31.201-4 Determining allocability.

A cost is allocable if it is assignable or chargeable to one or more *cost objectives* on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it-

(a) Is incurred specifically for the contract;

(b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or

(c) Is necessary to the overall operation of the business, although a direct relationship to any particular *cost objective* cannot be shown.

Parent topic: 31.201 General.