Determining Chargeability of Costs to a Sponsored Program

There are three main considerations related to the chargeability of costs to a sponsored program: Are they Reasonable? Are they Allocable? Are they Allowable? Below are definitions and examples of these factors.
Reasonable

- Are the prices and quantities requested appropriate under the circumstances?
- Is the timing appropriate?
Allocable = benefits the project

Allocable to two or more projects:
If a cost benefits two or more projects it may be charged directly IF proportional benefit can be determined without undue effort or cost.

Allocation method is relatively easy with a high degree of accuracy

Relatively Easy:
- Quick: Does not take much time
- Easy: Most people can understand the allocation method
- Cheap: Benefit to project is clear and obvious, thus making identification method relatively inexpensive

High Degree of Accuracy:
- One-to-one relationship to project
- Clear and objective measure
  - number of items consumed
  - usage logs
- Individual investigator estimates and certifies in the procurement source documentation
- For costs that benefit multiple projects, the Investigators estimate proposed usage by project using an allocation based on:
  - Time used or expended (usage logs)
  - Materials or units produced (an output measure)
Allowable Resources

Cost must conform to limitations set forth in the Uniform Guidance
- Designates certain costs as allowable or unallowable
- Designates certain costs as direct or in-direct

Unallowable Cost – a cost which does not constitute a proper charge to a sponsored project, either as a direct or indirect cost
- Examples of OMB Uniform Guidance (Federal) Unallowable Costs:
  - Alcoholic Beverages Alumni Activities
  - Fund Raising Development Activities
  - Personal Costs Lobbying Costs

Similar costs in like circumstances must be allocated consistently as either:

Direct Cost Examples:
- Salaries, Fringe Benefits
- Travel
- Materials

Indirect Cost Examples:
- Office Supplies
- Clerical/Administrative Costs
- Original Proposal Costs

Resources

CAS Guidelines - Cost Accounting Standards - Managerial Accounting Services - Purdue University