

# University of Latvia Full Cost Approach

BSRUN workshop for finance directors  
Full Cost Model and Integration of  
University Data Systems  
23 march 2012

# History for the FCM in LU

- Student requests for information regarding costs of studies
- LU Senators requests for information regarding costs for different activities
- EU activities in FCM implementation
- EU requests for FCM implementation in context of structural funds:
  - State Aid regulations
- EU Framework programs and cost allocation to the projects
  - Possibility to charge overheads
- Ministry of economics develops guidelines for FCM and cost allocations and separation of activities
- Ministry of Education enforces the implementation

# LU activities

- Development of cost allocation plan for university
- Participating in seminars
- Networking
- Reaching common agreement on implementation of the FCM in university
- Deciding on the approach for implementation
  - What platform to use

# Data warehouse



- Where is data? Which system or missing?
- Is data usable? (the structure of data)
- Do we always use the some definition?
- What to do with time? When do we fix data as unchangeable?
- Where to store necessary data?
  - University information System LUIS
    - Significant revision of data
  - Accounting system
    - Significant revision of all accounts
  - BI data warehouse – MicroStrategy
    - Building combined data

# Data sets

- Time allocation
  - for staff (actual/calculated)
  - for equipment's (actual/calculated)
  - for premises
- Object data sets
  - Premises
  - Equipment
  - Staff
  - Projects
  - Study programs
  - Products / services

# University products

- Study programs
  - Study branch
- Projects
  - Fundamental research
  - Education
  - Applied research
- Services
  - Rental services
  - Products
  - Other services

# Structure of costs

- Indirect costs
  - University level
  - Organizational unit level
- Direct costs
  - Direct costs
  - Directly assigned costs

# Cost drivers

- LU in the first stage will use
  - Direct working hours/ FTE
  - Square meters used
- Other possible cost drivers
  - Number of FTE in the organizational units
  - Number of ICT
  - Number of students



# Activities

- Main activities
  - Education
  - Science
  - Collaboration with society
- Other activities
  - Commercial activities
- Type of activities
  - Non commercial
  - Commercial

# Expected outcomes of FCM

- Full costs subjects:
  - University
    - Organizational Unit
      - Organizational sub units (optional)
        - » Study programs
          - By levels (bachelor, master, doctoral)
          - By type (full time, part time, life long)
        - » Full Cost of projects
          - Full costs for university
            - recoverable (chargeable)
            - Not recoverable
        - » Full costs for product/service
          - Income per product / per client
          - Costs per product / per client

# Expected outcomes of FCM

- Cost classification according to Account plan
- FC Objects
  - Payments to employs
    - Administrative
    - Primary activity
  - Infrastructure, premises
    - Office costs (administration, staff)
    - Costs for primary activity
    - Costs for university premises
      - Services and materials
      - Repairs
      - Depreciation
    - Rented premises
  - Services
    - Internal
    - External
  - Materials
  - Equipment
    - Rented
    - Purchases (no depreciation)
    - Depreciation

# Challenges

- What will be the lowest level of data in the accounting system?
  - Direct and indirect costs of organizational unit classified by activity and type
- Can we use calculated data?
  - Study programs/products/services have income assigned but no direct costs
  - Only some costs are assigned as direct some



- Thank you!
- Questions