

# CORPORATE FINANCE

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## Part I. FINANCIAL ANALYSIS AND FORECASTING

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# INTRODUCTION

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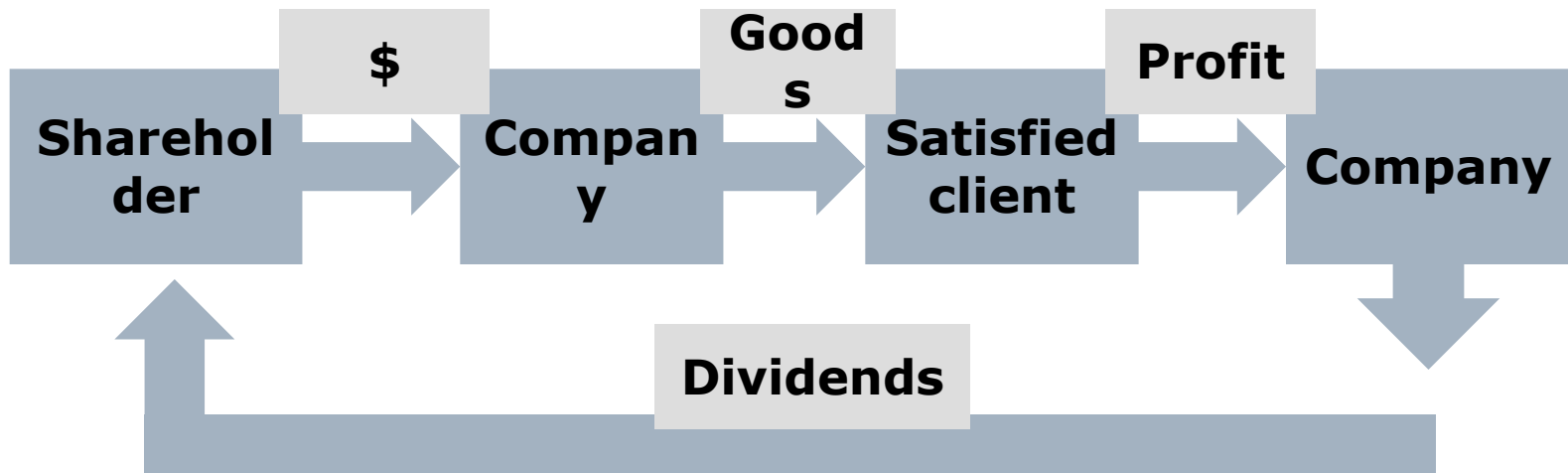


# FINANCIAL MODEL OF A COMPANY

# Objectives of a company

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- Shareholders' wealth maximization



# Objectives of a company

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- Stakeholders' income increase:
    - Shareholders
    - Employees
    - Managers
    - Suppliers
    - Clients
    - Society
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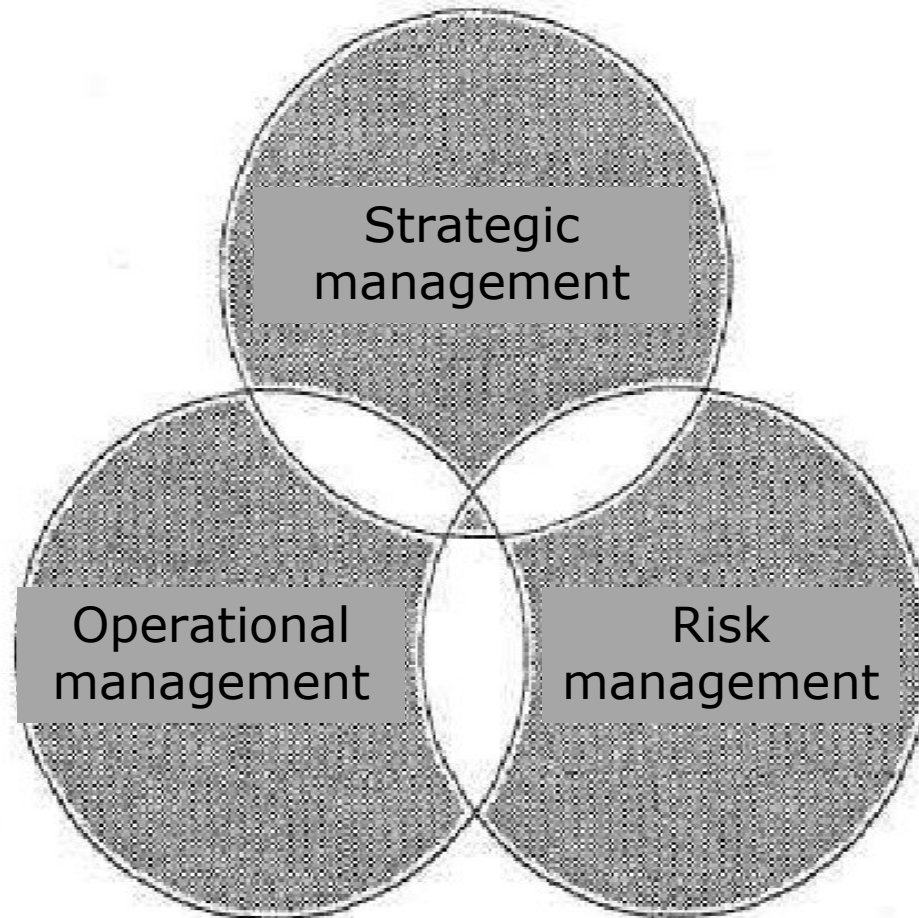
# Functions of a financial manager

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- Activity spheres of a financial manager:
    - *Strategic management* – general objectives and long-term planning
    - *Operational management* – everyday management
    - *Risk management* – ways to minimize impact of unfortunate events and maximize the realization of opportunities
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# Functions of a financial manager

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# Functions of a financial manager

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- Key objectives of a financial manager
    - Financial planning
    - Assessment of investment projects
    - Decisions on financing
    - Operations on capital markets
    - Financial control
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# Financial structure of the company

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- **Financial structure** is a hierarchical system of financial responsibility centres (FRC) which define the order of financial results forming and responsibility distribution to achieve one common objective of a company.
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# Financial structure of the company

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- Financial responsibility centers (FRC):
    - Cost center (CC)
    - Revenue center (RC)
    - Marginal revenue center (MRC)
    - Profit center (PC)
    - Investment center (IC)
-

# Financial structure of the company

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| FRC | Objectives            | Can include     | Can be included into |
|-----|-----------------------|-----------------|----------------------|
| CC  | Expenses              | CC              | CC, PC               |
| RC  | Revenue               | RC              | PC                   |
| MRC | Profit of a business  | CC, RC          | MRC, PC              |
| PC  | Profit of the company | PC, MRC, CC, RC | PC, IC               |
| IC  | ROI                   | PC, CC, IC      | IC                   |

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# Financial structure of the company

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- How to form a financial structure:
    1. **Organizational approach**
    2. **Process approach**
    3. Define investment activities
    4. Define assets
    5. Define a profit structure
    6. Outline the main managerial relationships
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# Organizational approach

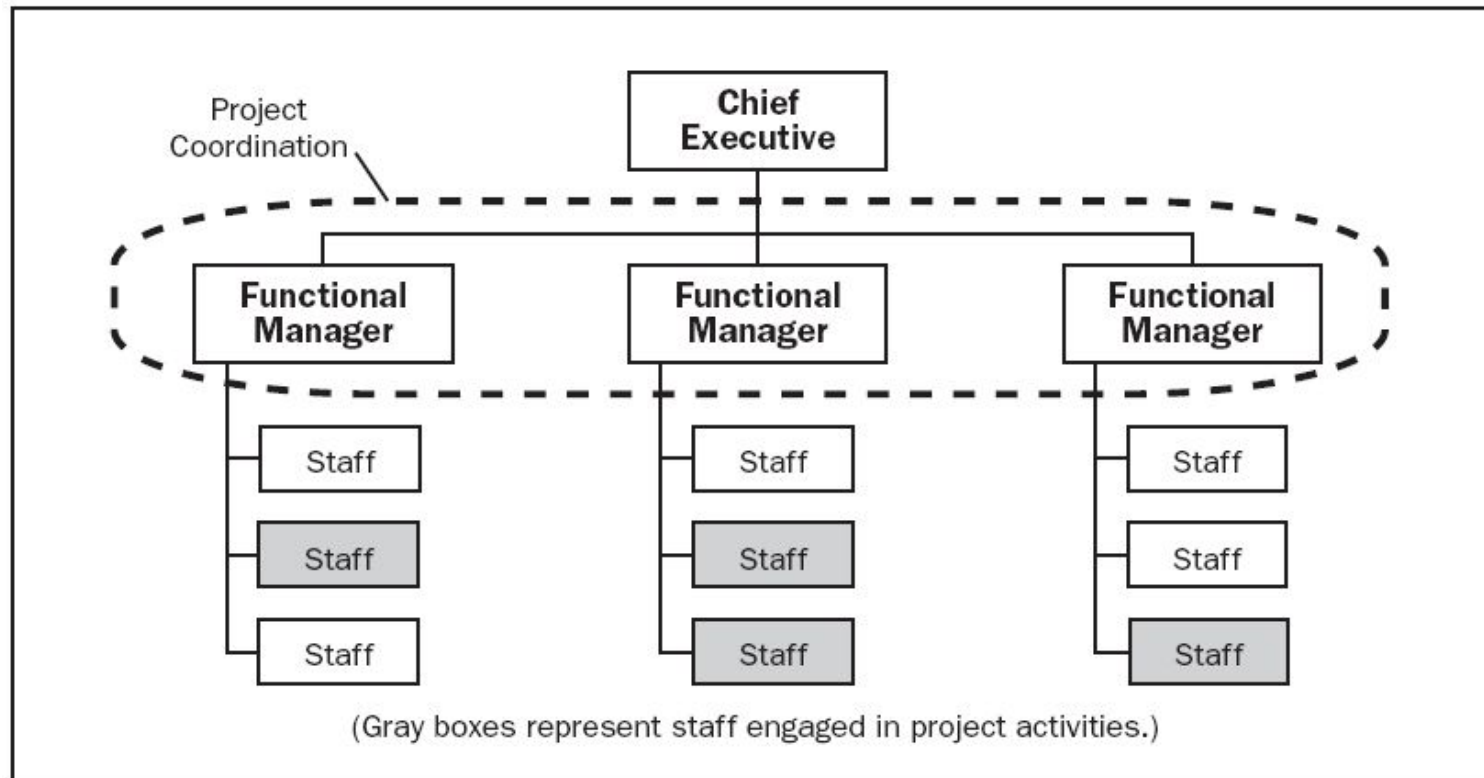
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- An **organizational structure** is a mainly hierarchical concept of subordination of entities that collaborate and contribute to serve one common aim. (*Wikipedia*)
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# Organizational approach

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## □ Functional organization



# Organizational approach

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## Functional organization

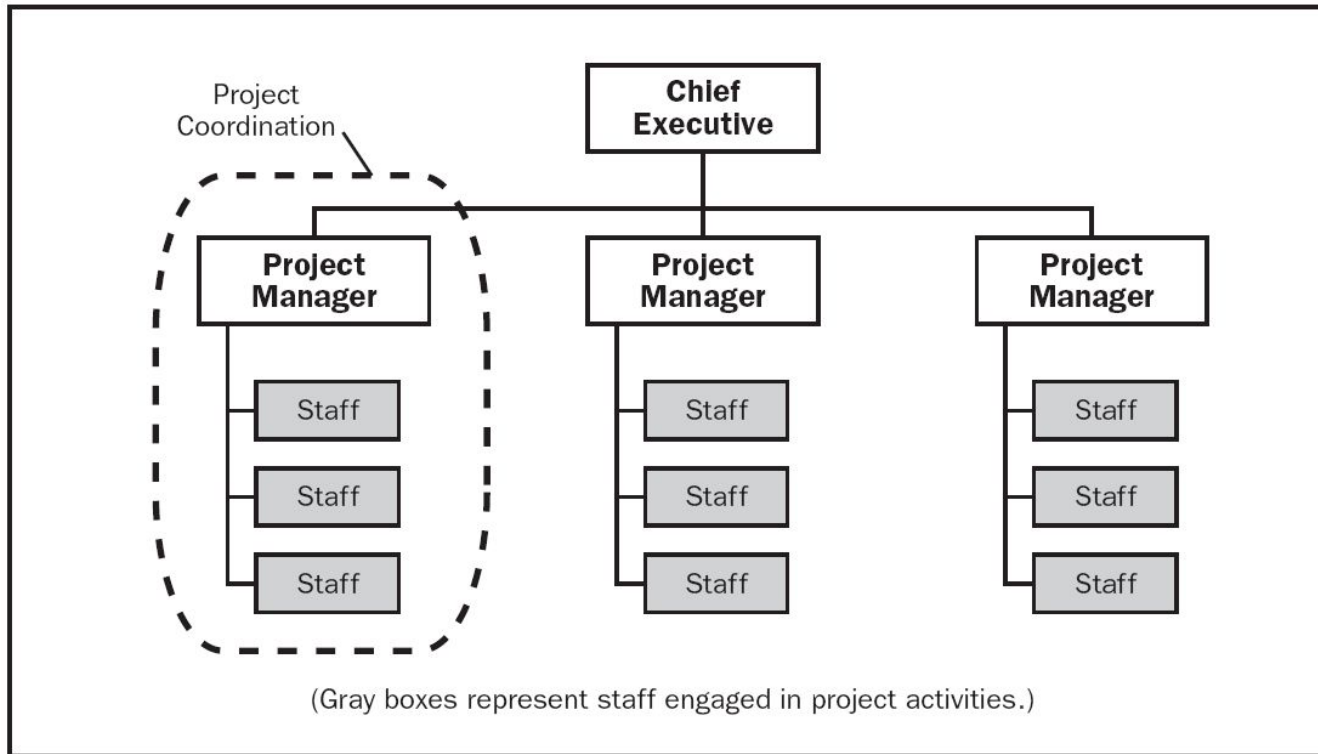
| <b>Advantages</b>                      | <b>Disadvantages</b>  |
|--|---|
| Easier personnel management            | Employees fulfill their usual functions to the detriment of innovative and project work |
| Each employee has one clear superior   |   |
| Staff members are grouped by specialty | No horizontal connections between departments   |
| Clear career perspectives              |   |

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# Organizational approach

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## □ Projectized organization





# Organizational approach

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## Projectized organization

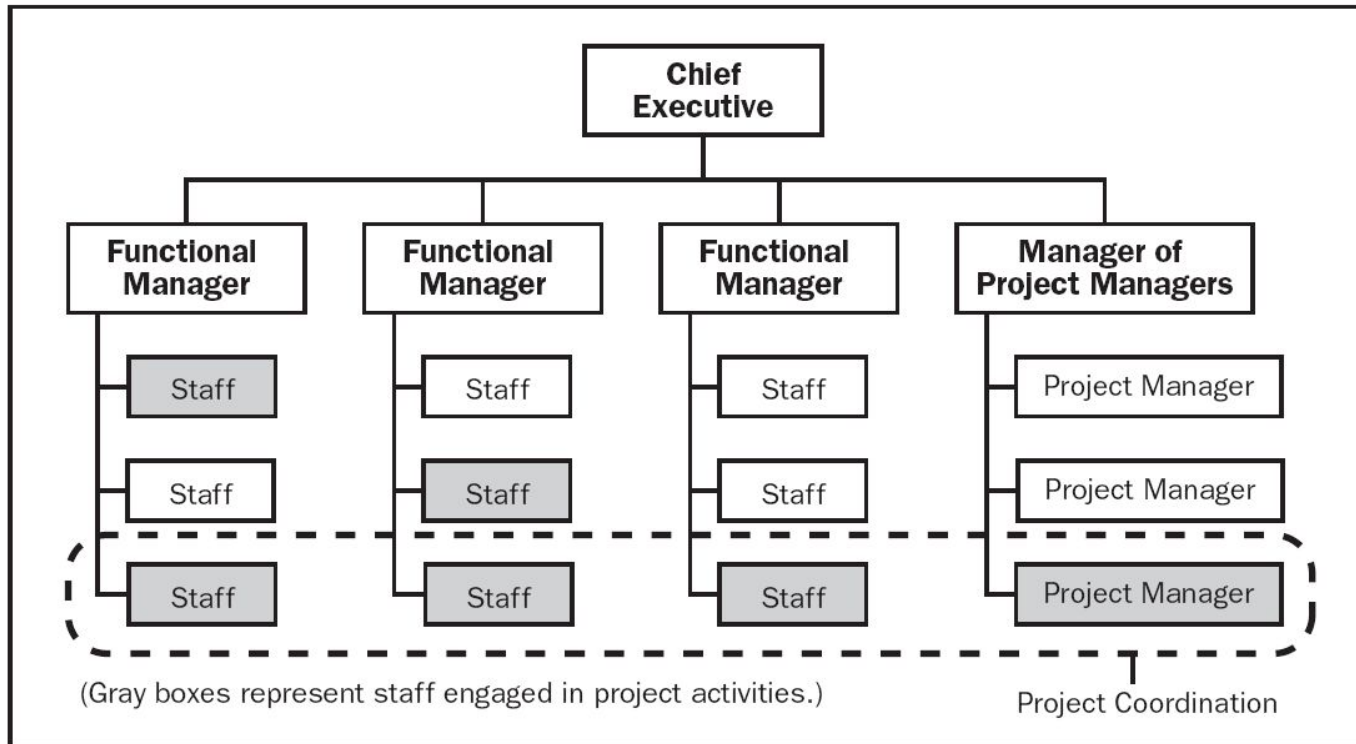
| <b>Advantages</b>        | <b>Disadvantages</b>                          |
|--------------------------|---|
| Effective project work   | A project loses its "house" when it is closed |
| Loyalty to a project     | Less competence in different spheres          |
| Effective communications | Double functions and means                    |
|                          | Less effective resources allocation           |

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# Organizational approach

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## □ Matrix organization



# Organizational approach

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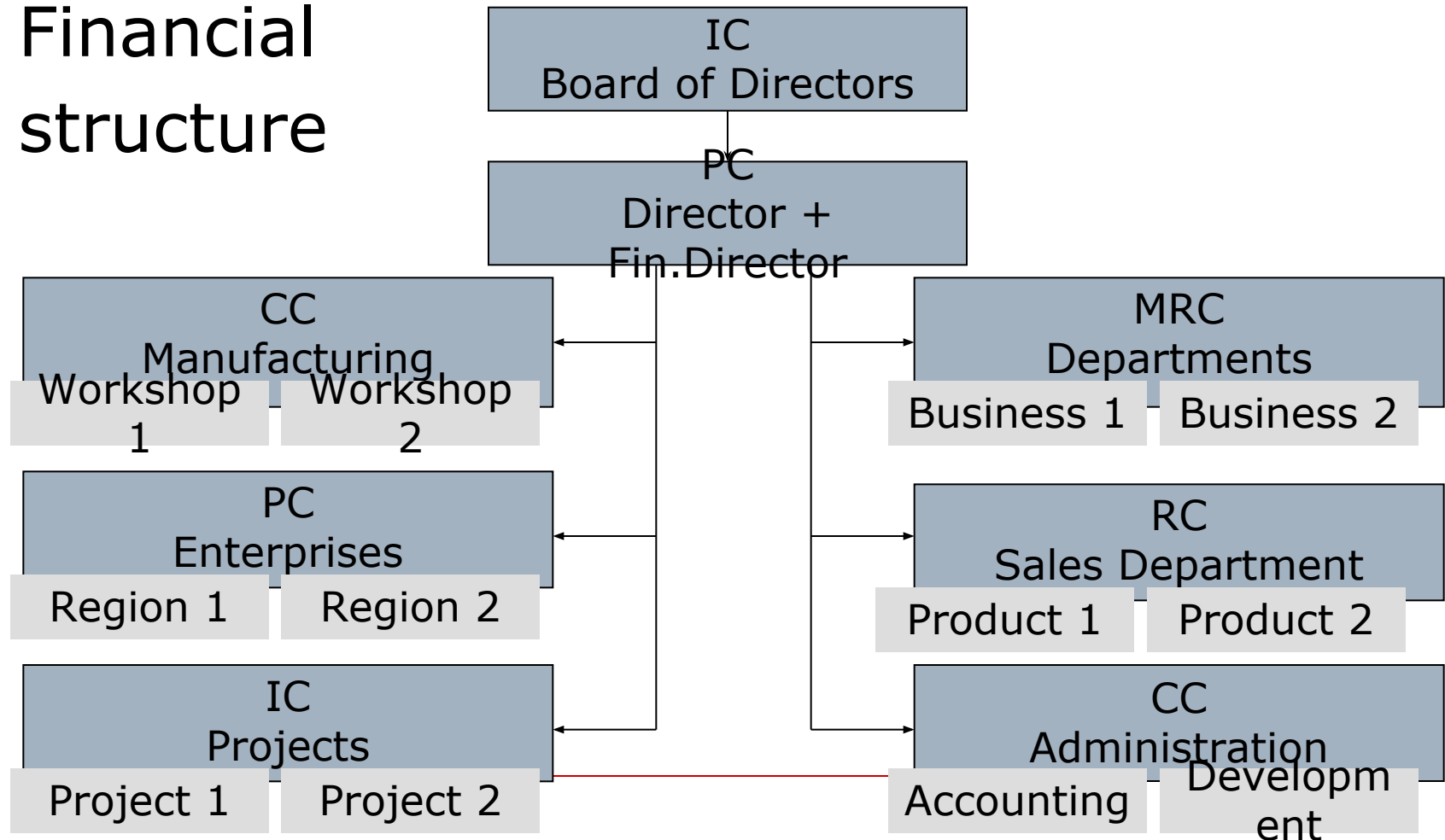
## Matrix organization

| <b>Advantages</b>  | <b>Disadvantages</b>                                    |
|--|---|
| Clear project objectives                                       | Higher administr. costs                                 |
| Better resources control                                       | More than one superiors                                 |
| Better coordination  | Difficult to control                                    |
| Project team has its "house"                                   | More agreements and procedures                          |
| Better vertical and horizontal distribution of the information | Different priorities of functional and project managers |
|  | Possible conflicts and double work                      |

# Organizational approach

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## Financial structure



# Organizational approach

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- Differences between organizational and financial structures

| <b>Organizational structure</b>                   | <b>Financial structure</b>                  |
|---|---|
| Based on functional specialization of departments | Based on economic & financial relationships |
| Hierarchy of subordination                        | Hierarchy of financial responsibility       |
| Possible personal factors                         | Real business factors                       |

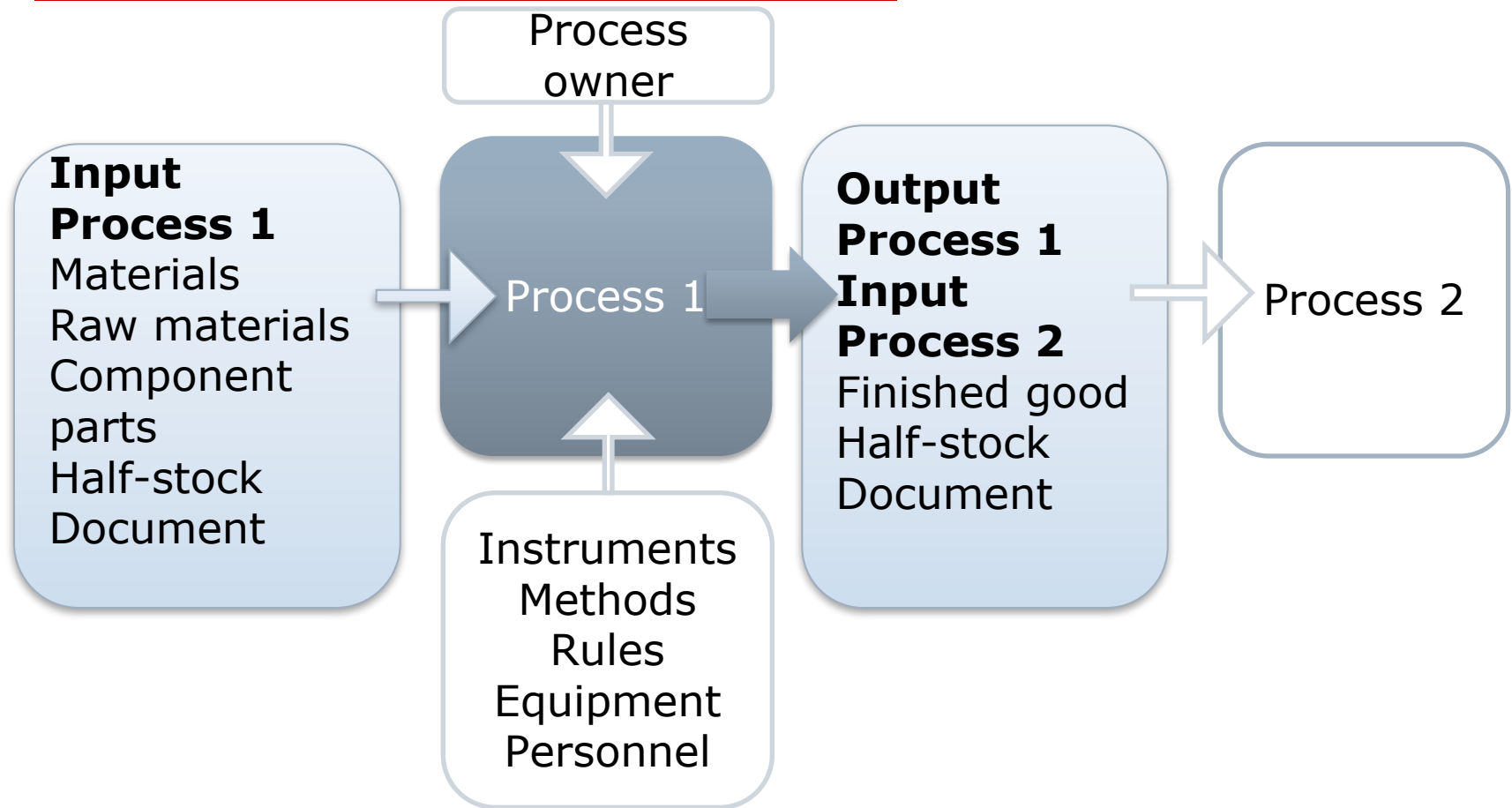
# Process approach

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- A **process** is an activity which transforms input into output.
  - A **business process** is an activity that uses specific resources to produce a specific service or product for a particular customer.
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# Process scheme

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# Process approach

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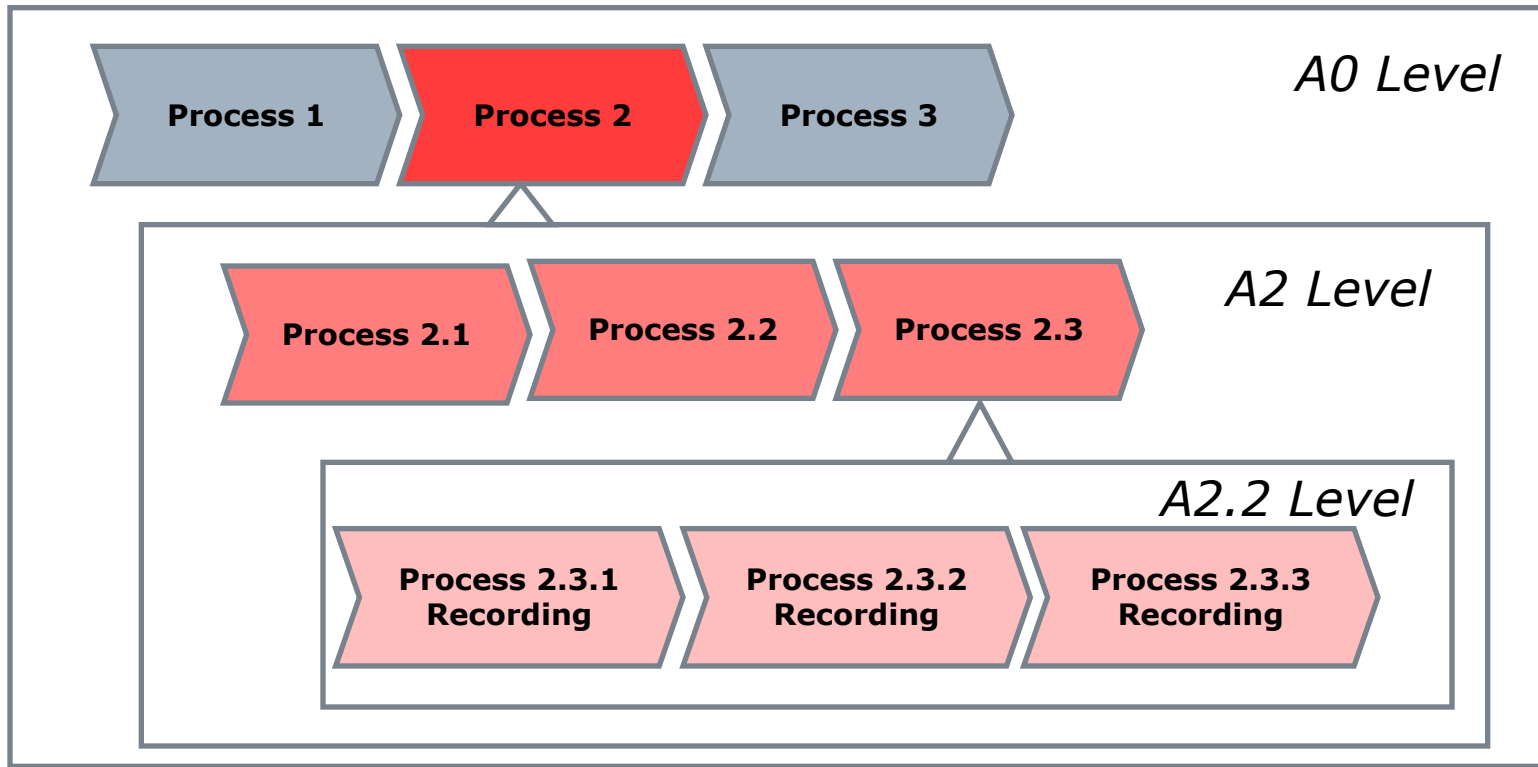
- Business-process types:
    - Main
    - Supporting
    - Development
    - Corporate management
-



# Process approach

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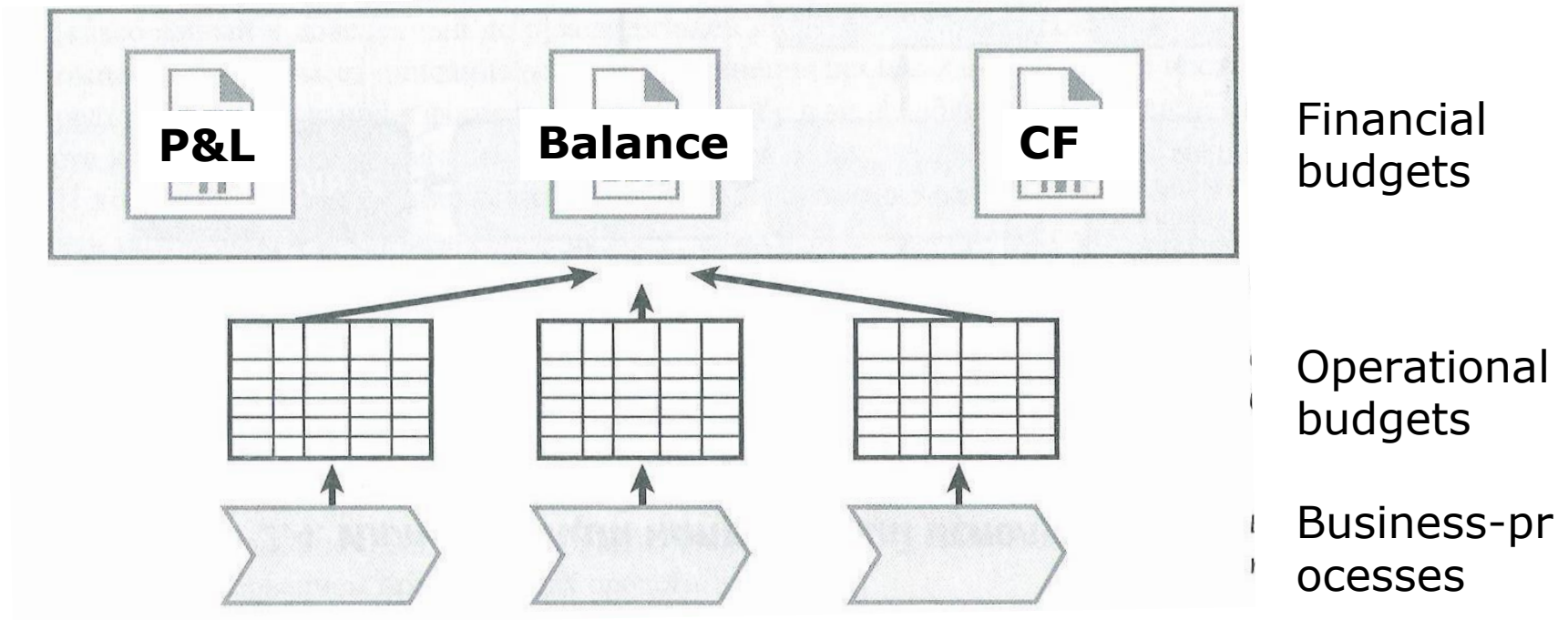
## □ Process decomposition



# Process approach

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## □ Business process and budgets



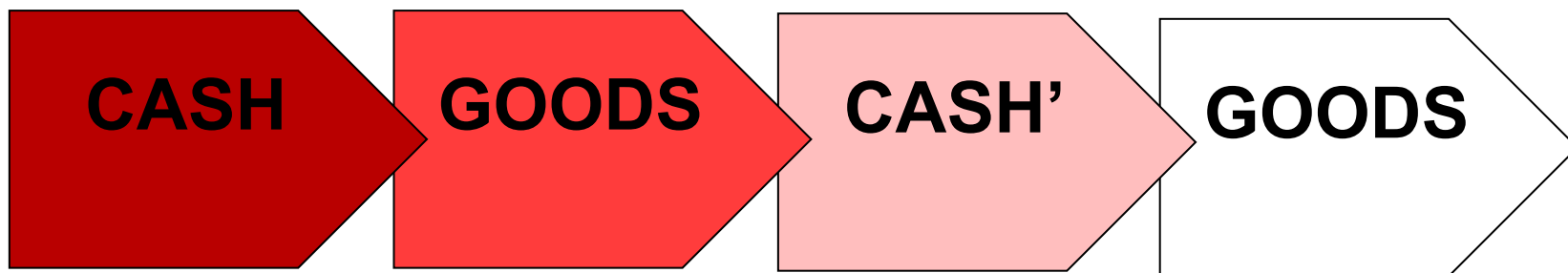


# BASIC PRINCIPLES OF FINANCIAL MANAGEMENT

# Concept of cash flows

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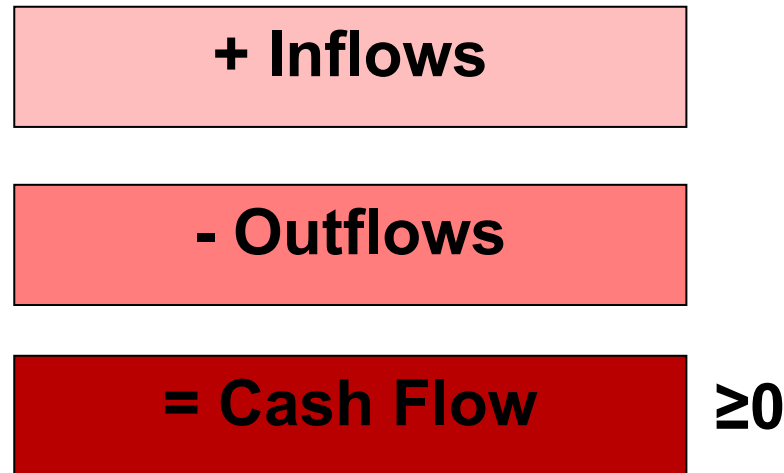
- Cash turnover concept



# Concept of cash flows

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- **Cash flow** - the movement of cash into or out of a business, a project, or a financial product during a specified, finite period of time.



# Relationship between risk & profit

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- Nothing ventured, nothing gained
  - Britain's Special Air Service motto:  
Who dares, wins
  - The higher profits are usually connected with the higher risk
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# ACCOUNTING SYSTEMS

# Bookkeeping, financial & management accounting

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- ❑ **Bookkeeping** is the recording of day-to-day financial transactions (purchase, sales, receipts, and payments)
  - ❑ **Financial accounting** concerned with the preparation of financial statements for decision makers (stockholders, suppliers, banks, employees, government agencies, owners, and other stakeholders)
  - ❑ **Management accounting** provides managers of the company with the essential internal data to direct and control the company's activity
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# Bookkeeping, financial & management accounting

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|            | Bookkeeping                                    | Financial accounting   | Management accounting                              |
|------------|--|--|--|
| Users      | Internal, external                             | Internal, external   | Internal   |
| Objectives | Ongoing accounting of all company's operations | <ul style="list-style-type: none"><li>□ Accounting of finances movement</li><li>□ Financial statements</li></ul> | Internal analysis of production costs and benefits |

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# Financial reporting standards used in Russia

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- ❑ **Russian Accounting Standards (RAS)** – accounting standards issued by the Russian Ministry of Finance; obligatory in Russia.
  - ❑ **International Financial Reporting Standards (IFRS)** – standards adopted by the International Accounting Standards Board (IASB)
  - ❑ **Generally Accepted Accounting Principles (GAAP)** - accounting rules used to prepare, present, and report financial statements in the US.
-

# Financial reporting standards used in Russia

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- Differences between RAS and IFRS

| <b>RAS</b>  | <b>IFRS</b>                          |
|---|--------------------------------------|
| strict regulation of all actions, common card of accounts | concepts based                       |
| authorities oriented                                      | stakeholders oriented                |
| no information about associated companies                 | reports of holdings are consolidated |

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# Financial reporting standards used in Russia

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- Main concepts of the IFRS:
    - accrual basis
    - going concern
    - individual evaluation concept
    - conservatism
    - matching
    - substance over form
-

# FINANCIAL STATEMENTS

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# Annual reports

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What cash movements were present during the period?

**Cash Flow Statement**

What earnings does a company generate during the period?

**Income Statement**

How much material values did a company accumulated and what are the sources of forming?

**Balance Sheet**

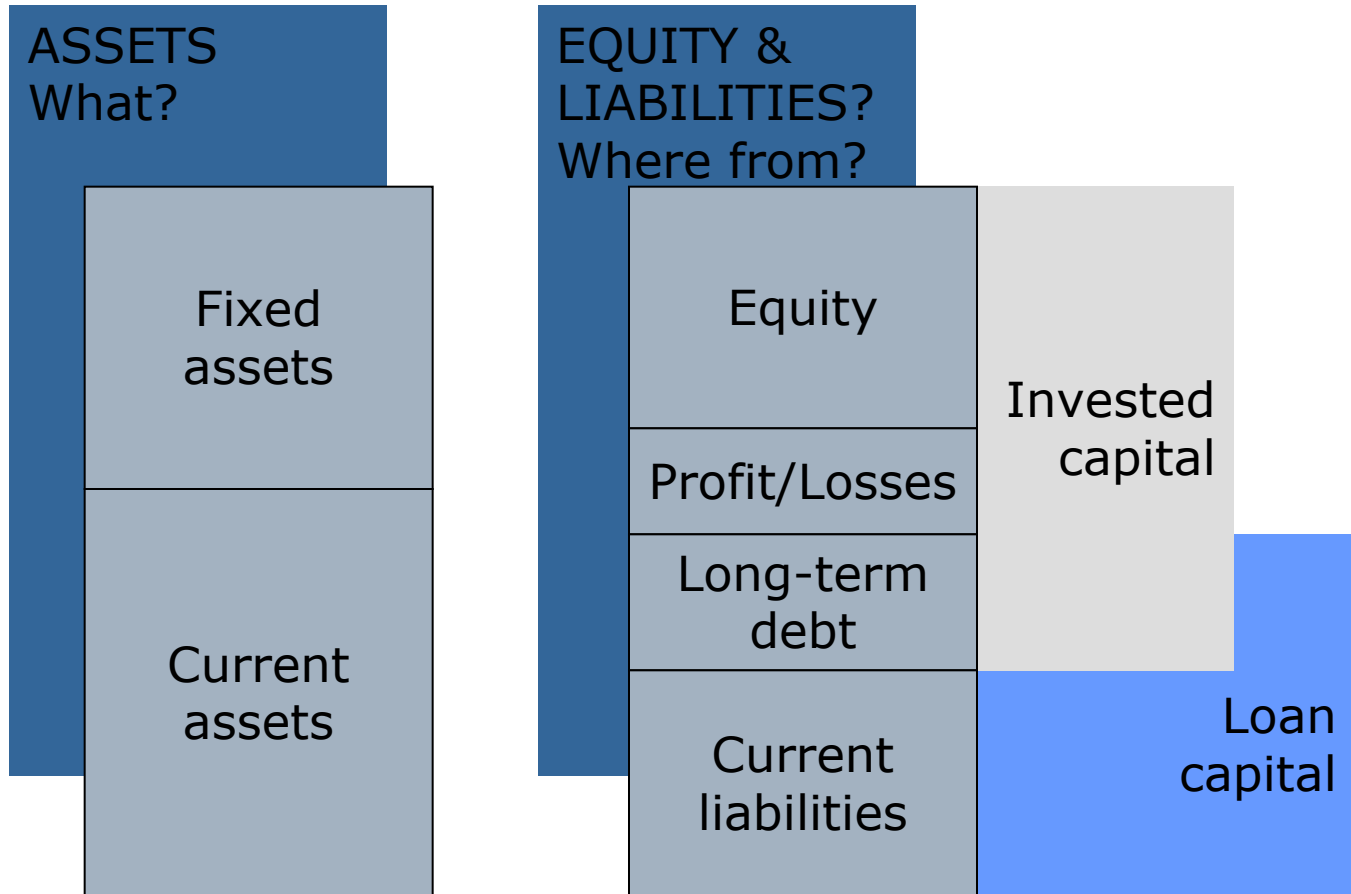
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# BALANCE SHEET

# Structure of assets & liabilities

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# Structure of assets & liabilities

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- Balance equation

$$\begin{aligned} \text{Total Assets} &= \text{Total Liabilities \& Equity} \\ &= \text{FA} + \text{CA} = \text{IC} + \text{CL} = \text{E} + \text{P/L} + \text{LC} \end{aligned}$$

# Structure of assets & liabilities

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- Fixed assets:
    - land
    - plant & equipment
    - transport
    - long-term financial investments
    - license
    - good-will
-

# Structure of assets & liabilities

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- Current assets:
    - cash
    - inventories
    - work-in-process
    - accounts receivable
    - short-term financial investments
    - pre-paid expenditures
-

# Structure of assets & liabilities

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- Equity:
    - shareholders' equity
    - retained earnings
    - additional capital
    - reserves
-

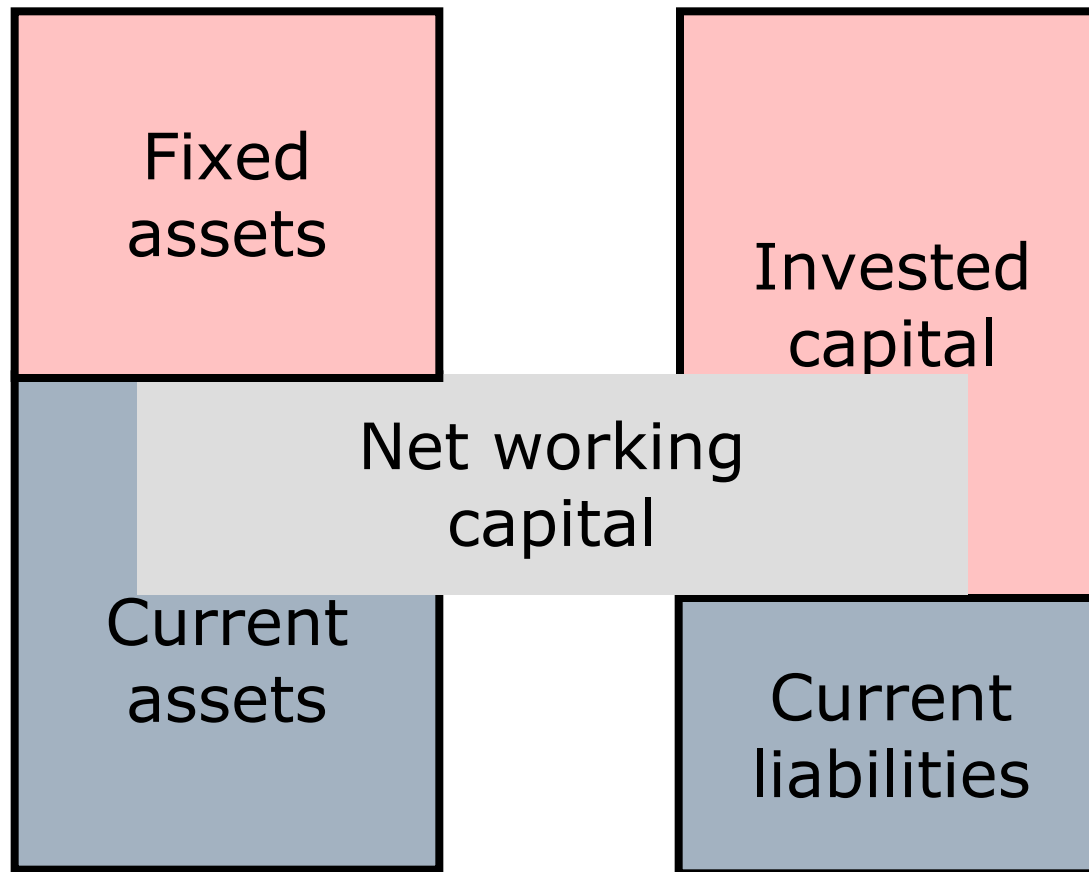
# Structure of assets & liabilities

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- Loan capital:
    - long-term liabilities (longer than 12 months)
    - short-term liabilities
      - loans & credits
      - liabilities to suppliers
      - liabilities to employees
      - taxes to be paid
      - future earnings
-

# Net working capital

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# Net working capital

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- **$NWC = CA - CL = IC - FA$**
  - Represents operating liquidity available to a business
  - Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses.
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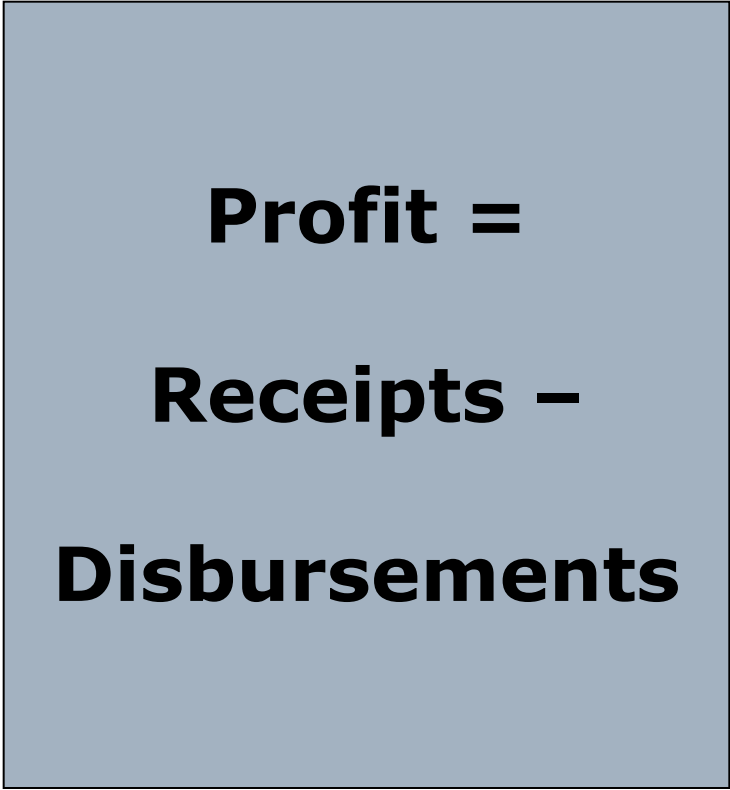
# INCOME STATEMENT



# Income statement

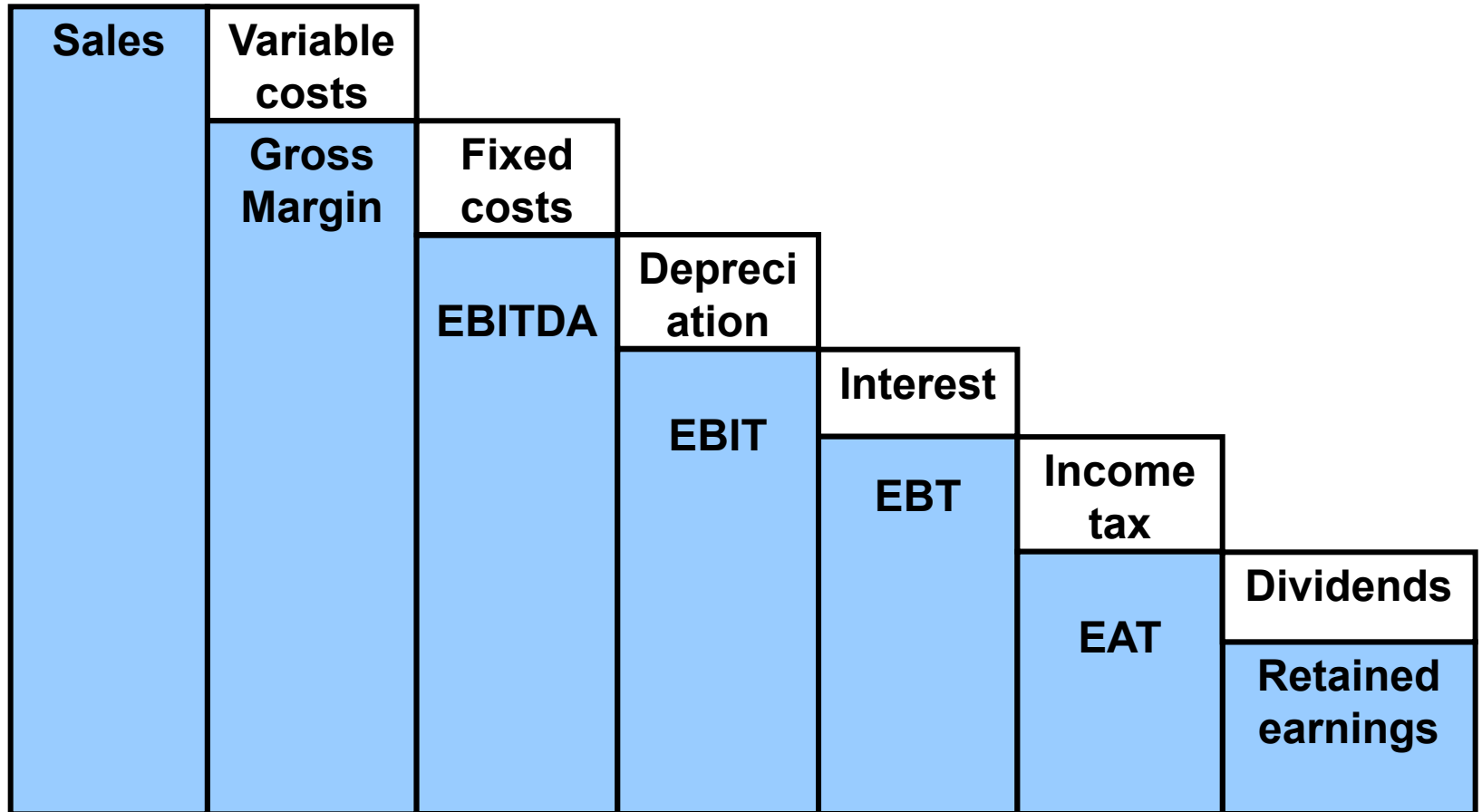
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- Receipts:
  - Sales
  - Interests
  - Payments for services
  - Rent ...
- Disbursements:
  - Cost of sales
  - Salaries & wages
  - Rent
  - Equipment maintenance
  - Insurance
  - Office
  - Communication means
  - Operating expenses...


$$\text{Profit} = \text{Receipts} - \text{Disbursements}$$

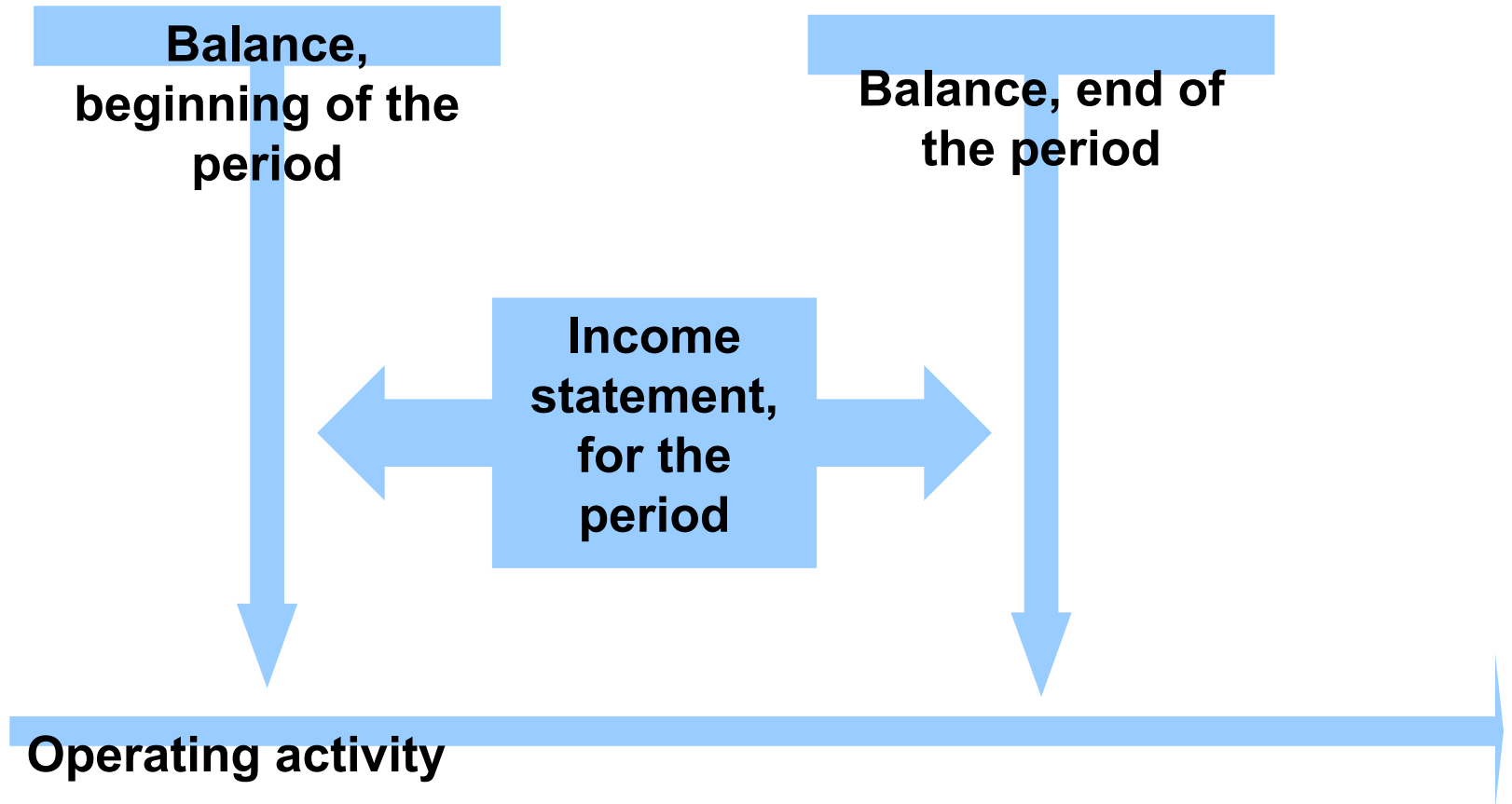
# Income statement

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# Balance sheet & income statement

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# Balance sheet & income statement

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Assets = Equity + (-) Profit (Loss) +  
Liabilities

Assets = Equity + (Receipts -  
Disbursements) + Liabilities

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# STATEMENT OF CASH FLOWS

# Cash flow statement

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- Operating activities:
    - + Cash received from customers
    - Cash paid to suppliers and employees
    - Operating expenses
    - Securities
    - + Interest received
    - Interest paid
    - Income tax paid
  - = Cash flow provided (used) by operating activities
-

# Cash flow statement

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- Investing activities
    - + Proceeds from sales of assets
    - Capital expenditures
    - Shares acquisition
    - + Proceeds from sales of shares
    - + Proceeds from investing activities (dividends, interests)
  - = Cash flow provided (used) by investing activities
-

# Cash flow statement

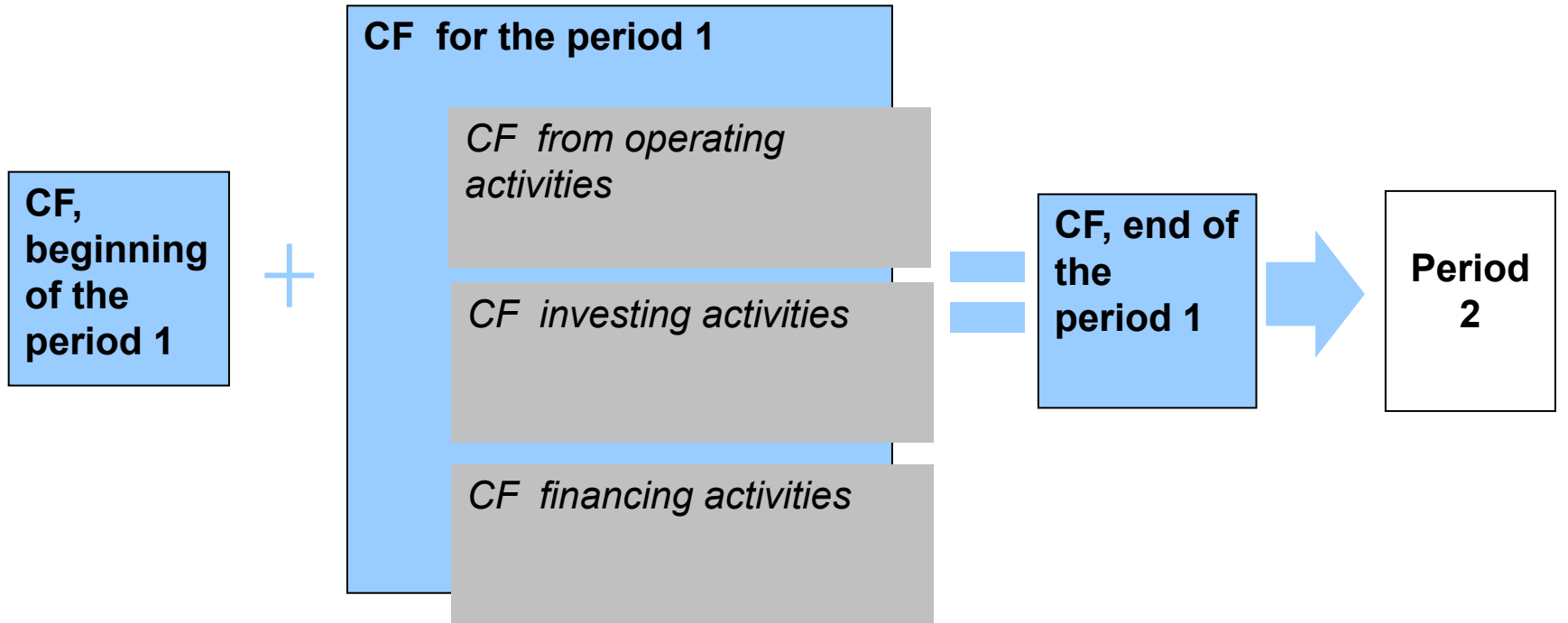
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- Financing activities
    - + Equity
    - + Loans
    - + Proceeds from issuance of long-term debt
    - Repayment of loans
    - Interest payments
    - Leasing payments
    - Dividend payments
  - = Cash flow provided (used) by financing activities
-



# Cash flow statement

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*Time*

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# Cash flow statement

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- Methods of representing cash flows from operating activities:
    - *Direct* - all the inflows and outflows are calculated using accrual method
    - *Indirect* - adjusting net income to reconcile it to net cash flow from operating activities
-

# Cash flow statement

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- Steps of the indirect method:
    1. Add back noncash expenses, primarily depreciation / Subtract noncash earnings
    2. Show increases/decreases in current asset and current liability accounts
    3. Calculate cash flow from operating activities
-

# Cash flow statement

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- Signs for adjustments (indirect method)
    - □ Current assets
    - □ Current liabilities
    - Noncash earnings
    - + □ Current assets
    - + □ Current liabilities
    - + Noncash expenses
-

# Cash flow statement

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- Differences between EAT and CF:
    1.
      - EAT show economic effectiveness of sales, don't concern payments spread in time
      - CF shows real in- and outflows during the period
    2.
      - EAT exclude VAT
      - CF shows VAT
    3.
      - EAT includes depreciation as a disbursement
      - CF exclude depreciation as an outflow
    4.
      - Income statement concerns only operating activities
      - Statement of cash flows concerns all the types of the company's activities
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# FINANCIAL ANALYSIS

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# BASIC PRINCIPLES

# Financial ratios

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- A **financial ratio** is a relationship that indicates something about a firm's activities and enables an analyst to make a comparison of a firm financial condition over time or in relation to other firms.
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# Financial ratios

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- Successful financial ratio analysis:
    - Requires only representative sample of possible ratios
    - A financial ratio is meaningful only in comparison to some standard or tendency
    - While comparing to another firm remember about possible differences in accounting techniques and ratios names.
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# Financial ratios

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- Advantages of financial ratios:
    - Possible to compare companies and projects of different sizes
    - Just several ratios can provide a relatively full information about the performance of the company
    - Show relationship between earnings, disbursements, assets, equity and liabilities
    - Easy to calculate
-

# Financial ratios

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- Disadvantages of financial ratios:
    - Strongly depend on accuracy of reports
    - Don't analyze absolute values of sales, profit, used capital
    - Difficult to find a standard or a base for comparison
    - Ratios based on annual reports don't show the company's performance during the year
    - Don't consider sudden changes on the market or inflation
-

# Financial ratios

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- Users of financial analysis results:

| <b>Users</b>                                | <b>Interest</b>  |
|---|--|
| Suppliers and short-term creditors          | current liquidity, near-term cash-generating capacity  |
| Bond holders and holders of preferred stock | Earnings, assets, cash-generating capacity over the long run, claims other investors have on the firm's cash-flows |
| Common stockholders and potential investors | profitability and risk   |
| Management                                  | all aspects of financial analysis on both short- and long-term basis   |

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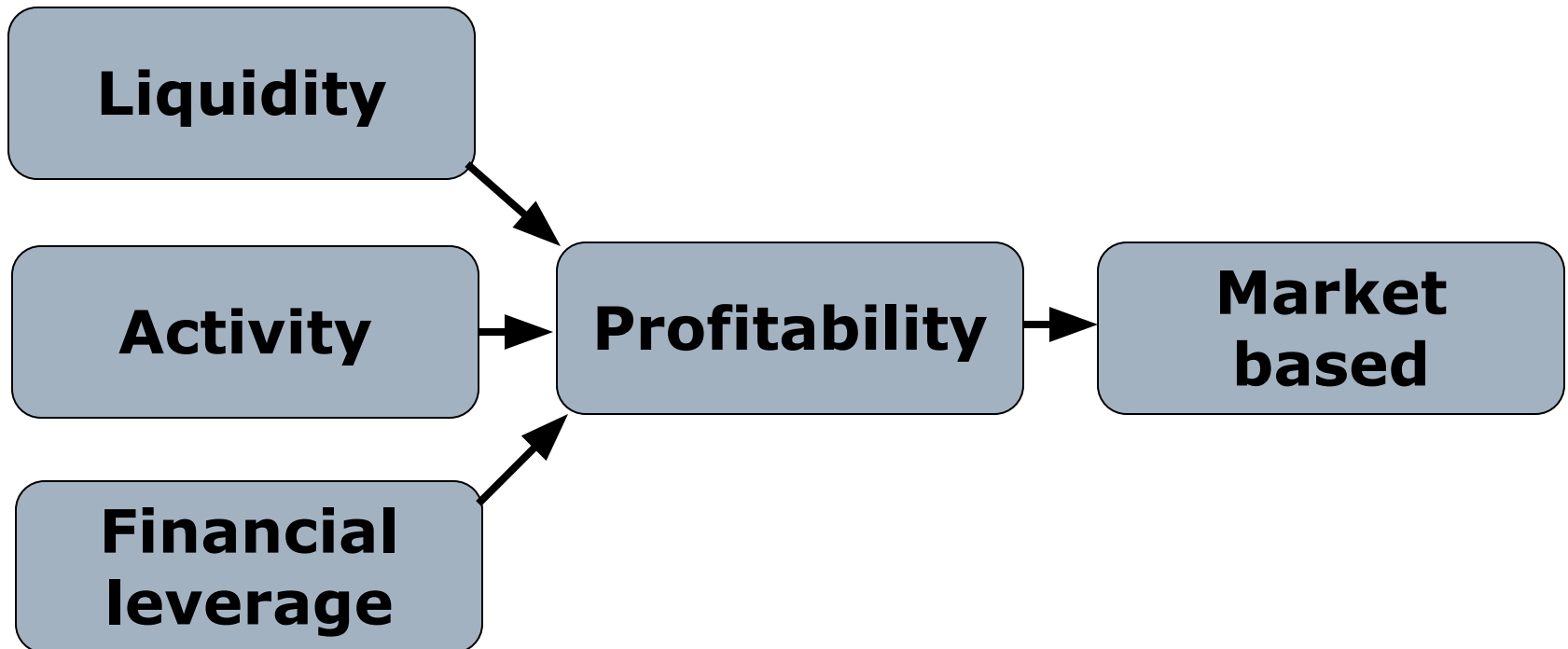


# FIVE GROUPS OF FINANCIAL RAIOS

# Financial ratios

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- Five groups of financial ratios



# Liquidity ratios

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- **Liquidity ratios** indicate a firm's ability to meet short-term financial obligations.
    - ***Current ratio = Current assets / Current liabilities***  
**>2**
    - ***Quick ratio = (Current assets - Inventories) / Current liabilities***  
**>0.9-1.0**
-

# Liquidity ratios

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## Aging schedule

| <b>Days outstanding</b>          | <b>Amount outstanding,<br/>\$</b> | <b>Percentage of total, %</b> |
|----------------------------------|-----------------------------------|-------------------------------|
| Less than 30                     | 9450                              | 51.6                          |
| 30-59                            | 5161                              | 28.2                          |
| 60-89                            | 2750                              | 15                            |
| over 90                          | <u>959</u>                        | <u>5.2</u>                    |
| <b>Total accounts receivable</b> | <b><u>18320</u></b>               | <b><u>100.0</u></b>           |

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# Activity ratios

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- **Activity ratios** indicate how efficiently a firm is utilizing its assets to generate the sales.
    - ***Asset turnover = Sales / Av.asset***
    - ***Turnover period = Av.asset / Daily sales***
    - ***Av.asset = (Beg.asset + End.asset) / 2***
-

# Activity ratios

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- ***Average collection period =  
Accounts receivable/  
(Annual credit sales/365)***
  - ***Inventory turnover =  
Costs of sales / Average inventory***
  - ***Fixed-asset turnover =  
Sales / Net fixed assets***
  - ***Total asset turnover =  
Sales / Total assets***
-

# Financial leverage ratios

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- **Financial leverage ratios** measure the degree to which a firm is financing its assets with fixed-charge sources of funds such as debt, preferred stock, or leases
    - ***Debt ratio = Total debt / Total assets***
    - ***Debt-to-equity = Total debt / Total equity***
-

# Financial leverage ratios

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- Financial leverage rule:
    - if the rate of return on equity exceed the cost of the borrowed funds (interest rate) – the more is the share of the debt, the more is return on assets  
**ROI > i : □ debt → □ ROE**
    - if the rate of return on equity is lower than the cost of the borrowed funds – the more is the share of debt, the lower is return on assets  
**ROI < i : □ debt → □ ROE**
-

# Profitability ratios

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- **Profitability ratios** measure the total effectiveness of a company's management in generating profits.
    - ***Gross profit margin = (Sales - Cost of sales) / Sales***
    - ***Net profit margin = EAT / Sales***
    - ***Return on investment (ROI) = EAT / Total investments***
    - ***Return on stockholders' equity (ROE) = EAT / Stockholders' equity***
    - ***Return on assets (ROA) = EAT / Total assets***
-

# Market-based ratios

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- **Market-based ratios** measure the market's (investor's) assessment of the risk and performance of a firm.
    - ***$P/E = \text{Market price per share} / \text{Current earnings per share}$***
    - ***$P/BV = \text{Market price per share} / \text{Book value per share}$***
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# SOME METHODS OF FINANCIAL ANALYSIS

# Methods of financial analysis

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- **Vertical analysis** – structure analysis of a company's statements
  - **Horizontal analysis** – comparison of a company's statements through several periods
  - **Trend analysis** – comparison of a company's results to a basic period or industry standards
  - **DuPont chart** – profitability analysis
  - **Factor analysis** – assessment of the most important factors influencing ROE
  - **Z-analysis** – forecasting probability of bankruptcy
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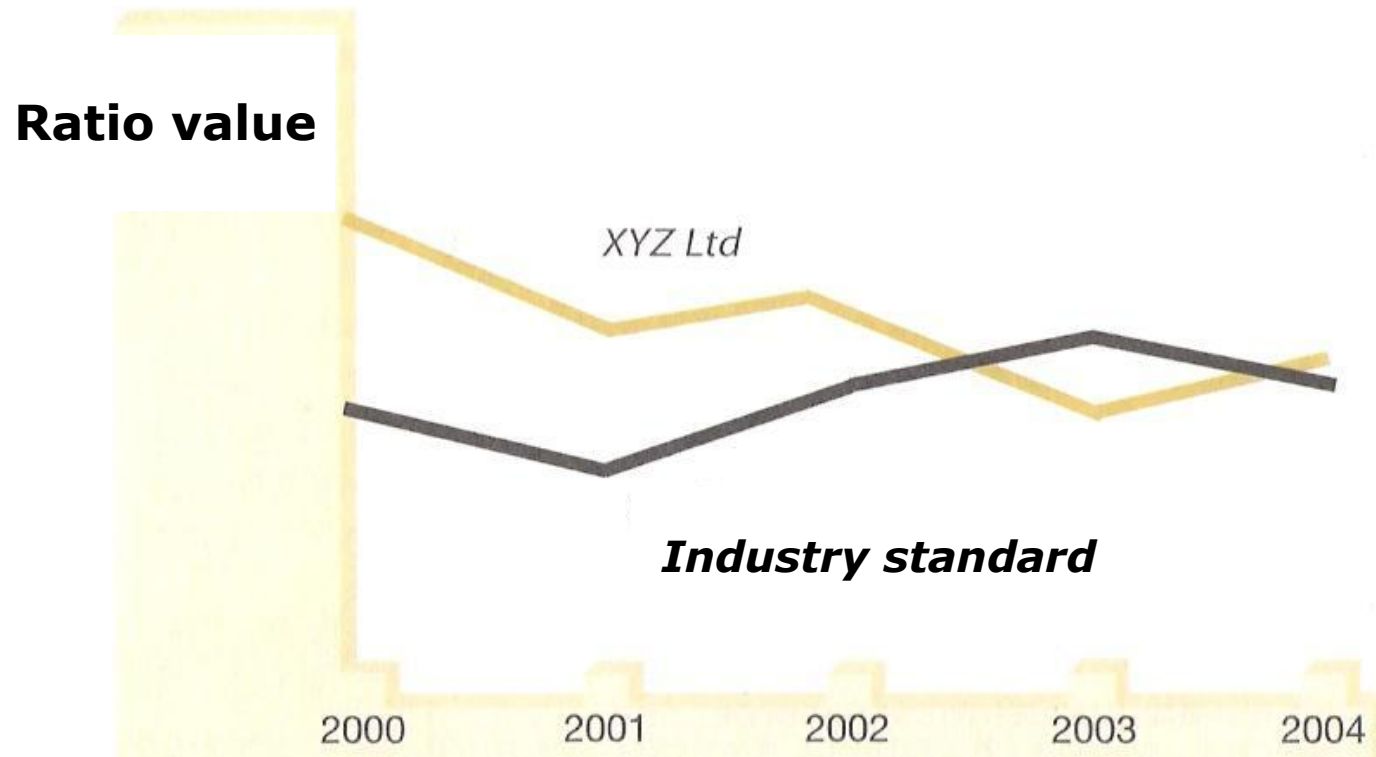
# Trend analysis

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- Steps of the trend analysis:
    1. Choose a ratio
    2. Choose a basic period / find industry standards
    3. Find information on the previous periods
    4. Draw a trend for the previous periods
    5. Analyze the trend comparing to the basic period or industry standard
    6. Make forecast for the future periods and draw the results at the trend
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# Trend analysis

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# DuPont Chart analysis

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$$\frac{\text{EAT}}{\text{Tot.Assets}} = \frac{\text{EAT}}{\text{Sales}} * \frac{\text{Sales}}{\text{Total assets}}$$

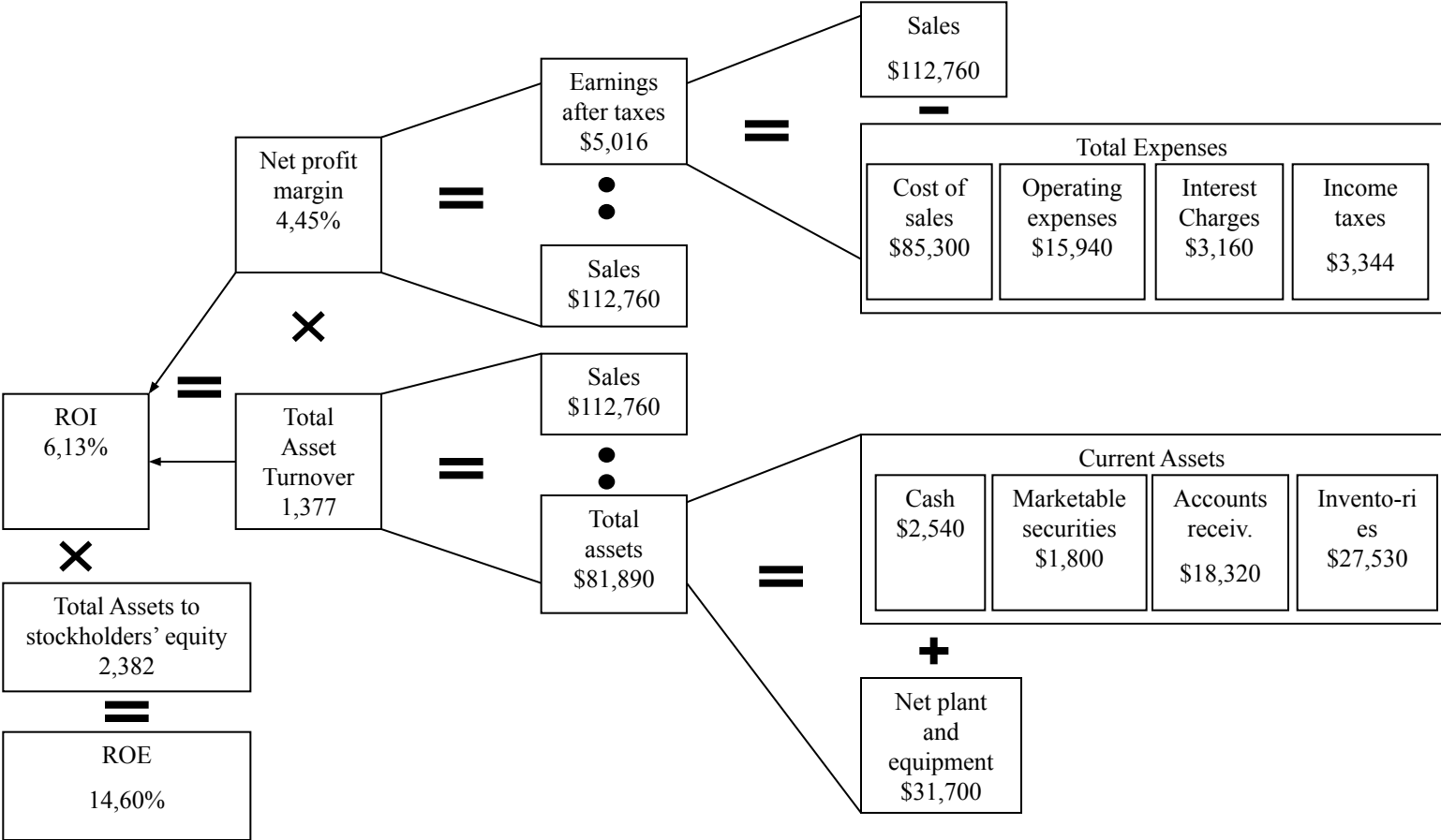
$$\mathbf{ROI = NPM * TAT}$$

$$\frac{\text{EAT}}{\text{St.Equity}} = \frac{\text{EAT}}{\text{Sales}} * \frac{\text{Sales}}{\text{Tot.Assets}} * \frac{\text{Tot.Assets}}{\text{St.Equity}}$$

$$\mathbf{ROE = NPM * TAT * EM}$$

---

# DuPont Chart analysis



# Factor analysis

|                 | 2009, I qt. | 2009, II qt.                | 2009, III qt.               |
|-----------------|-------------|-----------------------------|-----------------------------|
| <b>ROE</b>      | $a_0$       | $a_1$                       | $a_2$                       |
| NPM             | $x_0$       | $x_1$                       | $x_2$                       |
| TAT             | $y_0$       | $y_1$                       | $y_2$                       |
| EM              | $z_0$       | $z_1$                       | $z_2$                       |
| <u>Changes:</u> |             |                             |                             |
| <b>ROE</b>      |             | $a_1 - a_0$                 | $a_2 - a_1$                 |
| NPM             |             | $x_1 y_0 z_0 - x_0 y_0 z_0$ | $x_2 y_1 z_1 - x_1 y_1 z_1$ |
| TAT             |             | $x_1 y_1 z_0 - x_1 y_0 z_0$ | $x_2 y_2 z_1 - x_2 y_1 z_1$ |
| EM              |             | $x_1 y_1 z_1 - x_1 y_1 z_0$ | $x_2 y_2 z_2 - x_2 y_2 z_1$ |

# Factor analysis

|                 | 2009, I qt. | 2009, II qt. | 2009, III qt. |
|-----------------|-------------|--------------|---------------|
| <b>ROE</b>      | 0.634       | 0.837        | 1.401         |
| NPM             | 0.564       | 0.981        | 0.318         |
| TAT             | 0.061       | 0.049        | 0.090         |
| EM              | 18.431      | 17.403       | 48.942        |
| <u>Changes:</u> |             |              |               |
| <b>ROE</b>      |             | 0.202        | 0.564         |
| NPM             |             | 0.469        | -0.565        |
| TAT             |             | -0.217       | 0.227         |
| EM              |             | -0.049       | 0.903         |

# Z-analysis

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$$Z = \frac{CA}{TA} * 1.2 + \frac{RE}{TA} * 1.4 + \frac{EBIT}{TA} * 3.3 + \frac{TE}{TA} * 0.6 + \frac{S}{TA}$$

| <i>Z</i>                 | <i>Bankruptcy probability</i> |
|--------------------------|-------------------------------|
| <i>Less 1.8</i>          | <i>Very high</i>              |
| <i>From 1.81 to 2.7</i>  | <i>High</i>                   |
| <i>From 2.71 to 2.99</i> | <i>Medium</i>                 |
| <i>From 3.0</i>          | <i>Low</i>                    |

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# CASH FLOW MANAGEMENT

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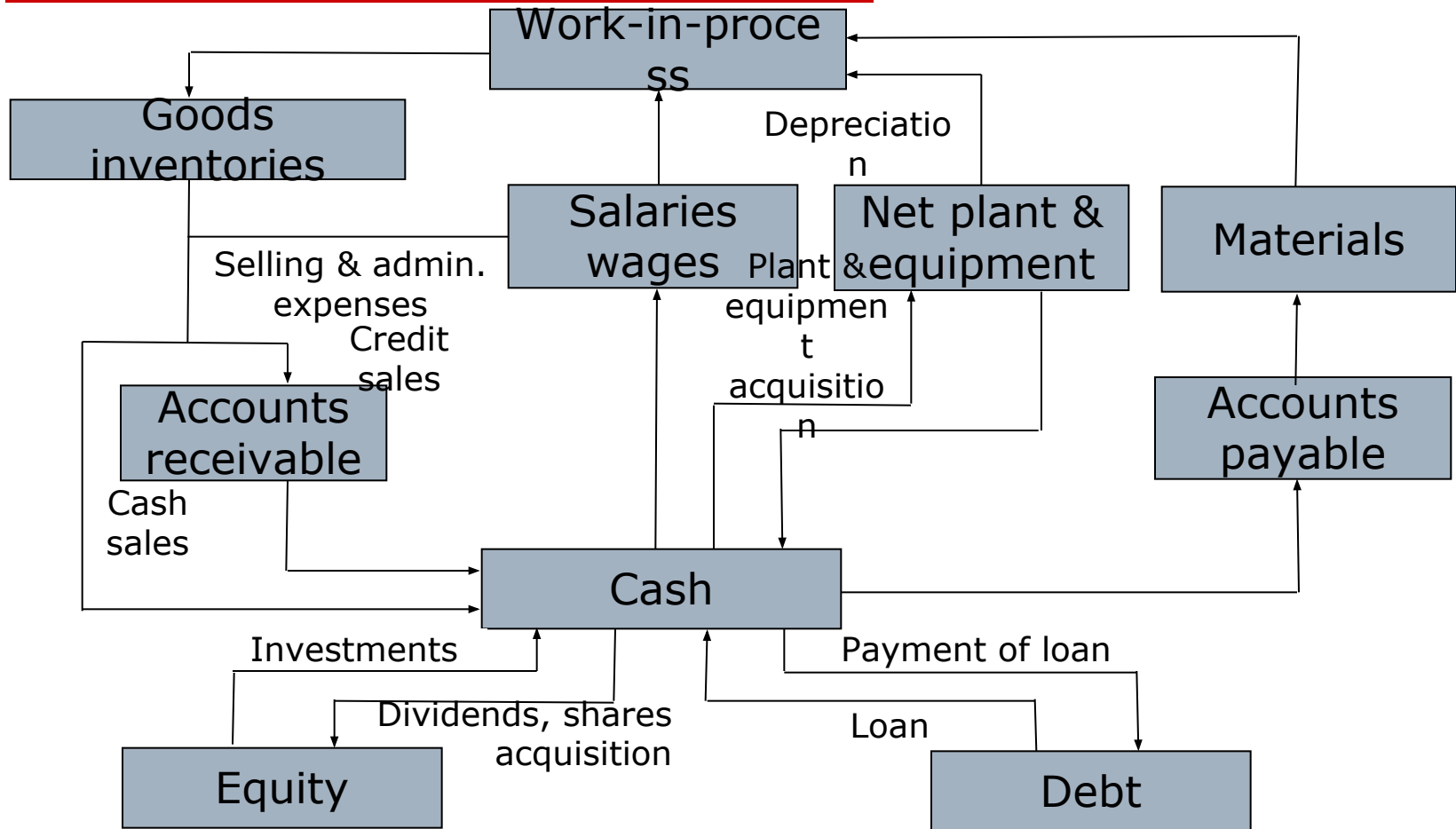
'Oh, silly me. Did I put that chart back upside down?'





NET CASH FLOW

# Cash as a company's working capital



# Cash as a company's working capital

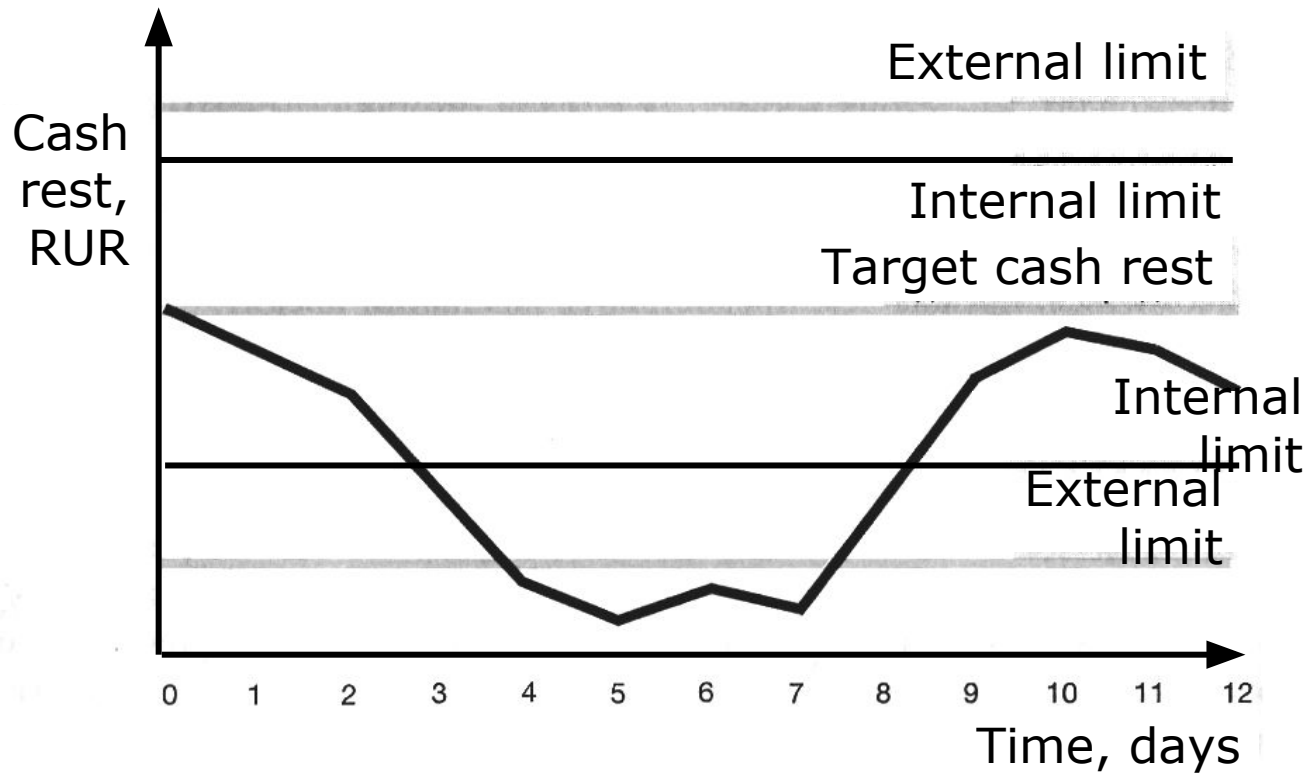
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- Cash volume depends on:
    - Production phase
    - Sales
    - Collection of accounts receivable
    - Capital expenditures
    - Financing
-

# Cash as a company's working capital

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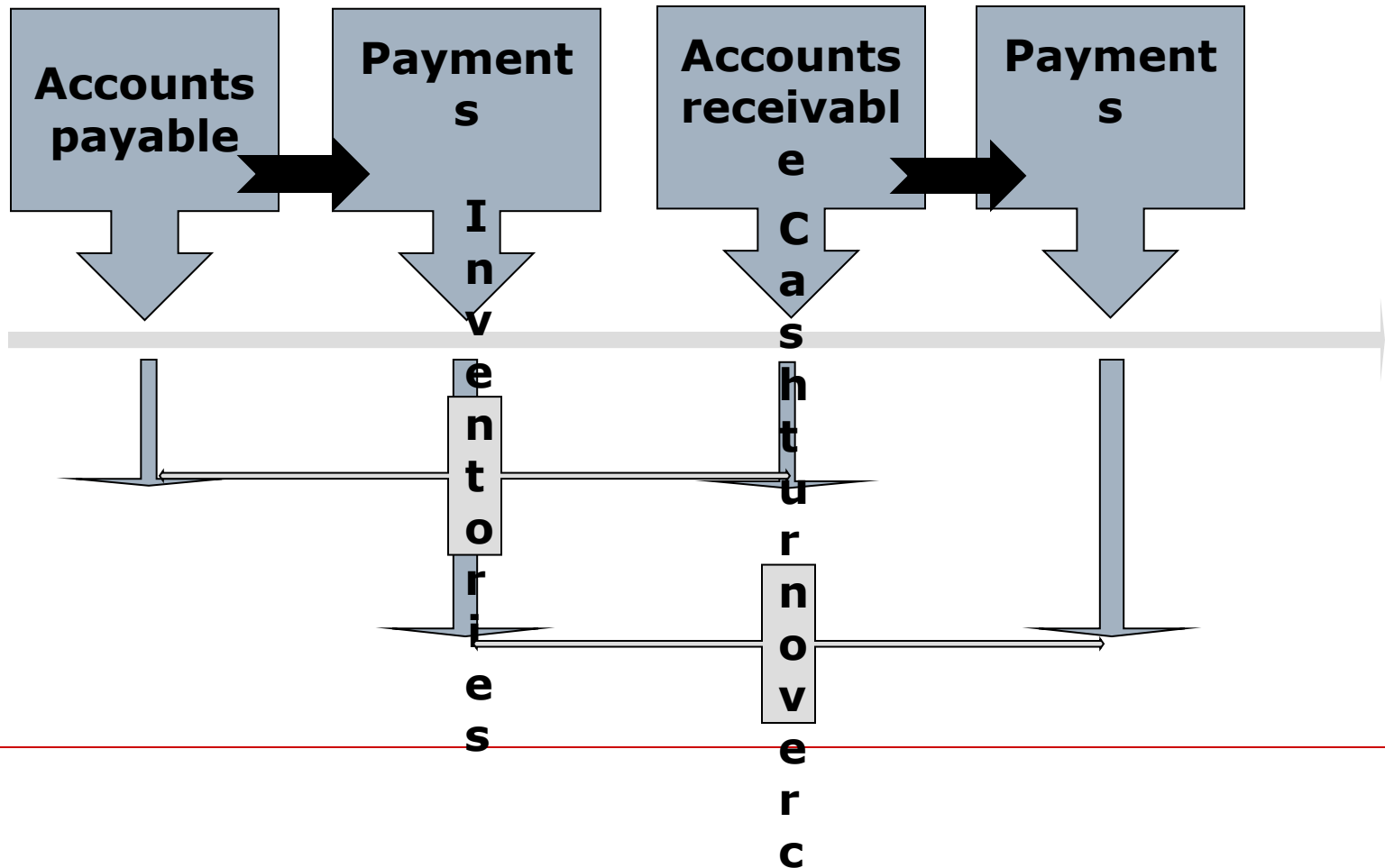
## □ Control of a cash rest



# Cash as a company's working capital

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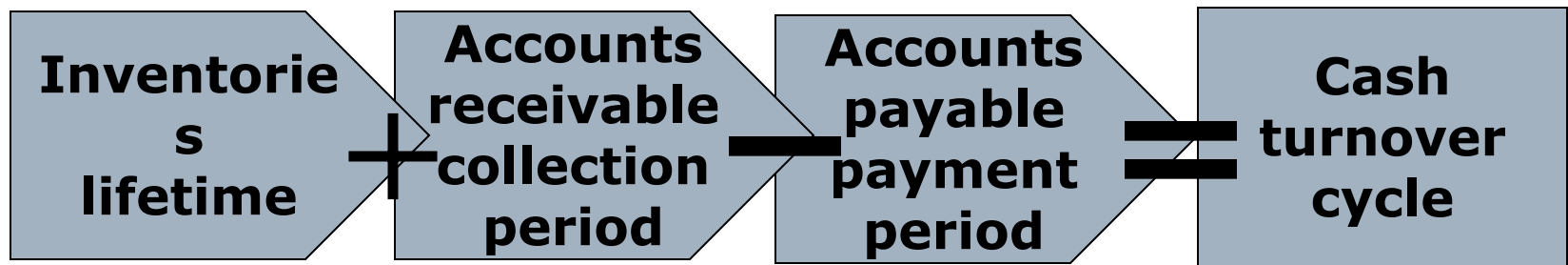
## Cash turnover cycle



# Cash as a company's working capital

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- Cash turnover cycle



# Statement of cash sources & disbursements

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## □ Cash sources

- Current assets reduction (excl. cash)
- Fixed assets reduction
- Liabilities increase
- Proceeds from sales of shares
- Cash acquired through operating activity

## □ Cash disbursements:

- Current assts increase (excl. cash)
  - Fixed assts increase
  - Liabilities reduction
  - Acquisition of shares
  - Dividends
-

# Depreciation

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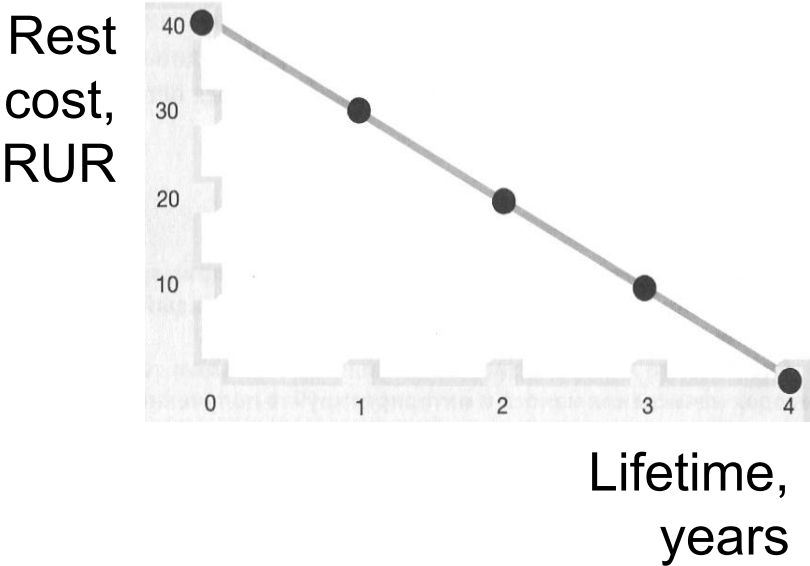
- Depreciation norm depends on:
    - Initial
    - Lifetime:
      - Technical
      - Effective
    - Rest cost
    - Method of depreciation:
      - Straight line
      - Accelerated
-



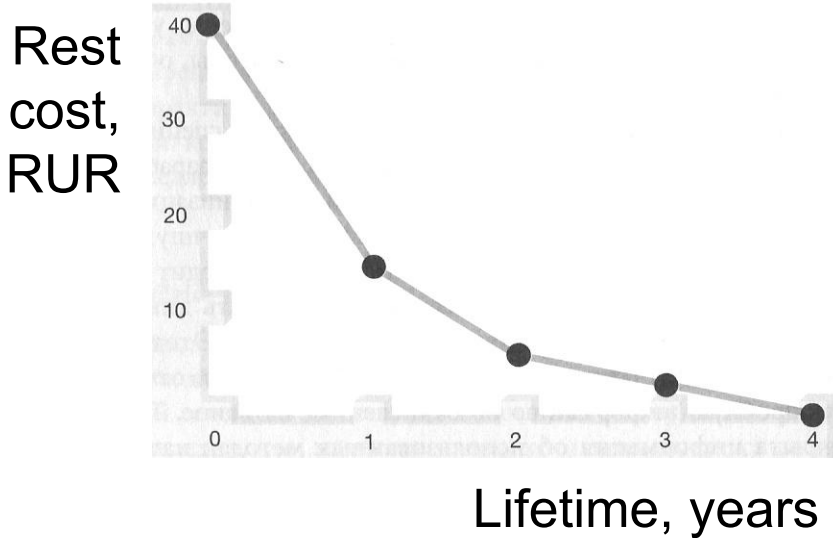
# Depreciation

---

## Straight-line



## Accelerated

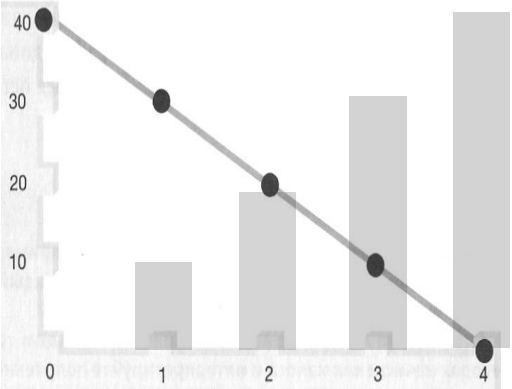


# Deferred taxes

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## Straight-line

Rest cost, RUR

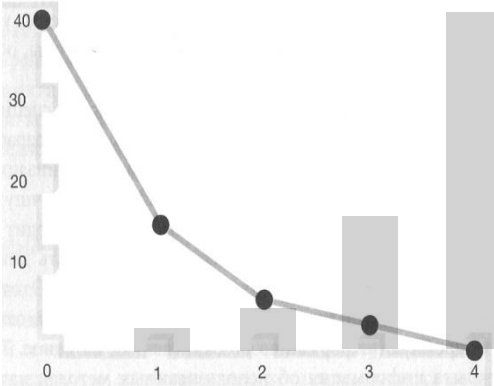


Lifetime, years

Income tax, RUR

## Accelerated

Rest cost, RUR



Lifetime, years

Income tax, RUR

# Deferred taxes

| <b><u>Calculation of Taxes for Financial Reporting and Tax Purposes</u></b><br><b>(in millions of rub.)</b> |   |                     |
|---|---|---------------------|
|   | <b>Financial Reporting<br/>Purposes</b> | <b>Tax Purposes</b> |
| Sales   | 100.00                                  | 100.00              |
| Expenses, excluding<br>depreciation   | 70.00                                   | 70.00               |
| Depreciation:<br>Straight line  | 10.00                                   |                     |
| Accelerated   |   | 12.00               |
| Income before taxes   | 20.00                                   | 18.00               |
| Taxes (20%)   | 4.00                                    | 3.60                |
| Net income  | 16.00                                   | 14.40               |



# CASH FLOW FORECASTING

# Forecasting of financial statements

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5 steps:

1. Define basic data for forecasting:
    - external
      - income tax rate
      - interest rate
      - inflation
      - technological changes
      - volume of the market and growth perspectives
      - competition level
      - market strength of suppliers and customers...
-

# Forecasting of financial statements

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- internal:
    - investments policy
    - external financing policy
    - accounting policy
    - dividend policy
    - planned profitability level
    - cost structure
    - asset base and structure
    - sources of funds structure
-

# Forecasting of financial statements

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## 2. Forecast the volume of sales

- bottom-up forecasting
- statistics analysis
- marketing analysis

## 3. Forecast other items of the statements

- variable & fixed costs
- balance items depending on sales
- cash flow

## 4. Prepare pro-forma financial statements

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# Forecasting of financial statements

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5. Analysis of pro forma financial statements
    - Cash flows
    - Additional financing & sources
    - Reinvestment possibilities
    - Profit/risk analysis
    - Sales/costs analysis
    - General financial performance
    - Financial leverage
-



# Percentage of sales forecasting method

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- The percentage of sales forecasting method:
    - permits a company to forecast the amount of financing it will need for a given increase of sales
    - while sales increase, increase company's assets and liabilities
    - the difference between the forecasted asset increase and the forecasted current liability is equal to the total financing the company will need.
-

# Percentage of sales forecasting method

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$$\begin{aligned} \text{Total financing needed} &= \text{Forecasted asset increase} - \text{Forecasted current liability increase} \\ &= A^* \frac{\Delta S}{S} - CL^* \frac{\Delta S}{S} \end{aligned}$$

$$\text{Internal net cash provided} = \text{Forecasted CF} - \text{Dividends}$$

$$\begin{aligned} \text{Additional financing needed} &= \text{Total financing needed} - \text{Internal net cash provided} \\ &= A^* \frac{\Delta S}{S} - CL^* \frac{\Delta S}{S} - (CF - D) \end{aligned}$$

---

# Percentage of sales forecasting method

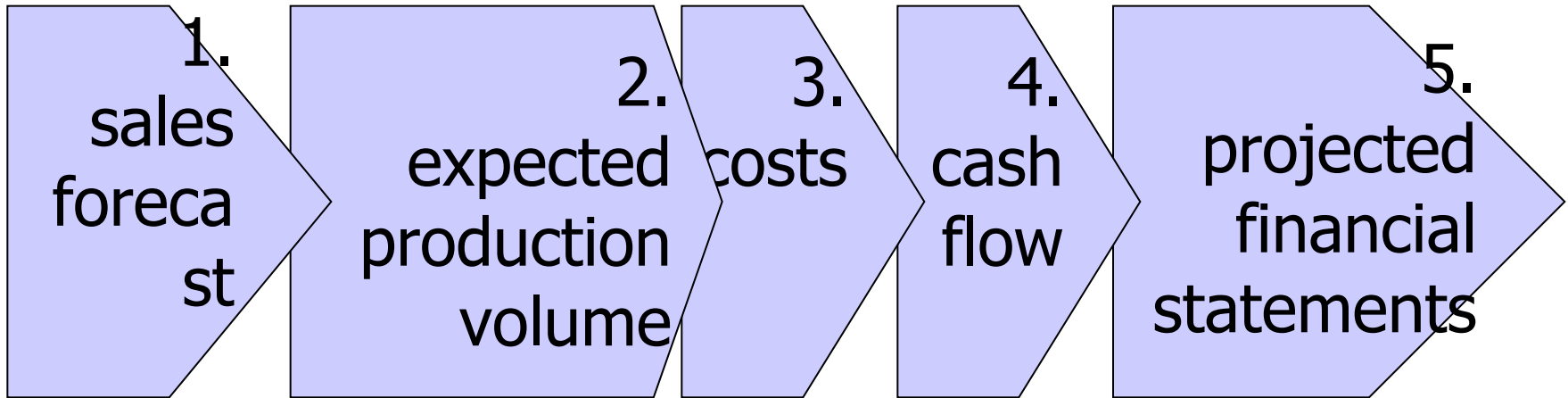
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- To support the sales increase the management of the company has to decide whether to
    - (1) borrow on a short-term basis,
    - (2) to borrow on a long-term basis,
    - (3) sell additional common stock, or
    - (4) cut dividends.
-

# Budgeting

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## □ Five steps in preparing a budget



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# COSTS PLANNING

# Types of costs

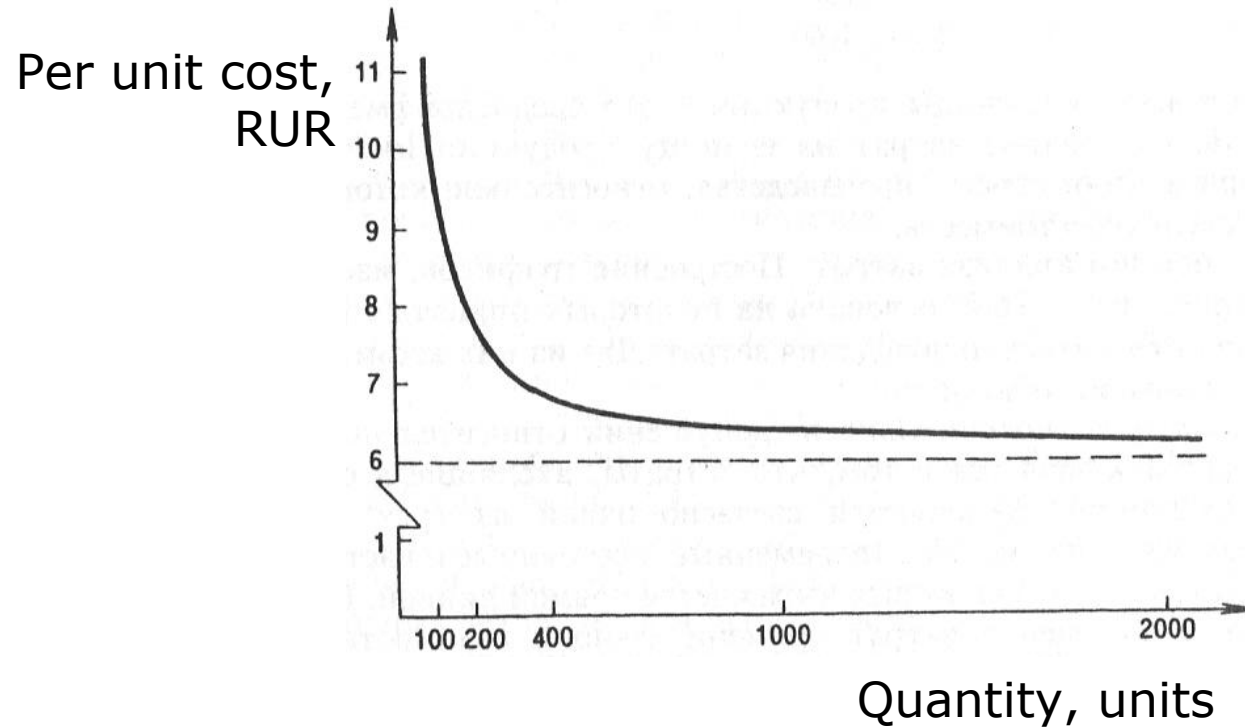
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- **Variable costs** are expenses that change in proportion to the volume of production:
    - Materials
    - Labor
  - **Fixed costs** are business expenses that are not dependent on the activities of the business:
    - Heating
    - Water for non-production purposes
    - Salaries
    - Selling & administrative expenses...
  - **Semi variable cost** is an expense which contains both a fixed cost component and a variable cost component.:
    - Electricity
    - Communication means...
-

# Types of costs

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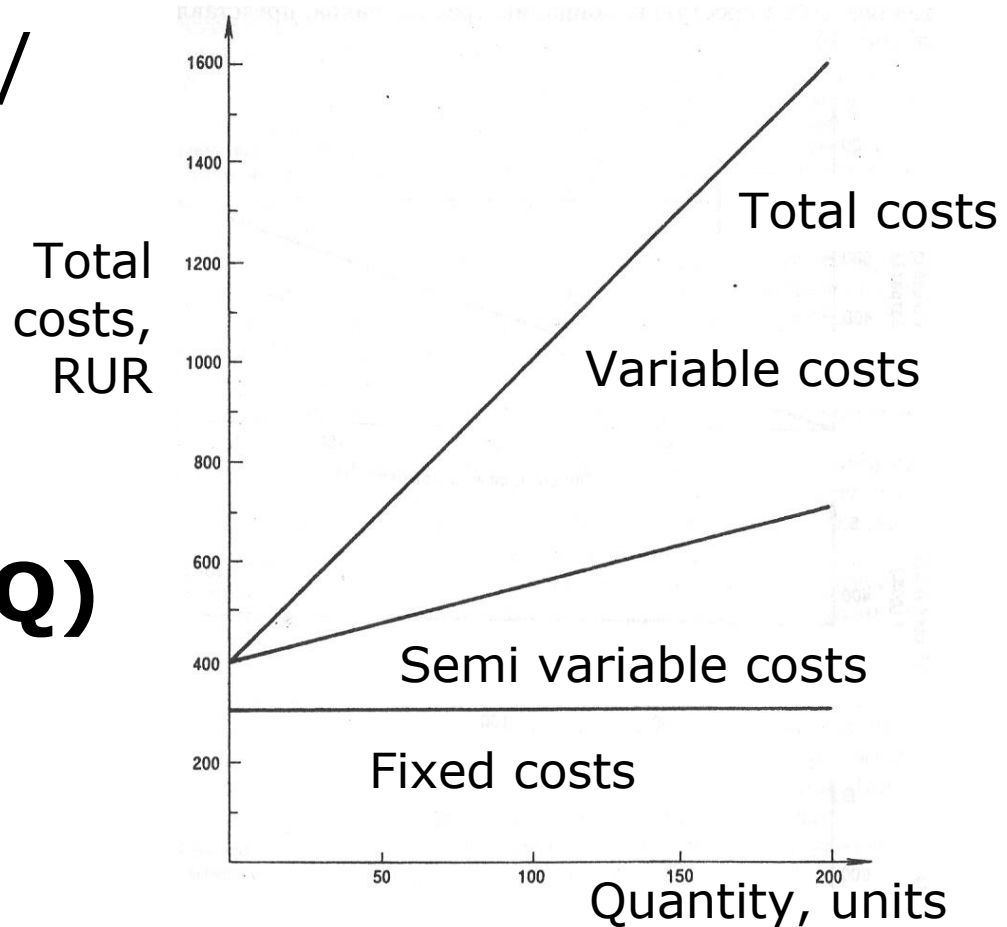
- Dependence of per unit cost on the volume of production



# Types of costs

□ Total costs / quantity

□ **TC = FC + (VC\*Q)**





# Cost structure

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- A **cost** is the value of money that has been used up to produce something
    - **Direct costs** are those for activities or services that benefit specific projects
    - **Indirect costs** are those for activities or services that benefit more than one project.
-

# Cost structure

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- **Costs usually charged directly**
    - Project staff
    - Consultants
    - Project supplies
    - Publications
    - Travel
    - Training
  - **Costs either charged directly or allocated indirectly**
    - Telephone charges
    - Computer use
    - Project clerical personnel
    - Postage and printing
    - Miscellaneous office supplies
  - **Costs usually allocated indirectly**
    - Utilities
    - Rent
    - Audit and legal
    - Administrative staff
    - Equipment rental
-

# Cost structure

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