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**Allocation Of Indirect Costs: A Process To Promote More
Significant Performance Conclusions To *Vda***

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ABSTRACT

Vieira de Almeida (*VdA*) is one of the most successful law firms in Portugal. *VdA* believes that, to remain competitive in its field, its budgetary process needed to be examined to identify inefficiencies in the current method. Thus, the purpose of this article is to identify the major gaps in the firm's annual budget so that the process could be improved. For each period, *VdA* closely monitors its costs, nevertheless, after having analysed their nature, it was concluded that the indirect costs were not being considered. Therefore, this section aims to suggest an allocation of those expenses.

Key Words: Management Accounting; Consulting Project; Management Control Systems; Budgeting; Control Analysis; Costing Systems; Data Collection; Cost Allocation; Allocation Bases; Single Bases Allocation; Indirect Costs; Profitability; Microsoft Excel; Process Efficiency;

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GAP 4 | COST ALLOCATION AND SOLUTION

The purpose of this section is to discuss the most important element in cost management, the costing method. It represents the starting point, where all other fundamentals and decisions are modeled in light of the method adopted (Horngren 2004). The concern to find the most appropriate allocation base to relate indirect costs to cost objects has led to the considering of various methods, that will be explained below.

Since the budgetary process was one of the main challenges to be addressed, a deep analysis of how the firm proceeded, with its implementation, was executed. Given the fact that *VdA* is separated into practice areas and managements areas, the costs are equally separated, being the ones related with the second mentioned areas called indirect costs since they exist to support the operations of the revenue-generating areas. To note that indirect costs represent those expenses that are not intuitively associated with a specific project or section, but incurred for the shared benefit of multiple activities (Estermann and Claeys-Kulik 2013). Nevertheless, as the budget was being studied, it was possible to identify that to compute the overall result for each practice area, these indirect costs were not being considered, inevitably leading to biased profit margins. Therefore, selecting the most appropriate allocation of the costs was one of the main worries to be solved. In similarity to the determination of the budget approach to be implemented, the firm's characteristics have been carefully considered so that the most appropriate apportionment of expenses was done.

Approaches to the allocation of costs

Cost allocation plays a crucial role no matter the dimension of the system (Cooper and Kaplan 1988) since it allows the firm to identify the costs that are specific to a certain area. Moreover, by adequately allocating the expenses, a more precise financial reporting can be done, which is valued by stakeholders since their decisions depend on these financial statements – if the presented results are biased, wrong decisions will be taken, negatively impacting the

business. Additionally, by making a more appropriate cost allocation, the company can determine the most profitable departments leading to more effective judgements.

In order to determine which allocation method is the most appropriate, in *VdA*'s case, it was important to consider the available options, taking into account, the firm's specificities.

Activity Based-Costing (ABC)

The usual approach for adopting the ABC system begins with the identification and mapping of the relevant activities carried out in the organization, as well as the identification of the resources that will be needed to carry out each activity (Kaplan and Anderson 2004) (Compton 1997). This costing method assumes that the company's costs are generated by the activities performed. In other words, the company first establishes the volume of sales it intends to achieve, consequently what is the number of activities necessary to reach that level of sales, and then what are the costs of carrying out these activities.

This method did not seem feasible for *VdA* since it disposes of a complex costing method. As it takes time to fully calculate it, the information sought may not be completely reliable making it difficult to determine an accurate projection of the sales value to be achieved. Additionally, it requires a high degree of specificity, by estimating, for instance, the time spent by the employee A on process X. Nevertheless, advocacy is an activity in which the unexpected can happen. Therefore the amount of time initially expected to be spent by employee A on process X, can end up increasing if the opposition presents a fact that hinders the process.

Homogeneous Cost Pool Model

This model allows the allocation of costs to be done through responsibility centers (Drury 2012). In other words, the expenses are all allocated to the centers, which will allow their control and the assignment to the cost object (Major et al. 2015) resulting in a more appropriate allocation of the mentioned costs than if no apportionment had been adopted.

Regardless of the benefits, it might bring to the company, it is also important to mention that the main complexity of such model is: the more cost pools it exists, the larger the amount of time and effort spent to establish it and to define what should be included within them.

As *VdA* aims to implement an efficient model that can be easily interpreted by the each department's managers, following the homogeneous cost pool model would not be an option. The main reason is the additional complexity it would add to the process by defining different cost pools which would go against the request made by the firm, that is, a more efficient and user-friendly model. Additionally, as *VdA*'s structure is not divided into responsibility centers with homogenous characteristics, but rather practice and management areas, presenting distinct objectives, it is not possible to create the conditions to adopt such method. Furthermore, there is a register of data lacking that would be needed for this approach to be implemented.

Single Vs Multiple Bases Allocation

In the development of the management accounting system, there must be a concern to define the most appropriate allocation bases to relate the indirect costs to the cost objects in order to increase the reliability of the information. This concern leads to the use of allocation criteria, based on a single allocation base (only one apportionment base to distribute all indirect expenses) or multiple (distinct allocation bases that reflect a cause-and-effect relationship with the factors that caused the cost). The cause-and-effect relationship between the expense and the cost object determines whether the expense is direct or indirect to a particular object (Kenton 2020).

Considering the different nature of costs presented in *VdA*'s daily operations, a multiple bases allocation seemed to be the most appropriated, allowing a more detailed apportionment of expenses, leading to faithful conclusions. Although the simple bases allocation is an easier process for the firm, it can also drive to superficial results. The best solution to be adopted by

the firm, was analysed, taking into account the reality of *VdA*, as well as the available information, which will be further explained.

Case of *VdA*

VdA presents its budget in a specific form. All direct costs are reflected in an excel called *Áreas de Prática* while all indirect costs are exhibited in an excel named *Áreas de Gestão*. Nevertheless, as mentioned before, such division is not effective since certain costs, mainly indirect, which represent a high percentage of *VdA*'s total costs, are not reflected in the practice areas. Such fact might mislead the managers to take wrong decisions if the financials are their ruling base. Several are the examples in which operational costs are only registered in a management area.

- *Facilities and Procurement* (F&P) is a management area that stores operational costs, such as *imputation of rents* (61311), *internet* (61512), *archive* (61617), or *mail* (61517). For the case of Lisbon, after closely analysing such cost, it was concluded that none of the practice areas, besides the ones for specific geographic areas such as Mozambique or East Timor, have this type of expense allocated to it. Instead, the majority is attributed to F&P. Nevertheless, it cannot be stated that rents or internet are not a cost of each practice area since they are required by any deviation to properly operate in its daily basis.
- *Systems & Cybersecurity* (S&C) represents a management area which mainly incorporates IT costs such as rental of *IT equipment* (61412), *SW licenses* (61413) or *IT consultancy* (62413). However, once more, it can be argued that such rubrics are presented in the daily activities of most practice areas and therefore an appropriate cost allocation must be done.
- *Workplace* (WP) is mainly related with the maintenance of the environment in which the advocacy services are provided. Costs such as *stationery* (61613), *utensils* (61615)

or *furniture and decoration* (61616) are the most evident ones, nonetheless, each department demands these types of equipment so that normal operations are ensured.

#1: Division between indirect and direct costs

To find a solution to the stated gap, an excel file was completed so that a division between direct and indirect costs could be done. By adopting such method, the final costs attributed to each area will be more faithful, and therefore, when obtaining the margin, by comparing revenues against costs, a more exact conclusion of the most profitable area will be achieved. Subsequently, indirect costs were divided into several groups with similar characteristics, to simplify the choice of an apportionment base best suited to the behavior of each group.

#2: Cost Allocation

Considering the objective to be attained, the allocation of the costs that seemed to be more appropriate is the one that took into consideration a multiple basis. As the firm contemplates a large diversity of costs with distinct natures, it is important to treat them differently. However, not always what seems most appropriate and effective is what is feasible and attainable by the firm.

In order to follow the multiple allocation bases, considering each type of expense within the groups with identical characteristics, the firm was asked if it would be possible to provide the data for the defined units so that a detailed allocation would be achieved. Nevertheless, most of the units, that had been defined, were not possible to be given since the firm does not control data such as number of processes, number of letters sent, number of kilometers traveled, or number of events organized. As a consequence, even though in an initial phase the single allocation method was not selected, due to the available information, this method had to be chosen to be applied. In Appendix 1 it is possible to analyze the different allocation bases that were initially considered and would greatly benefit the imputation process versus the final

allocation base: the number of *Fee-Earners* which under *VdA*'s classification is the same as number of employees from the practice areas.

In all the choices taken, it was constantly borne in mind the factor of efficiency required by the firm, in order to guarantee an intuitive budget process. Therefore, by following a single allocation bases, it is possible to pursue the efficiency of the processes required by the firm. If the multiple bases method was to be taken, during the budgetary period, the firm would need to carefully apply each bases to the appropriated cost, making sure no error would be committed such as allocating events organized on a "number of letters basis". Such worry would be precisely the opposite of what *VdA* is looking for at the moment: an intuitive procedure of completing the yearly budget and determining the most profitable department.

#2.1: Steps taken to follow the simple bases allocation

- 1) The number of *Fee-Earners* by practice area as a single allocation bases was decided to be the most appropriate, given lack of available data.
- 2) Comparison of the number of *Fee-Earners* by practice area with the sum of all practice areas' *Fee-Earners* so that in a later stage, the cost computed is multiplied by the determined percentage to properly allocate the expenses.
- 3) Creation of *AG Months* worksheet in which the management areas' monthly expenses, the firm's indirect costs, have been detailed and definition of a table containing the total monthly costs so that indirect expenses could be allocated, according to the percentage of total *Fee-Earners*;
- 4) Creation of *AP Months* worksheet in which the practice areas' monthly expenses, the firm's direct costs, have been recorded;
- 5) For both *AP Months* and *AG Months* worksheets, to tackle the costs that were only visible in January, namely salaries, a constant portion of 1/12 was attributed to each month in order to distribute them equally. To note that, even though, for monthly control

purposes, *VdA* registers the salary costs of all employees in each month according to the specific expenses spent, in the budgetary process, for simplification purposes, it considers all salary rubrics in the first month of the year. In the cases of other expenses such as mail, events and trips, those costs have already been distributed by *VdA* through the year according with their frequency of occurrence. Therefore, a simple addition of the expenses was done, per month, having facilitated the division in accordance with the number of *Fee-Earners* in each practice area.

6) In the *Final Allocation* worksheet, the monthly apportionment of the costs from the management areas was done taking into consideration the chosen allocation bases, adding to its already existent direct costs from the practice areas.

- In practical terms, the costs for a specific management area were divided by the “number of *Fee-Earners*” of the considered practice area and added to its already existing direct costs. The indirect costs were then allocated to each practice area, proportionally to the percentage of *Fee-Earners*. For example, *Infrastructure and Mobility* (I&M) is a practice area that presents, at the moment, eight workers, equivalent to 3% of *VdA*’s total *Fee-Earners*. To its already existing direct costs, 3% of the total costs from management areas were allocated to that area. Such computation, as previously stated, was elaborated so that a more accurate measurement of profitability would be attained.
- It has been decided to adopt both *INDEX* and *MATCH* formulas which are not as heavy as the *VLOOKUP* function. In basic terms, in the *Final Allocation* worksheet, the table located in the *AP Months* worksheet within the range of QZ3 and RM183, was selected, representing the total value of practice areas’ costs, was selected.
- Following, a selection of the rubric which was being looked for in the previously mentioned table was done, as well as the month, in order to get to the intended value

of the *AP Months* worksheet. To ensure that the correct values were being returned, the selection of cells was done from the *AG Months* worksheet.

- Finally, the obtained value was multiplied by the percentage of *Fee-Earners* of each practice area that was computed in the first stage.
- 7) Creation of *Final Allocation Insights* worksheet in which a computation of the profitability by practice area have been performed.
 - 8) After completing a detailed allocation of the indirect costs that previously were not visible in the practice areas' results, it became possible for *VdA* to present a more faithful budget that reflects a more approximate computation of the real profitability of each area.

#2.2: Differences between the current budget and the new allocation

After carrying out with a new allocation of costs, a comparison was made between the results currently presented by *VdA* (with no allocation of the indirect costs), and the results arising from the new allocation. Once having analyzed both direct and indirect costs, it was possible to conclude that around 43% of the total expenses – without *Custos Imputados a Clientes* as these costs are eventually returned to *VdA* when the clients are billed – (Appendix 2), that is 14,851,416 euros out of 34,771,326 euros, represented indirect costs associated with management areas, which were not allocated to the practice areas and are now visible in each department's profitability.

Cost allocation is an important technique for cutting expenses and increasing profits. It may also be employed as a cost incentive, with managers being rewarded for ensuring that costs are not accumulated unnecessarily. As a result, managers will feel compelled to operate their departments more efficiently. For that reason, the mentioned 43% of indirect costs, from the management areas, are necessarily important to be allocated into the practice areas in order to obtain a better view of the presented sections' profitability and efficiency. As profit margin is

a wide used financial indicator, since it represents the percentage of revenues that is converted into profit, its calculation was performed. Such computation aimed to achieve the different profit margins (*Final Allocation Insights* worksheet) both from the analysis currently carried out by *VdA* and the allocation that includes indirect costs (Appendix 3).

Therefore, as expected, the analysis carried out by the firm presents significantly higher margins as *VdA* only considers the direct costs when preparing the budget for each practice area. In this way, the value of the costs is lower (it would be higher if the other costs were also included), leading to higher margins. After the allocation of indirect costs previously performed, each practice area registered a larger volume of expenses attributed to it, resulting into a decrease in each practice area’s margin.

Taking, for example, the *Energy and Natural Resources* (E&NR) practice area:

Table 1 | Comparison of results before and after the allocation procedure

	Billing (a)	Costs (b)	Margin (c)	Profit Margin (c/a)
Before Allocation	1,500,000	410,210	1,500,000 – 410 210 = 1 089 790	73%
After Allocation	1,500,000	410,210 + 452,682 * = 862,892	1,500,000 – 862,892 = 637,108	42%

* The value of management areas’ costs allocated to E&NR practice area

Through the previous example, it was possible to observe that, before the allocation of expenses, the total costs were significantly lower (410,210 < 862,892), which means that the profit, presented before the performed allocation, was much higher and consequently, leading to a profit margin equally higher. As seen, the margins presented are fairly different, which means that *VdA* may be drawing biased conclusions by not distributing indirect costs among practice areas.

In addition to these differences in productivity, the different budgets still differ in the areas that are most profitable (Appendix 4). In other words, while *VdA* concluded that the *Infrastructure and Mobility* (I&M) practice area is the most profitable, followed by *Mergers and Acquisitions* (M&A), *Banking and Finance* (B&F) and *Restructurings and Insolvencies* (R&I), the new budget conveys different information. Even though the most profitable area continues to be I&M, followed by M&A, the third most profitable area is now *Public* (PUB), followed by *Oil and Gas* (O&G).

Considering the portrayed graph (Appendix 5), an identification of the main key drivers of each practice areas' profitability was determined. In the case of I&M, the fact that its billing greatly surpassed expenses in 2,751,587 euros (Appendix 6), represents one of the main reasons for its profitability. Moreover, since the number of *Fee-Earners* was the adopted allocation base to assign the indirect costs to these areas, it can be noticed that I&M only disposes of eight elements in contrast to twenty-six presented by the *Fiscal* (TAX) department. For that reason, it was predictable that I&M's profitability would be more significant.

In the cases in which profitability registered a null value, it was due to the lack of information regarding billing, costs or both. Such was the case of *VdA Timor Leste* (LPTL) and certain geographic regions since *VdA* presents two different integration models, dependent from the different local legislation, that dictate how the areas' billing values are registered.

In contrast, *VdA Angola* (LPAO), represents an outlier, due to reflecting the most negative profitability, offering no real base for comparison. Even though this area has a small number of *Fee-Earners*, which could represent an advantage when allocating the indirect costs, the principal explanation for such unfavorable profitability was the reduced billing registered in the area since the firm mostly records invoices in Lisbon, as explained in the previous paragraph. Moreover, this area presents one of the most significant values for *Deslocações Inbound* as well as *Rendas* which depicts a substantial weight in its total costs. Cases in which

the profitability was significantly negative were not plotted in the graph, as they represent outliers in this analysis that might wrongly affect assumptions and conclusions.

Taking into account all the rubrics that *VdA* considers important when computing the profit for each area, it can be stated that besides *Remunerations* and *Remunerations AdG*, which account for a large percentage of the costs, *Outsourcing IT Support*, *SW Licences (purchasing and maintenance)*, *BD Travel - Participation BD Initiatives* and *IT Consultancy* are the rubrics that, in every practice area, play the most significant percentage when compared to the total costs.

#3: Consequences of the new allocation

The budgetary process is an helpful business tool that, as previously mentioned, provides support in the improvement of the firm's activities effectiveness. Consequently, managers have the possibility to carefully monitor operations from each department which promotes a more efficient interaction leading to the achievement of shared goals within the firm. Inevitably, the introduction of this tool will lead to a management system in which competitiveness increases (Rebrowa et al. 2020).

One of the main worries of *VdA*, when the suggestion of a more detailed allocation of costs was presented, was precisely the increase of competitiveness amongst the different departments. *VdA* promotes cooperation between the individuals that are part of the firm, ensuring no rivalry is verified within the different teams since, in accordance do the firm's mission, it is only possible to attain superior results when each party supports each other. By allocating indirect costs, the concern of each area's manager might be the reduction of those expenses instead of ensuring high quality in the service provided by the section, which will lead to inefficiencies. Therefore, for the purpose of not incentivizing conflicts, between each department, it is suggested that the computation of margins of income to costs are not made

available to the managers of each team, but rather only accessible to the responsible managers of the budget to make future predictions.

GAP 4.1 | ERROR IN THE COMPUTATION OF TOTAL COSTS

A gap that was also identified was the calculation of the total costs of each section since not all rubrics were being considered. In the file for the practice areas, each department's total cost was computed only considering *Common Charges and Income, Investments and Multiannual Costs, Production, Taxes and Financial Income and Financial Charges* leaving aside rubrics such as *General Expenses and Management Costs*. For that reason, after completing the correct allocation of the costs, when calculating the final result, *VdA*'s total overheads were considered so that the firm can register a faithful description of the total costs of each area by year.

GAP 4.2 | COMPUTATION OF MONTHLY DEVIATIONS

Once a clear budget has been defined, one of the main steps is to proceed with control, that is, comparing the budgeted values with the ones that were registered – a step that supports this monitorization in the computation of deviations as *VdA* already does. According to most respondents of a questionnaire previously elaborated by Deloitte (Horton, Searles, and Stone 2014) and related with the purposes of doing the budget (Appendix 7), the ability to control and monitor the rubrics was pointed out as the main intention, besides the benefit of aligning all members to the same mission.

Deviations are interpreted as the divergence between the rubric's planned amounts and the actual values (Vazante 2007). It is essential that the initial determined budget is adjusted to the level of activity in each moment so that the error of comparing actual costs in a certain level of activity with expenses at other activity level is not committed (Drury 1992).

In 2011, PwC developed a research paper where managers were asked about their opinion on the causes for the existence of deviations (Appendix 8). “Uncertainty in the external business environment” was the most chosen option, which is very applicable in today’s events since covid-19 has appeared – as companies are facing uncertainty on a constant basis, all the predictions that might have done for the year might be the opposite in comparison to the reality – events or business trips are a consistent example, since the lockdown inhibited its occurrence. “Difficulty in accessing and incorporating external information” was the second most pointed reason. This was due to the fact that many details from the environment in which the firm is inserted are connected with confidential and competitive information, which is hardly published, making it tougher to complete faithful forecasts that later might result in significant deviations. “Confusion between forecasts and targets” occupied the third position meaning that the firm’s managers might be too focused on achieving the defined objectives so that bonuses that are based on performance are attributed, leading to ineffective forecasts and consequently significant deviations (Apanaschik, Hassan, and Cooner 2011).

In the case of *VdA*, a new 2021 budget was designed, given the fact that previously no indirect costs were being allocated to the practice areas. Since the only files that were provided by *VdA* presented the real values from January 2021 to August 2021, it was not possible to proceed with a faithful computation of deviations. If it had been done, that comparison would not be congruent since it is not possible to establish an analogy from the new computed files, with a proper cost allocation, to *VdA*’s actual figures, without a registered apportionment of management areas’ expenses. Additionally, the firm follows a different structure as the real values are not organized according to the different practice areas and management but rather to the different geographic areas which makes it difficult to carry out a proper monthly control for each rubric. However, if in a later stage, *VdA* decides to implement the proposed model of

allocating indirect costs, to practices areas, comparable values will exist and allow such analogy.

Assuming *VdA* will, in the near future, adopt the suggested cost allocation model and considering the previous mentioned research done by PwC on the existence of deviations, it is strongly believed that the possible registered divergences, after comparing the budgeted to the verified values, will be due to (1) the uncertainty emerging from the environment and (2) the difficulty of integrating it into *VdA*'s projections. This is mainly explained by the firm's limited capacity of controlling the events that might occur and consequently harm its performance. However, the suggested cost allocation model is recommended to be implemented along with both the presented model of data imputation and adoption of efficient excel formulas, promoting values significantly closer to the reality and offsetting the uncertainty that might be registered. Regarding the second justification, this is explained by the firm's specificities that might not allow the direct accommodation of events occurring as a consequence of external conditions. Nevertheless, given the fact that the firm's budget is completed taking into consideration an additional margin added to the predicted values, such integration difficulty can be more easily overcome. Regarding the "confusion between forecasts and targets" as mentioned by PwC, such justification is not applicable in *VdA* case. The firm highly incentivizes cooperation in both the definition of the budget and its achievement, assuring no ineffectual forecasts are settled and therefore no significant deviations are verified as a consequence of a conflict of interest.

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APPENDIX

Appendix I | Allocation Bases

Type of Cost	Initial Imputation Bases	Final Imputation Base
52111 - Consultoria		
61111 - Remunerações AdG		
61112 - Colaboradores Independentes AdG		
61113 - Subsídio de Alimentação		
61114 - Prêmios AdG		
61115 - Encargos Sociais		
61116 - Seguros AdG		
61117 - Pack Benefícios AdG		
61118 - Secondments e Aloj. AdG		
61119 - Outros Custos AdG		
61211 - Outsourcing Suporte Informático		
61212 - Outsourcing Serviços Administrativos		
61214 - Outsourcing Segurança		
61215 - Outsourcing Medicina no trabalho		
61219 - Outsourcing Outros		
61311 - Rendas		
61312 - Condomínios		
61314 - Consumos		
61315 - Serviços de Manutenção		
61316 - Serviços e produtos limpeza		
61317 - Serviços de conservação e reparação		
61413 - Licenças de SW (aquisição e manutenção)		
61414 - Apoio à Rede VdA		
61419 - Outros custos com IT		
61511 - Voz Fixa		
61512 - Internet e serviços web		
61513 - Voz e dados Móvel	Number of Fee -Earners	
61514 - Placas de banda larga		
61515 - Serviço de Televisão		
61611 - Refeições / Produtos Alimentares		
61614 - Estacionário		
61615 - Utensílios		
61616 - Mobiliário e decoração		
61621 - Manutenção de Equip. (inclui peças)		
61622 - Serviços de Impressão e Cópia		
61624 - Fardas e Vestuário Técnico		
61626 - Serviços e Plataformas Eletrónicas		
61629 - Outros custos gerais		
61713 - Deslocações AdG		
61719 - Outros custos de suporte à Rede		
62413 - Consultoria Informática		
62414 - Consultoria de Gestão		
62416 - Serviços de Áudio Visuais		
62419 - Outros Serviços Especializados		
67112 - Mobiliário e Equipamento de Escritório		
67114 - Outros equipamentos		
67117 - Obras - Imputação de custos plurianuais		
67119 - Outros custos plurianuais		
68111 - Encargos financeiros de financiamento		Number of Fee -Earners
68112 - Encargos Leasings		
68113 - Proventos Financeiros		
68119 - Outros proventos e encargos financeiros		
61213 - Outsourcing Arquivo	Number of processes	
61617 - Arquivo / Armazenamento		
61313 - Estacionamento	Number of Fee-Earners with car park	
61411 - Equipamentos IT (amortização integral)	Number of equipment per area	
67111 - Equipamento Informático e Audiovisual		
61517 - Correio	Average of letters sent per area	
61612 - Artigos para oferta	Number of offers per area	
61618 - Estafetagem	Number of packages/ letters per area	
61412 - Aluguer de equipamento informático	Number of rented equipment per area	
61619 - Aluguer de equipamento técnico e administrativo		
61620 - Aluguer de veículos (Rentacar)	Number of renter vehicles per area	
61625 - Deslocações	Number of kilometers	
62111 - Encontros Corporativos		
62112 - Eventos Corporativos		
62113 - Reuniões de Sócios		
62114 - Eventos Especiais		
62115 - Apoio a Eventos		
62116 - Mecenato Cultural		
62117 - Eventos Lúdicos	Number of meetings per area	
62118 - Participação em Eventos (não BD)		
62119 - Despesas de Representação Institucional		
62120 - Integração e Alinhamento		
62214 - Organização de Eventos (BD) - BLOQUEADO		
62215 - Organização de eventos BD		
62211 - Viagens BD Participação Iniciais BD	Number of trips per area	
62212 - Viagens e Estadias BD - BLOQUEADO		
62311 - Publicações e Artigos		
62312 - Patrocínios e Comunicação		
62313 - Imprensa / Clipping		
62314 - Conteúdos Site Internet		
62315 - Suportes de comunicação	Number of Publications per Area	
62316 - Desenvolvimento de Material Gráfico		
63111 - Publicações Nacionais		
63112 - Publicações Internacionais		
63113 - Publicações online		
63114 - Livros		
62317 - Prêmios - Submissions	Number of awards per area	
62411 - Recrutamento e Assessment FE e Estagiários	Number of job interviews per area	
62412 - Recrutamento e Assessment AdG		
64111 - Formação		
64112 - Projetos formativos		
64113 - Encargos institucionais VdA cademia	Number of training courses per area	
64119 - Outros custos com formação		
67113 - Veículos e equipamentos de transporte	Number of vehicles per area	
69112 - IRC	Billing	
69113 - Outros impostos		

Appendix 2/ Indirect Costs and Direct Costs

	AP	AG	Totais
Produção	16 169 919	61 290	16 231 209
Funcionamento	3 122 191	13 789 225	16 911 416
Custos Imputados a Clientes	-	1 200 000	1 200 000
Custos Correntes	19 292 110	13 850 515	33 142 625
Investimentos	86 704	723 801	810 505
Proveitos e Encargos	129 400	187 100	316 500
Impostos	411 696	90 000	501 696
Custos Não Correntes	627 800	1 000 901	1 628 701
Totais	19 919 910	14 851 416	34 771 326
Totais com Custos Imputados a Clientes	19 919 910	16 051 416	35 971 326
%	57%	43%	
% com Custos Imputados a Clientes	55%	45%	

Appendix 3 / Profit Margins of Each Practice Area Before and After the Cost Allocation

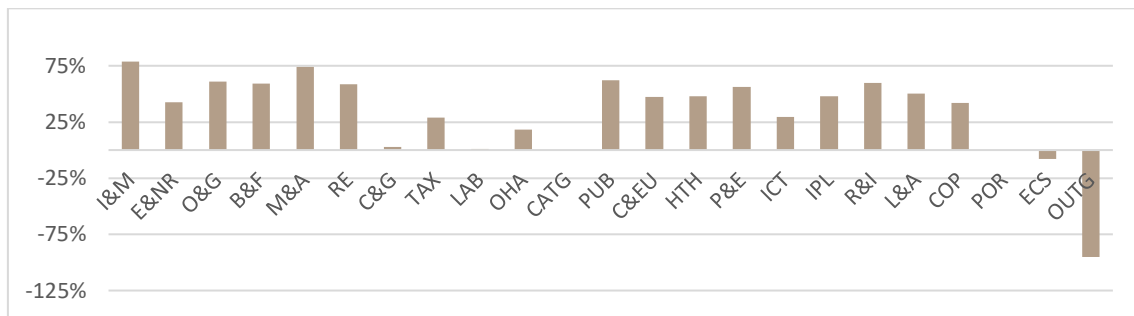
Practice Areas	Before Cost Allocation	After Cost Allocation
I&M	90%	79%
E&NR	73%	42%
O&G	75%	61%
B&F	81%	50%
M&A	85%	74%
RE	79%	58%
C&G	47%	3%
TAX	59%	29%
LAB	44%	1%
CSU	-214%	-465%
OHA	30%	18%
CATG	0%	0%
PUB	79%	62%
C&EU	73%	48%
HTH	69%	48%
P&E	76%	56%
ICT	66%	29%

IPL	71%	48%
R&I	80%	60%
L&A	71%	50%
COP	72%	42%

Appendix 4 | Top 5 Practice Areas With Higher Profit Margin (Before Vs After Cost Allocation)

Top 5 (Higher Margin)	Before Cost Allocation	After Cost Allocation
1°	I&M	I&M
2°	M&A	M&A
3°	B&F	PUB
4°	R&I	O&G

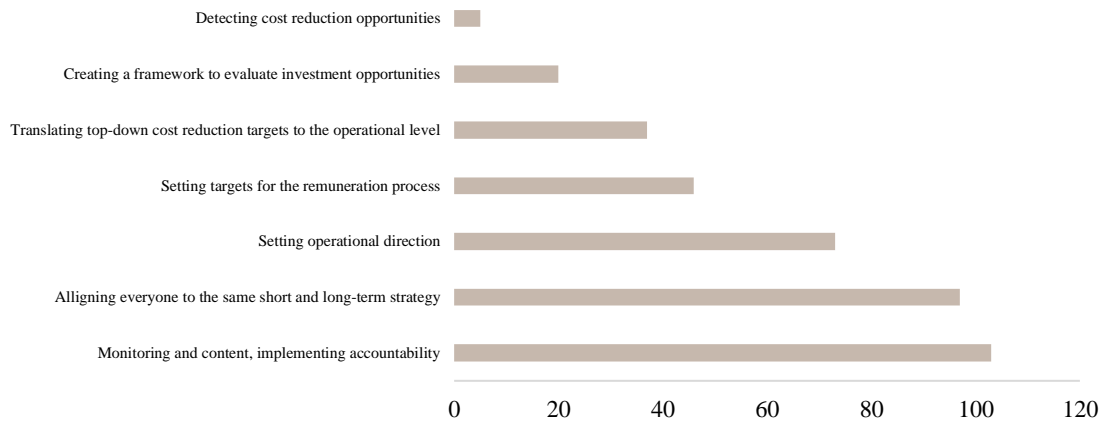
Appendix 5 | Profitability by Practice Area



Appendix 6 | Profit Margin by practice area after cost allocation

		I&M	E&NR	O&G	B&F	M&A	RE	C&G	TAX	LAB
Rentabilidade por AP (AFTER COST ALLOCATION)	Faturação	3 500 000	1 500 000	2 750 000	7 350 000	7 400 000	4 100 000	1 150 000	4 350 000	1 750 000
	Total Custos	748 413	862 892	1 077 490	3 023 615	1 940 481	1 709 088	1 117 120	3 087 487	1 736 941
	Margem	2 751 587	637 108	1 672 510	4 326 385	5 459 519	2 390 912	32 880	1 262 513	13 059
	%	79%	42%	61%	59%	74%	58%	3%	29%	1%

Appendix 7 | What are the key purposes of your budgeting process?



Appendix 8 | In your opinion, which of the following factors are most likely to lead to variances between forecasts and actual performance at your company?

