

## Overview

These instructions accompany [Guide 1304 GD.02 Cost Allocation Principles and Methodologies](#) and [Form 1304 FR.01 Cost Allocation Methodology](#). The purpose of the form is to provide a tool to easily allocate costs using the most commonly used allocation methods: proportional benefit, square footage, full time equivalents (FTEs), and modified total direct costs (MTDC) of a sponsored project. Prior to completing the Cost Allocation Methodologies form, carefully review 1304 GD.02 to better understand how to develop a cost allocation methodology and to be aware of the dos and don'ts of a cost allocation methodology.

Prior to determining which cost allocation methodology to use, answer the following questions:

### 1. What needs to be allocated?

e.g., research supplies, rent, utilities, animals, publication costs, and travel

### 2. What are the sponsored projects that will benefit from the subsequent charges?

- a. Identify the specific charging instructions for the awards that will benefit from the charge.
- b. Can the proportions be easily determined?

**Yes.** Costs should be allocated to the projects on a proportional basis.

**No.** Costs must be allocated to the benefiting projects on a **reasonable** basis. (see Guide 1304 GD.02 on interrelated projects)

### 3. What is the basis for allocation that is being used and is it reasonable?

Does the cost allocation methodology selected logically relate to the type of expense? For example, square footage would not be used to allocate lab supplies but FTEs could be used.

#### a. Commonly used methodologies for interrelated projects include:

- **Square Footage** when allocating rent, utilities, and other infrastructure expenses that can be directly charged to a sponsored project.
- **FTEs** when purchasing research supplies that are shared by persons working on multiple projects. When determining the appropriate number of FTEs, the FTE does not necessarily have to be paid directly on the project to which the purchase will be charged. In such cases the FTE must be devoting effort to the project and be paid by a non-sponsored project.

**Note:** An FTE is the equivalent of one full-time position or two half-time positions, or any combination of appointments that will add to a single FTE. For example, four non-exempt staff work 10 hours each on a single sponsored project would be the equivalent of 1 FTE.

- **MTDC** base (excluding, if any, the entire subaward, not just the first \$25,000).

#### b. Proportional Benefit/Use should be used if the allocation among multiple sponsored projects is obvious. For example, 200 C3H mice are being ordered, 150 for Project 1 and 50 for Project 2. The proportional allocation would be 75% to Project 1 and 25% to Project 2.

Once these questions have been answered, the cost allocation methodology must be approved by the Principal Investigator(s), be documented, and kept on file in the business office with awards to which the cost allocation methodology applies. The Principal Investigator may also identify a responsible individual to execute the transactions associated with the cost allocation.

After approval has been received from the PI, the cost allocation methodology spreadsheet can be completed.

## Cost Allocation Methodology Example for Interrelated Projects

A PI needs to purchase glassware necessary for the conduct of the research on three awards. Since the glassware will be used by all projects in proportions that cannot readily be determined, the PI has determined that the appropriate method to allocate the glassware is on the basis of the five individuals conducting the experiments on the three awards (FTE basis) and has determined the distribution of FTE for each award.

**Instructions for Form 1304 FR.09:**

1. Analyze and determine the appropriate method for the type of expense being allocated.
2. Identify the charging instructions for the awards (can be both sponsored and non-sponsored awards) benefiting from the purchase.
3. Fill in the number of FTEs, square footage percentage or the MTDC (as determined in Step 1.) for each award. If another interrelationship benefit methodology is used provide a description.

**NOTE:** The same methodology does not necessarily have to be used for all charges on an award. Rent, latex gloves and mice might each reasonably use a different cost allocation methodology using a single *Cost Allocation Methodology* form.

**Form 1304 FR.09** was created to accompany *Yale University Guide 1304 GD.02 Cost Allocation Principles and Methodologies*.