunction with the prior Statement.

1. This Statement is intended to provide guide-lines for management accountants to determine for individual workers, business units, etc. the appropriate cost elements and/or the assignment of these costs to the specific accounts associated with the use of technology, real estate, support, and facilities.
2. This Statement is intended to introduce and define nomenclature for the categorization of these costs.



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3. This Statement addresses the identification, classification, and treatment of costs of fixed assets that are owned or leased by the organization and used by the business units and related expenses.
4. Proper determination and assignment of these costs are important to operating executives as these costs are substantial and have a significant impact on business unit profitability.
5. Proper determination and assignment of these costs also are important to operating executives in the planning and deployment of work and workers under various implementation strategies.
6. This Statement should facilitate the assignment of costs for use in benchmarking among corporations and their service providers.
7. The Statement should facilitate the assignment of costs among all segments of a virtual organization.
8. This Statement suggests that the basic categories and types of costs should be assigned in an ordered scheme in order to provide a consistent presentation.
9. The Statement is intended to be applicable in international settings as well as domestic U.S. locations.
10. The Statement is intended primarily for internal use in helping manage costs at the individual and business unit levels. Modification of the guidelines may be required for full compliance with U.S. generally accepted accounting principles and/or tax regulations in the United States.
11. The Statement is intended to fit within the overall framework of activity-based costing.

### II. STATEMENT SCOPE

This Statement is intended to provide guidelines for understanding workpoint costs. An organiza-

tion provides resources and tools for its workers and the execution of its business activities through several methods:

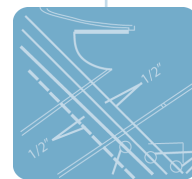
- Owning office space and constructing worksettings in which it provides furniture, equipment, and other support capabilities;
- Leasing office space and constructing worksettings in which it provides furniture, equipment, and other support capabilities;
- Providing workers with mobile telecommunications and computer equipment allowing them to complete their tasks from a variety of non-office work locations including the home, hotel rooms, airports; and
- Providing workers with fixed equipment and support placed in locations other than the organization's properties, such as the home, the client's locations, telecenters, serviced office suites, etc.

The development undertaken to this point does not suggest that the application of these measures and standards is limited to any industry setting. Workers may more naturally be thought of in the service sectors such as banking, insurance, other financial, health care, advertising, legal, accounting, consulting, etc. However, application to the manufacturing sector, distribution, software, biotechnology, research and development, retail, etc. are also appropriate.

### III. WORKPOINT COST LINKAGE TO ACTIVITY-BASED COSTING

The development of the Workpoint Cost approach for identifying and measuring workpoint costs mirrors the increasing importance of overhead costs in understanding an organization's economic and cost behavior. Real estate and facilities, technology and other support investments and expenditures in many organizations represent a substantial monetary component of the balance sheet and income statement





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but frequently are not directly assigned to the business activities that they support. A fundamental reason for this misassignment is the manner in which the financial data are collected and organized.

### SUGGESTED TESTS FOR IDENTIFYING WORKPOINT COSTS

**Test 1:** Does the cost directly reflect the cost of providing, maintaining, or using a worksetting or a worker?

**Test 2:** Does the cost reflect a standard or typical amount or type of cost that would be charged, passed through, or used as a basis for determining the lease rate for space, equipment, or services leased by a company from an independent third party?

**Test 3:** Does the cost indirectly impact the cost of providing, maintaining, or using a worksetting or supporting a worker?

Traditional accounting systems are based on financial statements prepared using generally accepted accounting principles (GAAP) that reflect external reporting requirements rather than the way in which business organizations actually operate. This bias results in accounting information being collected based upon a hierarchical organizational model comprising predictable layers: the enterprise, the business unit, the department, department functions, salaries, and other expenses. The consequence of this orientation is the creation of performance measures for the organization that may be precise but are not necessarily accurate in capturing economic activity.

Activity-based costing (ABC) focuses on converting traditional accounting and financial informa-

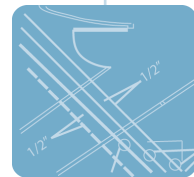
tion to portray processes, activities, and tasks of the organization. This conversion process can identify the real cost drivers or causal linkages between an organization's resources, activities, services, and products. When accurate cost information is aligned with revenue according to business processes and activities, a platform for improved management decision making for the enterprise and the business unit is created.

**The premise behind the Workpoint Cost approach is that the physical space focus reveals only a part of the occupancy cost and workpoint cost equation.** The worker is supported by a combination of elements for which management is challenged to find the right blend beyond just the scope of real estate-related decisions. The Workpoint Cost approach is a powerful tool to assist ABC practitioners to more accurately identify workpoint costs of workers in an economy increasingly dominated by service industries requiring diverse worksettings to conduct business.

### IV. WORKPOINT COST CLASSIFICATION STRUCTURE

Workpoint cost is the total cost incurred by an organization to provide space, technology, equipment, support, connectivity, and other services to its workers in order for them to complete their operating tasks and support their business unit mission. Workpoint cost can be divided into five categories and thought of as concentric rings of support emanating from the individual worker, organizational activity, or business unit. These five categories are organized from the costs most directly attributable to the worker to less direct assignment of these costs, defined as follows:

1. **Direct Space.** Direct space is the cost of the physical space directly assigned to an individual worker, activity, or business unit. It is typically identified as the dimensions of a private

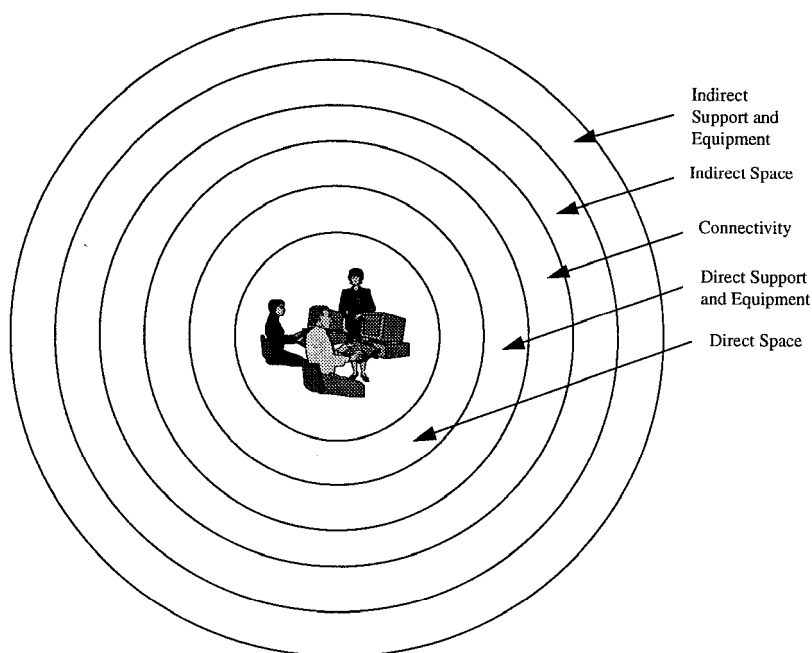


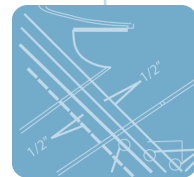
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office or workstation, or in the case of a business unit, it is the sum of the costs of these spaces assigned to the workers in a department or workers conducting a similar activity multiplied by the cost per square foot of the annual operation of the designated space. Direct space also includes the costs to create that space including the cost of acquisition, financing, and construction costs that are capitalized, fees related to construction costs, depreciation costs if the space is owned, membership fees (if that space is acquired in other than owned or leased arrangements), and other costs directly related to the real property aspects of the direct space.

2. **Direct Support and Equipment.** Direct support and equipment are those costs that are directly assignable to the individual worker. These costs are for equipment that is not shared and for support that clearly is attributable to an individual worker. Such support may include clerical, information services, etc.
3. **Connectivity.** Connectivity is the category of costs that encompasses all interactions between the worker and other workers, clients, vendors, information sources, advisors, etc., whether physically internal or external to the organization. These items would include voice and data communication costs, mail, couriers, delivery services, travel, etc.
4. **Indirect Space.** Indirect space is the cost of the physical space which is **not** directly assigned to individuals and/or specific

EXHIBIT 1. WORKPOINT COST MEASURES—  
CLASSIFICATION OF COST CATEGORIES





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departments. It is typically identified as common space and includes areas such as reception areas, cafeterias, conference rooms, file and storage rooms, equipment rooms, circulation areas, training rooms, parking areas, etc. The category also includes vacant areas that may be thought of as surplus assignable space or collectively surplus space. As with Direct Space, Indirect Space also includes the cost of acquisition, operation, funding, etc.

5. Indirect Support and Equipment. Indirect support and equipment are those costs **not** directly assignable to an individual worker but that are thought of as shared between groups of workers.

Exhibit 1 represents this concept, moving from directly assignable costs to those that are shared among workers or organizational units.

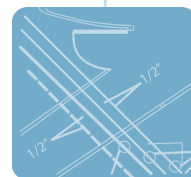
### V. WORKPOINT COST—CATEGORIES

The following list of items is considered appropriate for calculation of overall workpoint costs. They are shown within the framework of the five Workpoint classifications.

#### Direct Space

Lease or Rent Expense  
Depreciation of Owned Property  
Capital Costs  
Transaction Costs  
Acquisition  
Legal, Brokerage Fees, Due Diligence, Appraisal, Other Third-Party Professional Fees  
Disposition  
Legal, Brokerage Fees, Due Diligence, Appraisal, Penalties, Residual Value, Other Third-Party Professional Fees, Buyouts, Sublet Losses, Capitalized Charges for Other

Disposition Costs  
Operating Expenses  
Administration  
Salary and Benefits  
Management Fees  
Cleaning  
Repairs and Maintenance  
Salary and Benefits  
Parts Depreciation  
Service Contracts  
Utility Charges  
Electric  
Gas and Oil  
Water  
Insurance  
Fire  
Liability  
Operating Equipment  
Taxes  
Real Property  
Sales  
Construction and Reconstruction of Worksettings  
Depreciation  
Capital Costs  
Fees  
Club Charges  
Payments for Home Offices  
License and Usage Fees  
**Direct Support and Equipment**  
Support  
Clerical  
Salary and Benefits  
Information Services  
Move Costs  
Copy and Printing Services  
Filing and Retrieval  
Training  
Equipment  
Voice Equipment  
Desktop Equipment  
Mobile Equipment



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- Cellular and PCS
- Pagers
- Other Equipment
- Depreciation
- Capital Costs
- Data Equipment
  - Desktop Equipment
    - Facsimile, Personal Computer, Network Computer, Printers, Software, Security Devices, Modems, etc.
- Rental or Lease Payments
- Depreciation
- Capital Costs
- Furniture, Filing, Lighting
  - Rental or Lease payments
  - Depreciation
  - Capital Costs
- Supplies
- Maintenance and Repair
  - Service Contracts
  - Insurance
  - Taxes
    - Personal Property
    - Sales

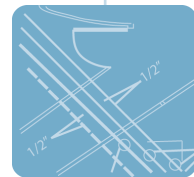
### Connectivity

- Voice Communications
  - Service and Time Charges
  - Voice Mail
  - Paging
  - Installation Charges
  - Move Costs
- Data Communications
  - Service and Time Charges
  - Installation Charges
- Infrastructure Equipment
  - Signal Carriers (Wiring and Cabling)
  - Local Area Network Equipment
  - Wide Area Network Equipment
  - PBX
  - Satellite Dishes and Antennae
  - Rental or Lease Payments
  - Depreciation

- Capital Costs
- Travel
- Mail
- Couriers and Delivery Services
- Insurance
- Taxes
  - Personal Property
  - Sales
  - Licenses

### Indirect Space

- Allocation of Common Facilities such as:
  - Reception, Conference Areas, Cafeteria, Fitness Center, Medical Center, Parking, Circulation Spaces, Storage Areas, File Areas, Equipment Rooms, Grounds, Day Care, Vacancy
- Lease or Rent Expense
- Depreciation of Owned Property
- Capital Costs
- Transaction Costs
  - Acquisition
    - Legal, Brokerage Fees, Due Diligence, Appraisal, Other Third-Party Professional Fees
  - Disposition
    - Legal, Brokerage Fees, Due Diligence, Appraisal, Penalties, Residual Value, Other Third-Party Professional Fees, Buyouts, Sublet Losses, Capitalized Charges for Other Disposition Costs
- Operating Expenses
  - Administration Salary and Benefits
  - Management Fees
  - Cleaning
  - Repairs and Maintenance
    - Salary and Benefits
    - Parts Depreciation
    - Service Contracts
  - Utility Charges
    - Electric
    - Gas and Oil
    - Water



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- Insurance
  - Fire
  - Liability
  - Operating Equipment
- Taxes
  - Property
  - Sales
- Construction of Worksettings
  - Depreciation
  - Capital Costs
  - Fees

### Indirect Support and Equipment

- Support
  - Clerical
    - Salary and Benefits
  - Information Services
  - Move Costs
  - Copy and Printing Services
  - Filing and Retrieval
  - Help Desks
  - Concierge
  - Groundskeepers
  - Food Services
  - Service Contracts
  - Training
  - Day Care
- Equipment (e.g., Video and Teleconferencing, Copiers, Facsimile, Mail, Filing Systems)
  - Rental or Lease Payments
  - Depreciation
  - Capital Costs
  - Service Contracts
  - Repair and Maintenance
  - Insurance
  - Taxes
    - Personal Property
    - Sales
  - Cafeteria
  - Parking
  - Life Safety
  - Medical
  - Fitness Center

- Furniture
- Day Care
- Studios
- Storage Areas

## VI. DEFINITIONS

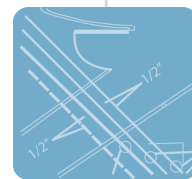
The following definitions apply to the terms listed above. They are not intended to be all inclusive but rather describe categories of appropriate expenditures classifications.

**Acquisition expenses.** The costs directly related to the acquisition of the facility or the related equipment and support should be considered in the workpoint cost. These are typically professional fees for legal counsel, architects, real estate brokers, contractors and other specialists, option fees, incentive fees, security deposits, appraisals, etc.

**Capital costs.** This category includes the normal cost of capital used to provide the organization or business unit with the assets used in the work activity. These charges include interest expense on borrowed funds as well as use of internal funds provided. Charges for the cost of capital on internal funds should be at the organization's normal calculation of opportunity costs, return on equity, or weighted average cost of capital.

**Cleaning.** This category includes all related expenses including normal contract charges, including personnel costs, supplies, trash removal, special charges for additional coverage or cleaning special fixtures and finishes, equipment acquisition and maintenance, etc.

**Connectivity.** Connectivity costs include all those that encompass all interactions between workers, and workers and clients, vendors, information sources, advisors, etc., whether physically internal or external to the organization. These items would include voice and data communication costs, mail, couriers, delivery services, travel, etc.



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**Construction costs.** Construction costs here are defined as the costs to construct base buildings and their support areas such as parking, grounds, roadways, service buildings for power generation, waste disposal, etc., and the costs to construct interior spaces including the costs of ceilings, lighting, life safety such as sprinklers, heating, ventilating, air conditioning, floor systems, carpeting, walls, doors, hardware, special finishes; and the costs to construct special installations such as cafeterias, gyms, libraries, day care, etc.

**Depreciation.** Depreciation is a workpoint cost because it reflects the allocation of costs of an asset over its useful life. Depreciation of fixed assets such as buildings and building improvements as well as depreciation of equipment directly relating to the administration or operation of the building as well as equipment directly supporting the worker or the support staff to the worker are examples of items that fall into this category. Only depreciation expense actually reflected in the financial reporting records of the organization should be included. (See also *The Accounting Classification of Real Estate Occupancy Costs*.)

**Disposition expenses.** The costs directly related to the disposition of the facility or the related equipment and support should be considered in the workpoint cost. With respect to the real property or real estate leases, these are typically professional fees for legal counsel, architects, real estate brokers, contractors and other specialists, marketing costs, incentive fees, concessions to subtenants, appraisals, landlord buyout fees, etc. With respect to equipment and other personal property, these disposition costs are typically selling costs, transportation charges, accounting write-offs, additional warranty charges, etc.

**Infrastructure equipment.** Infrastructure equipment is considered to be the enabling equipment

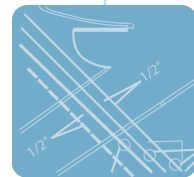
including wiring that supports the worker. This is thought to be the voice and data equipment infrastructure as opposed to the building or premises infrastructure. This equipment may include, depending on the sophistication of the user requirement, Local Area Network and Wide Area Network hardware and software such as routers, hubs, patch panels, PBXs, network interfaces, servers, automatic call distributors, antennae, satellite dishes, and the environmental equipment required to support and operate these facilities.

**Insurance.** This category includes general liability insurance for the premises and other related organizational areas, insurance on equipment, fire insurance on the building and its contents, business interruption insurance or failure of equipment, software and connectivity insurance as it relates to the workpoint, etc. Insurance specific to a business operation such as high-risk operation insurance as with medical research insurance should not be considered a workpoint cost but rather a business unit cost.

**Operating expenses.** This includes all payments to landlords and other third parties directly or indirectly associated with the operation of an office building, equipment, etc.

**Other exit costs.** The costs to exit a facility or a lease or the ownership of equipment should also be considered as a period workpoint cost. These may include the loss on sale of the asset versus its book value, the undepreciated portion of items such as tenant improvements in leased facilities, recapture of landlord concessions where a lease has a break provision, etc.

**Reconstruction costs.** These are the costs related to the periodic reconstruction of the facilities including additional heating, ventilating, air conditioning, reconfiguration of floor layouts, changes required by code changes or other legislative action such as requirements of the Americans with Disabilities Act (ADA), etc.



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**Rental or leasing expense.** This includes all payments to landlords and other third parties related to the use of real estate, furniture, equipment, and other assets that are included in the workpoint support structure.

**Repairs and maintenance.** This includes the normal repairs and maintenance of equipment and the building under operational use. It does not include capital improvements. The category may include in addition to direct expenditures the expenditures for service contracts and other third-party costs.

**Replacements.** These are the capital improvements or replacements made to the facility or its related equipment or the direct and indirect equipment used by the worker or support operation. These may include the cost of maintenance contracts for equipment such as personal computer maintenance contracts when they include the replacement of significant parts or units.

**Roadways, parking, and grounds.** This includes the maintenance and repair of grounds, parking lots and parking structures, and related equipment such as parking equipment and mowers. Personnel costs, supplies, third-party contracts, and other costs directly related to maintaining these areas should be included, including equipment leasing charges, capital costs, and depreciation charges where applicable, etc.

**Security.** This includes charges related to security to the worker. These may include personnel costs, third-party contract charges, equipment, supplies, special charges for high-value areas, related insurance charges, etc.

**Taxes.** This category includes business and property taxes, real and personal, relating directly to the space, improvements, equipment, and support operations of the business function. Additional taxes may include occupancy taxes, sales taxes on equipment, supplies and services, use taxes, commutation taxes, or other

charges related to the specific location and deployment of the work and workers.

**Transaction costs.** These are considered to be those costs related to the acquisition or disposition of equipment, real property, leases, etc.

**Utilities.** This category includes all utilities directly related to the operation of the business unit within the facility. These may include water, gas, electricity, sewer, oil, steam, and solar.

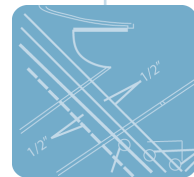
### VII. USE AND LIMITATIONS OF WORKPOINT COST MEASURES

The general purpose for using the Workpoint Cost approach versus other approaches is to provide for the ability to:

- Measure business unit performance exclusive of workpoint cost variances;
- Isolate workpoint cost elements when attempting to optimize allocation of an organization's resources among the five categories;
- Compare costs of occupancy between and among business units and within industries;
- Compare costs of similar business activities among different organizations and industries;
- Anticipate costs in the planning of different deployment strategies for workers and work; and
- Identify best practices implementations.

In order to accomplish the uses anticipated above, it is not necessary to reprogram the current accounting systems supporting the organization. Rather, it seems viable to utilize a series of intermediary programs that will reformat and assign these costs based on the current alignment of staff, facilities, support, and equipment. Such a table-driven application program would reformat or map the current chart of accounts into Workpoint Cost Measures.





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EXHIBIT 2. CONCEPTUAL IMPLEMENTATION OF THE WORKPOINT COST APPROACH IN THE PLANNING AND REPORTING PROCESS

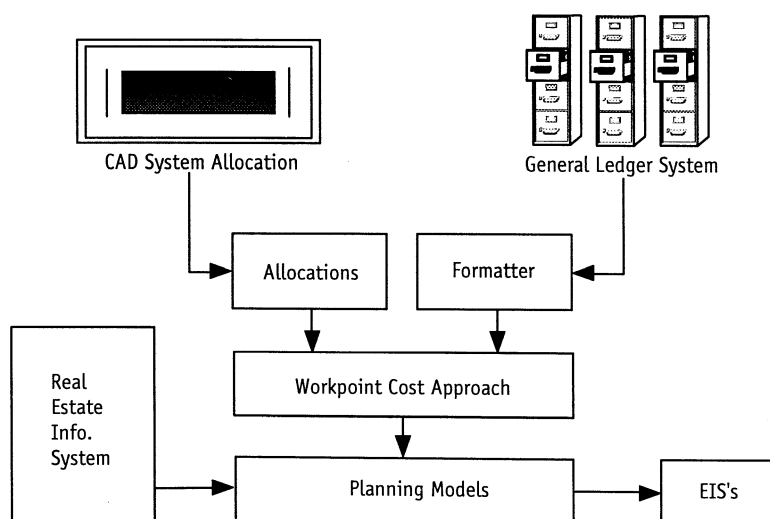


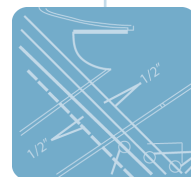
Exhibit 2 outlines such an approach. The facility management software or CAD (computer-aided design) systems provide the key allocations between direct and indirect space use. These statistics can be used to allocate real estate, furniture, equipment, and other space-related expenses. Other allocation rules, such as the ratio of support staff to principals, the number of workers assigned to certain shared equipment such as copiers, facsimile machines, etc., or the number of workers supported by a help desk function, can be used to create these categorizations.

The reference to EIS's on this chart is to Executive Information Systems. Other input databases would logically include a fixed asset system, the real estate information system, other related databases such as those for technology and other equipment, human resources related to support staffs, benefit areas, outsourced contracts, etc.

It is important to visualize the ways that expenditures are shifting between the traditional occupancy cost measures to the new Workpoint Cost Measures. Exhibit 3 shows the relationship of the past occupancy cost definitional work to the Workpoint Cost approach for one category of costs, rent expense.

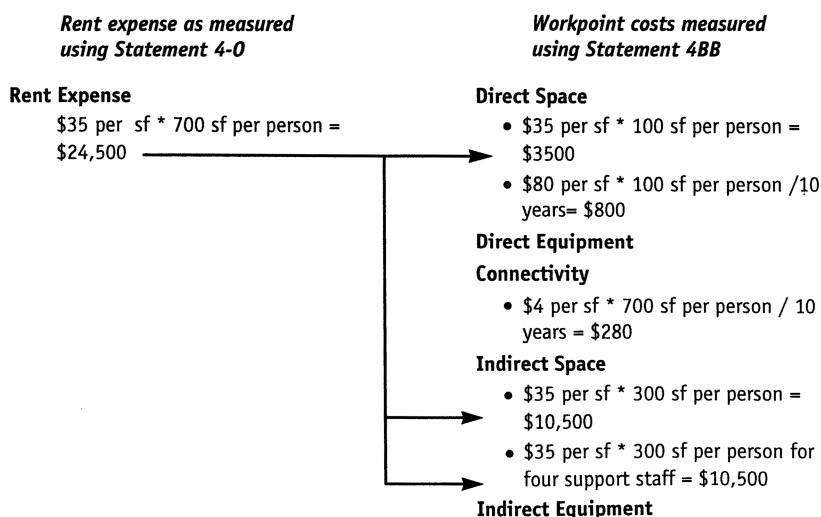
For one worker (in this case a corporate attorney) this example is a reassignment of rent expense for direct and indirect space. The same logic would apply for other expenses related to space assignment. Such assignment might also be made based on use, ownership of the asset, assigned personnel, etc.

This approach can then be extended to the complete structure of Workpoint Cost Measures for the primary cost elements of the workplace. Exhibit 4 shows an assignment of costs for one



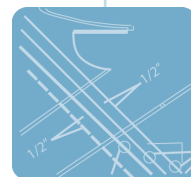
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### EXHIBIT 3. OCCUPANCY COST VERSUS WORKPOINT COST



worker (in this case a business consultant) in two deployment settings, one a traditional corporate/professional firm office location and one a home worksetting. Such an example must consider a number of assumptions and deployment strategies. The case shown is based on the following assumptions:

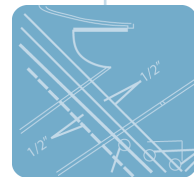
- The corporate office space is a lease at \$35 per square foot (sf) with a five-year term with capital expenditures of \$40 per sf amortized over this period. A corporate worker is assigned 100 sf of direct space and 250 sf of indirect space.
- The cash outlays for capital items are funded at the corporate rate of 10%.
- The home worker maintains a tie to the corporate setting but shares this space at a ratio of 10:1 with other workers. In other words, the worker will, on average, come to the corporate location 1/2 day per week and have a workspace available.
- Secretarial support of \$40,000 (inclusive of benefits) is at a ratio of 6:1 for each principal in the corporate setting but at 10:1 in the home setting.
- The worker is a heavy network user and uses the network an average of four hours per day for both voice and data. The corporate worker uses the corporate network, whereas the home worker uses an ISDN communication line.
- The home worker is away from corporate support and must rely on commercial conferencing facilities for meetings and marketing presentations to groups. The cost is for 80 hours per year.
- Because of this remote support, the corporate requirement to support the home worker with conference rooms and presentation rooms, etc. is dramatically reduced.
- Paper files are stored at both the corporate and home locations.
- The gross rental rate of \$35 per sf is for typical lease charges of net rent, insurance, real estate taxes, cleaning, security, repairs, etc. The addi-



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### EXHIBIT 4. WORKPOINT COST MEASURES FOR TRADITIONAL AND HOME WORKSETTINGS—ANNUAL COST

<i>Measurement Categories</i>	<i>Corporate</i>	<i>Home</i>
<b>Direct Space</b>		
Assigned space	\$3,500	\$350
Construction cost	800	80
Funding cost for above	200	20
Additional office services (e. g., after-hours charges)	1,000	
Home allowance		2,050
Subtotal	\$5,500	\$2,500
<b>Direct Equipment and Support</b>		
Equipment		
Computer/printer/software	\$1,827	\$3,559
Furniture	1,200	
Funding cost for above	300	360
Support		
Secretary	6,666	4,000
Subtotal	\$9,993	\$7,919
<b>Connectivity</b>		
Usage-based:		
Corporate network voice and data	\$1,600	
ISDN voice and data		\$4,200
Mail/courier/delivery services	250	500
ISDN equipment		550
LAN equipment	200	
Funding cost for above	20	55
Subtotal	\$2,070	\$5,305
<b>Indirect Space</b>		
Common space	\$2,100	\$210
Construction	2,000	200
Funding cost for above	400	40
Meeting facilities and presentation facilities		4,000
Subtotal	\$4,500	\$4,450
<b>Indirect Equipment and Support</b>		
Equipment		
Fax, copier, color printer, binding equipment, etc.	\$600	
Furniture	400	
Funding cost for above	100	
Support staffing		
Help desk, mail room, copy center, cafeteria, grounds, security	2,000	\$4,000
Service center		
Copying, binding, slide prep, etc.		700
Presentation support	200	500
Subtotal	\$3,300	\$5,200
<b>Total</b>	<b>\$25,363</b>	<b>\$25,374</b>



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tional charges in the corporate setting are for additional cleaning, capital items of replacement passed on from the landlord through the lease, after-hours charges for air conditioning, porter services, etc.

- Equipment differences from the corporate setting to the home are explained as the cost of a laptop versus a desktop computer, additional costs for a printer and a fax machine for the home office which are not shared as in the corporate setting, more disk space since the home worker does not have easy access to a file server as in the corporate setting, additional software to support the home worker, etc.
- Support staffing for the home worker includes costs for catering presentation and client meetings, answering services for phone and paging, local assistance for presentation, proposal and other materials created and disseminated at \$20 per hour.
- The additional work location of the employee home (considered to be a branch office) requires that additional professional licenses and tax administration and filing are applicable for this additional work location.
- The home allowance is to cover such miscellaneous charges to the worker as additional utilities charges on the home electric bill, space used in the home for the worksetting, insurance, wear and tear on the home, etc.

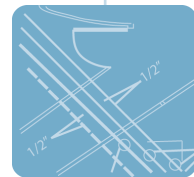
The effort to bring classification and measures into the alignment of workpoint costing can begin with a macro-organizational view and proceed to finer levels of the business unit, finer definition of cost categories, and increased sophistication of the allocation and assignment criteria. In other words, start the process with future annual goals of further developing and refining the information base.

With respect to limitations, a number of issues should be considered:

- When comparing measures, there remain a number of variables that are not standardized. These include differences in measurement techniques for building size from market to market and between owned and leased properties, differences in depreciation approaches and ages of buildings, differences in certain discretionary items that are capitalized or expensed, etc.
- Techniques for the calculation of capital costs can vary between organizations. They may be viewed as the weighted average cost of capital, the hurdle rate for new investments, or a combination of measures and rates. Such rates may vary depending on whether the asset is occupied by the organization or has been moved into an investment category. Rates also change over time from the point when an asset is put into service to the period of its useful life.
- Comparisons of expense levels should initially be undertaken within organizations and then within single industries. As the process of implementation matures and expands, the benchmarking comparison between functions among industries can be more confidently applied.

### VIII. SUMMARY OF RECOMMENDATIONS

It is the opinion of the development team and IMA that the deployment of these guidelines and the interaction of organizations to compare structures, costs, modeling techniques, etc. will evolve over the coming years. However, it is also the intent of IMA and the others involved with this development to facilitate such evolution through its training, education, research, and publication programs. In that regard it is useful to extend this paper to discuss the possible



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application of these measures and suggest initial steps for users to consider.

There have been significant variations among organizations in the measurement of workpoint costs—occupancy costs, equipment costs, and related support costs—and the components that comprise workpoint cost items. A generally agreed upon set of classifications and definitions will now simplify the measures and comparisons while providing an improved performance measurement, planning, and redeployment. Therefore, the following recommendations are made:

- Classification should be undertaken in this manner and using the definitions described in this document;
- Organizations should begin to adopt the use of the nomenclature developed within the project and within this document;
- Planners and implementors, whether within the financial, accounting, and control functions of their organizations or within real estate, facilities, technology, or human resources disciplines, should take the initiative to organize their functions under these measurement guidelines;
- Planners and implementors from these disciplines should utilize their membership associations to further develop support for these guidelines;
- Internet home pages such as those provided by the IDRC, IMA, and others will be updated to carry further developments, case studies, references to educational material, etc. to further develop this approach. These home pages are:  
**[www.imanet.org](http://www.imanet.org)**  
IMA  
**[www.idrc.org](http://www.idrc.org)**  
IDRC  
**[www.workpoint.org](http://www.workpoint.org)**  
Commonwealth Advisors
- Users and members should provide feedback to the IMA on the completeness and usability of this material.