

# Indirect Costs vs. Direct Costs

For budgeting purposes, it is crucial not only to document your business expenses but to classify them properly.

Per the Code of Federal Regulations (C.F.R.), the total cost of a federal award is the sum of the *allowable* direct and *allocable* indirect costs less any applicable credits ([C.F.R §200.402 Composition of costs.](#)).

## What is the difference between Indirect Costs and Direct Costs?

To determine the difference between indirect and direct costs, ask whether the cost be traced. If the cost can be identified specifically with a particular cost objective such as a grant, contract, project, function or activity, then it is a *direct cost*; *indirect costs* are those costs that cannot be readily assignable to a cost objective.

### Direct Costs

Below are examples of direct costs that can be identified specifically with a particular final cost objective:

[CFR §200.413 Direct costs.](#)

- Salary/wages
- Materials
- Equipment/Tools
- Planning activities
- Training related costs

### Indirect Costs

Below are examples of indirect costs that benefit more than one cost objective and are not readily assignable to a cost objective:

[CFR §200.1 Indirect \(facilities & administrative \(F&A\)\) costs.](#)

- Preliminary damage assessments
- Meetings
- Travel expenses (not attributable to one single project)
- Salaries of administrative and clerical staff
- Administration costs

***This is not a comprehensive list of examples. Please refer to the [Preparedness Grants Manual](#) for more information on allowable costs.***

