A presentation by

Queen’s University

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 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.
Overhead commitments are calculated as follows:

**Budgeted Overhead** less **Overhead Expenses to date** = **Overhead Commitment**
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.
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

<table>
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<th>Fund</th>
<th>Dept</th>
<th>Account</th>
<th>Project</th>
<th>Line Description</th>
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<td>REC TO 399999 MAY 2015</td>
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</tbody>
</table>

**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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