

calculating indirect costs on a sponsored project budget

To calculate costs when an award specifies indirect costs as a percentage of total direct costs, use the following example.

Example: Consider a sponsored project award with these instructions:

- The total award is \$100,000
- Equipment is budgeted at \$20,000
- The indirect cost rate is 54%, excluding equipment

1. **Calculate the amount subject to indirect costs (IDC):**

Total award	\$100,000
Minus exclusions (equipment)	-\$20,000
Modified total costs	\$80,000

2. **Divide the modified total costs by 1.X% (where X=IDC percentage).** The result is the dollar amount of direct costs.
- In this example, \$80,000 divided by 1.54 equals \$51,948 in direct costs.
3. **Subtract direct costs from the modified total costs amount.** The result is the dollar amount of indirect costs.
- In this example, \$80,000 minus \$51,948 equals \$28,052 in indirect costs.
4. **Allocate amounts and check your math.** All allocations should add up to the total award amount.
- In this example, the three allocations add up to \$100,000:
 - \$20,000 to the equipment account
 - \$51,948 to the remaining expenditure accounts (**direct cost**)
 - \$28,052 to the **indirect cost** account