May the cost of this item or activity be treated as a **Direct** cost?

### A-A-R-C Direct Cost Analysis

**Allowability**

Does 2CFR200 say this type of cost is allowable?

- Explicitly NOT Allowable (e.g., Alcoholic beverages)
- Allowable as Direct Cost (e.g., Materials & Supplies)
- NOT explicitly in 2CFR200 (e.g., Specific gizmos)
- Normally allowable only as an indirect cost (e.g., Department Administration)

STOP

**Allocability**

Does this item or activity specifically benefit the project?

- Allocability Test:
  1. Was the cost incurred solely to advance the work under the sponsored agreement? *If YES, then the cost is allocable.*
  2. Does the cost benefit the work under the sponsored agreement and other projects as well? *If YES, then the cost must be allocated in the measure to which it benefited the work under the sponsored agreement and a written allocation plan must be in place.*

**Reasonableness**

Would a prudent person have paid this price?

- Reasonable Test:
  - Would a prudent person pay this price for this item or activity for the performance of the sponsored agreement?
  - *If YES then the cost is Reasonable.*

**Consistency**

Has this cost been double-counted as both a direct and indirect cost?

- Consistency Test:
  1. Have you used different practices for estimating costs in the proposal budget and for accounting/billing/reporting costs?
  2. Have you charged the same cost both indirectly and directly when it is incurred for the same purpose and circumstance?

  *If NO to both questions, then the cost passes the Consistency Test.*

**Conclusion**

Is the cost allowable as a direct cost?

- The cost is allowable as a direct cost in the measure to which it benefits the project