



THIS MATERIAL REPRESENTS THE CONSIDERED OPINIONS OF THE BUSINESS PRACTICES COMMITTEE AND THE BOARD OF MANAGEMENT OF THE CORPORATION OF BC LAND SURVEYORS REGARDING REASONABLE STANDARDS FOR FINANCIAL COMPENSATION AND CONTRACTING OF PROFESSIONAL SURVEY SERVICES. INDIVIDUAL SURVEYORS SHOULD ALSO CONSIDER ANY UNIQUE ASPECTS OF THEIR INDIVIDUAL PRACTICES IN ORDER TO DEVELOP APPROPRIATE FEE SCHEDULES.

## **BCLS**

### **Business Practices Committee BULLETIN**

#### **Marking up disbursements**

Did you ever wonder why it is considered good business practice to apply a mark-up to disbursements? Let's examine a couple of typical examples in the land surveying business.

When obtaining a Certificate of Title from BC Online, via the Internet, your debit account will be charged \$7.61. However, in order to obtain this document, you will need a fairly up-to-date computer running current software. Then you must have an account with an Internet service provider and pay a monthly fee for connect time. You must have a deposit account with BC Online, whereby you lend them your money for a period of time, until you use their service. You have to pay for this account by cheque or electronic fund transfer from your bank account, thereby incurring bank service charges. Not to mention the fact that you must print the title on your own paper as well as using a little of your precious toner cartridge. You must also maintain and from time to time, replace your printer.

Another example would be purchasing iron posts and guard stakes. Currently one Type 5 iron post and a 2"x4"x24" cedar guard stake will cost you about six bucks. However, you can't order them one at a time and you will need to keep a supply on hand. There will be a cost to making an order such as a long distance phone call or facsimile. Next you will have to receive and put your order into storage. Consider the space it takes to store your survey supplies on a \$ per square foot basis. You will likely have to settle your account with your supplier long before you use or can bill for most of your supplies. Keeping a supply on hand is just the same as having your deposit account for BC Online. You are in effect lending money to your clients in anticipation of their requirement for service. Of course we haven't even considered the costs in both examples associated with accounting records, storage of receipts, reconciliation of year end expenditures and auditing.

So how much does all this add to your disbursement costs? Somewhere between 5% and 15% of costs is considered to be reasonable. Based on our examples, 5% would appear to be a bargain, 10% may have done the trick a few years ago but these days a mark-up of 15% does not appear to be unreasonable. Applying 15% mark-up, your client should be charged approximately \$9 for a title and \$7 for each iron post guard stake combination. So next time you are preparing an estimate or an account, you can be confident that applying a mark-up to your disbursements makes good business sense.