



Budgeting Basics

Budgets are necessary to ensure that the project includes all the costs necessary to complete the project, including personnel, fringe benefits, supplies, subcontracts, travel, F&A, etc.... It is important that all costs included in the budget are allowable, allocable, and reasonable.

Direct Costs:

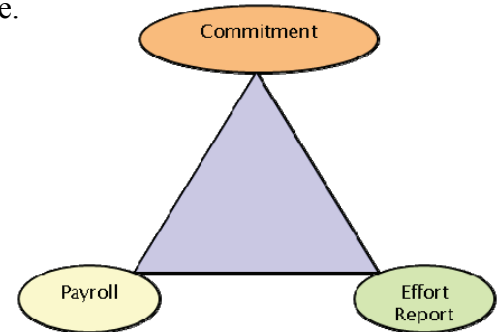
- Allowable, allocable, and reasonable under the applicable Federal cost principles (OMB Circular A-21)
- Costs normally considered F&A costs under the Institutional DS2 may not be directly charged to a federal project unless it is considered an unlike circumstance.

F&A Costs

- Use the correct F&A rate for the project. Published rates are on the RSS website. We will honor the published rate of the sponsor.
- Waivers of F&A are highly discouraged and must be approved by the VPR.

Cost Sharing:

- Mandatory: Required by sponsor.
- Voluntary Committed: Not required by sponsor but was proposed by the Institution in the proposal or documented on the internal budget.
- Voluntary Uncommitted: Neither required by sponsor nor proposed by the Institution, but was spent on the project.
- Voluntary Cost Share is highly discouraged and must be approved by the authorized signatory of the entity providing the cost share.



To avoid compliance risk, budget commitment, payroll, and the effort report should match as closely as possible.

Personnel Costs

- Are required for most projects
- Must be allocated during the period in which the work is to be completed
- Must be paid by the sponsor or allocated as cost share
- A course buy-out is negotiated between the faculty and their Department Chair.
- The base salary of the employee is always used to calculate the personnel costs.

Read the terms and conditions of the application (RFP) prior to preparing the budget. Some sponsors exclude or limit some costs, which if included in the budget could result in the rejection or delay of the project.

University of Memphis

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Sources of Compliance Risk:

- Unallowable costs are included in the budget.
- Costs associated with the project are allocated to another project.
- Effort is allocated to a semester other than when the work is conducted.

This handout is not intended to replace formal budget training. For further information about this subject as well as budget templates and upcoming events, refer to the RSS website at www.memphis.edu/researchsupport/index.php.

