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)

**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.**

"Different Purpose & Circumstance" Test:
1. Is this a non-federal grant? **OR**
2.a. Can the cost be identified specifically with the project?
   - b. Is it required by the project's scope?
   - c. Is it a line item in the proposal budget and included in the budget justification?
   **If YES to 1 or 2 (all 3 questions*), the cost is allowable and allocable as a direct cost.**

**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.