

**A presentation by**  
**Queen's University**  
**Financial Services**

# Financial Services

## Research Overhead - Understanding the Basics

# What is Research Overhead?



**Research overhead** or **indirect costs** include expenses necessary to support research, which may not be attributable to a specific research project.

Overhead costs provide general support for the university research environment.

**Examples** include **utilities costs, insurance,** and **research administration support services.**

# Overhead Rates



Research overhead rates are determined through the negotiation of research agreements and contracts. **Rates may vary depending on the source of funds.** Examples of research overhead rates may include:

- 40% for Research Agreements
- 30% for Clinical Trial Agreements

**Some** external agencies provide revenue to cover overhead costs, however there are many research projects which do not include an overhead component.

The **Indirect Costs of Sponsored Research Policy** governs the establishment of rates.

# Overhead Charges



Research overhead is charged **based on expenses incurred in a given month**. Overhead is charged at the end of each fiscal month through a process administered by Research Accounting.

**Account 693001 "Overhead"** is used to record overhead expenses charged to research projects.

# Overhead Commitments



Overhead commitments reflect **funds budgeted** to pay for indirect costs, **not yet expensed** in the Queen's General Ledger. Overhead commitments are calculated and posted to applicable research projects at the end of the fiscal month.

Overhead commitments provide researchers with a **more accurate view of funds available** for the direct costs of research.

# How are Commitments Calculated?



Overhead commitments are **calculated** as follows:

$$\begin{aligned} & \text{Budgeted Overhead less} \\ & \text{Overhead Expenses to date} = \\ & \text{Overhead Commitment} \end{aligned}$$

# Does my Project include Overhead?



To determine if your research project includes overhead, refer to the budget information.

If a budget amount appears against **Account 693000 "BUD-Overhead"** this represents amounts reserved for overhead.

## Tip!

If you become aware of the fact that your **research project budget** has changed and your project includes overhead, **please advise Research Accounting**, as this could impact the overhead commitment amount.



# How is Overhead Distributed?



**Account 480002 "RESTRICTED: Revenue OH (RSH)"** is used to distribute overhead revenues. Overhead revenues are distributed by Research Accounting immediately following the overhead charge process at the end of each fiscal month.

Overhead revenues are distributed to the **Faculty or School** of the primary investigator, or shared among faculties and schools for inter-faculty/school research agreements and contracts. A negotiated percentage of overhead may be distributed to affiliated hospitals for sponsored research projects.

# Variations to Overhead Distribution



Exceptions to overhead distribution must be negotiated and approved.

To request an exception, a Request for Exception to the Distribution of Funding Received to Support the Indirect Cost of Sponsored Research Policy form must be completed. This form may be found on the **Tools For Research Administration at Queen's (TRAQ)** website, under the **Awards (Grants & Contracts)** tab, within **Awards Supportive Documents**.

# Closing a Project



If a research project is being brought to a \$0 balance in order to be closed, it is important to consider the effects of overhead when applicable. The following formula should be applied when determining the amount of expenses to recode:

**Step 1:** Available Funds / 1 + Indirect Cost Rate = **Direct Costs**

**Step 2:** Available Funds Less Direct Costs = **Indirect Costs**

# Sample Journal Entry



**Example:** The overhead rate is 40% and there is \$1,000.00 remaining in research project 399999.

**Step 1:**  $\$1,000.00 / 1.40 = \$714.28$

Fund	Dept	Account	Project	Line Description	Amount
30000	11540	600009	399999	REC FR 357999 MAY 2015	714.28
30000	11540	600009	357999	REC TO 399999 MAY 2015	(714.28)

**Step 2:**  $\$1,000.00 - \$714.28 = \$285.72$

Once overhead is charged, the remaining balance will be expensed:

$\$714.28 \times 40\% = \$285.72$  represents overhead charge

$\$714.28 + \$285.72 = \$1,000.00$  represents total expenses

# Indirect Costs Policy



For additional details regarding the  
**Indirect Costs of Sponsored Research Policy**,  
visit the [Policies](#) page on the  
**University Secretariat and Legal Counsel** website.

# How may we help you today?



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