Software Development Cost Allocation Report

Confidential Document

Prepared for: Confidential Due Diligence Review

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1. Executive Summary

This Software Development Cost Allocation Report provides a comprehensive analysis of research and development expenditures for Nexus Intelligent Systems, Inc. for the fiscal periods ending December 31, 2022, and December 31, 2023. The report details the systematic allocation of software development costs across various project categories, technological domains, and organizational units.

1.1 Scope of Analysis

The report encompasses:

- Direct and indirect software development expenditures

- Research and development cost categorization

- Capitalization methodology

- Compliance with GAAP accounting standards

- Detailed cost allocation frameworks

2. Methodology of Cost Allocation

2.1 Accounting Principles

Cost allocation methodologies adhere to the following fundamental principles:

- Consistent application of activity-based costing

- Direct attribution of identifiable development expenses

- Prorated allocation of shared infrastructure and personnel costs

- Compliance with ASC 350 and ASC 730 accounting standards

2.2 Cost Classification Framework

2.2.1 Direct Development Costs

- Personnel compensation

- Software licensing and development tools

- Cloud infrastructure and computational resources

- Specialized hardware for development purposes

2.2.2 Indirect Development Costs

- Facilities overhead

- Management and administrative support

- Technology infrastructure

- Professional development and training

3. Fiscal Year 2022-2023 Cost Breakdown

3.1 Total Development Expenditure

- Total R&D Expenditure: $4,375,000

- Capitalized Development Costs: $2,625,000

- Expensed Development Costs: $1,750,000

3.2 Cost Allocation by Project Domain

Project Domain	Total Allocation	Percentage
Predictive Maintenance AI	$1,312,500	30%
Machine Learning Diagnostics	$875,000	20%
Enterprise Automation Platforms	$1,312,500	30%
Infrastructure and Shared Services	$875,000	20%

4. Capitalization Methodology

4.1 Capitalization Criteria

Software development costs are capitalized when:

- Technical feasibility has been established

- Management intends to complete and use the software

- Future economic benefits can be reasonably demonstrated

- Sufficient resources exist to complete development

4.2 Amortization Schedule

Capitalized development costs are amortized using the straight-line method over an estimated useful life of 3-5 years.

5. Compliance and Attestation

5.1 Internal Controls

This report reflects the results of rigorous internal review processes, including:

- Multiple levels of financial review

- Cross-functional validation

- Independent internal audit verification

5.2 Limitations and Disclaimers

- This document is prepared for confidential due diligence purposes

- Actual results may vary based on subsequent financial analysis

- External auditor verification recommended

6. Signatures

Financial Verification

Michael Chen

Chief Technology Officer

Nexus Intelligent Systems, Inc.

Sarah Williamson

Chief Strategy Officer

Nexus Intelligent Systems, Inc.

7. Confidentiality Notice

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