

## **PRICE COST ANALYSIS** <sup>[1]</sup>

### **WHAT IS PRICE COST ANALYSIS?**

The purchasing agents at the Procurement Service Center strive to get the best value for each procurement. Typically, the way this is done is by attaining competition. When there is no competition, the purchasing agent must still ensure that the price the University is paying is fair and reasonable. This is done by completing a Price Cost Analysis Checklist.

### **WHY DO WE PERFORM PRICE COST ANALYSIS?**

The purchasing agent performs Price Cost Analysis to ensure that the University is getting the best deal possible in instances where no competition has been received. Additionally, University of Colorado Procurement Rules mandate that we perform Price Cost Analysis under certain conditions.

### **WHEN DO WE PERFORM PRICE COST ANALYSIS?**

Price Cost Analysis is done when no competition is received. Typically, this occurs when a procurement is sole source justified or when we solicit competition but receive only one response.

### **HOW DOES THE PURCHASING AGENT PERFORM PRICE COST ANALYSIS?**

There are a few criteria the purchasing agent can use to prove that the price the University is paying is fair and reasonable. They are:

- Are we receiving some type of discount (i.e., educational, governmental, etc.)? Is the discount because a State or University Price Agreement is being used?
- Are we being charged the same as another customer would be charged?
- Is our price a catalog or list price?
- How does the current price compare to a price paid in the past for the same or similar goods or services?
- If the item we're buying is custom-built, does the cost breakdown from the vendor show our price is fair and reasonable?

### **WHAT CAN YOU, THE DEPARTMENT, DO TO ASSIST YOUR PURCHASING AGENT WITH PRICE COST ANALYSIS?**

In accordance with the methods listed above, the following table shows what you can do to assist your purchasing agent:

## METHOD USED

## WHAT THE PURCHASING AGENT NEEDS

**Are we receiving some type of discount (i.e., educational, governmental, etc.)?**

**Is the discount because a State or University Price Agreement is being used?**

Copy of quote from the vendor showing where a discount is applied

OR

Statement from vendor regarding the amount of the discount we are receiving

OR

State or University Price Agreement reference number

**Are we being charged the same as another customer would be charged?**

Proof from another customer of what they paid for the same or similar item

OR

Statement from vendor that the University is being charged the same as another customer, preferably with the other customer listed

**Is our price a catalog or list price?**

A copy of quote from the vendor stating that we are paying list price

OR

Statement from the vendor that we are paying catalog or list price

OR

Copy of catalog (could be from website) showing catalog or list price

**How does the current price compare to a price paid in the past for the same or similar goods or services?**

Reference to a previous Purchase Order or Standing Purchase Order where same or similar good or service was purchased

OR

Copy of previous invoice(s) where same or similar good or service was purchased

## METHOD USED

## WHAT THE PURCHASING AGENT NEEDS

**If the item we're buying is custom-built, does the cost breakdown from the vendor show our price is fair and reasonable?**

Cost Breakdown from vendor, including labor (hours and hourly rates), materials, overhead, G&A, and profit

AND

How this compares to their charges to other customers

## **WHAT IF THE PURCHASING AGENT FINDS THAT THE PRICE IS NOT FAIR AND REASONABLE?**

If, after analysis, the purchasing agent does not feel the price to be paid is fair and reasonable, he/she will do one of two things: (1) Seek competition, or (2) Negotiate with the vendor to lower the price.

### **Groups audience:**

Procurement Service Center

**Source URL:**<https://www.cu.edu/psc/price-cost-analysis>

### **Links**

[1] <https://www.cu.edu/psc/price-cost-analysis>