

First approved date: 31-03-2021.

Updated date: 15-09-2025.

COMMON COST ALLOCATION POLICY

BHEEMABHAI MAHILA MANDALI

Address:

**7-335, Keshavaswamy colony
Near National Highway
Tallarevu (Village and Mandal)
Kakinada District
Andhra Pradesh State
India – 533463**

COMMON COST ALLOCATION POLICY

1. PURPOSE

This Common Cost Allocation Policy is adopted by the Bheemabhai Mahila Mandali to establish a structured, transparent, and compliant framework for allocating shared organisational costs among multiple projects implemented by the Organisation.

The Organisation receives funds from multiple sources including Government agencies, Corporate CSR programmes, philanthropic institutions, and international donors and Trusts.

In order to ensure compliance with donor regulations, statutory accounting requirements, and principles of financial integrity, it is necessary that all common costs be allocated fairly and consistently based on reasonable and supportable methods.

2. OBJECTIVES OF THE POLICY

The objectives of this Policy are to:

1. Ensure equitable distribution of shared organisational costs across projects.
2. Prevent double charging of expenses to multiple donors.
3. Maintain compliance with donor agreements, statutory audit requirements, and accounting standards.
4. Improve financial transparency and accountability.
5. Provide a standard methodology that can withstand audit scrutiny.
6. Ensure that cost allocation reflects the actual benefit received by each project.

3. SCOPE AND APPLICABILITY

This Policy shall apply to:

- All projects implemented by the Organisation.
- All head office and field office operations.
- All sections including programme, finance, administration, and management.
- All staff whose work benefits more than one project.
- All shared expenses incurred by the Organisation.

This Policy shall remain applicable regardless of funding source unless a specific donor agreement requires a different allocation method.

4. DEFINITIONS

4.1 DIRECT COSTS

Direct Costs are those expenses that can be clearly and exclusively identified with a specific project, programme, or funding source without any ambiguity.

Examples include:

- Salary of project-specific staff
- Training materials purchased for a specific project
- Field travel undertaken solely for one project
- Beneficiary payments under a specific project

Direct costs shall be charged entirely to the respective project.

4.2 COMMON COSTS (INDIRECT COSTS)

Common Costs are expenses incurred for organisational activities that benefit more than one project and cannot be directly attributed to a single project without allocation.

Examples include:

- Office rent
- Electricity and internet charges
- Salaries of shared staff (Accountant, Director, Office Assistant)
- Audit fees
- Legal fees
- Vehicle expenses used across projects
- Office supplies and maintenance

These costs must be allocated according to this Policy.

4.3 COST POOL

A Cost Pool is a grouping of similar common costs that will be allocated together using an appropriate allocation basis.

Examples:

- Administrative Cost Pool
- Office Operations Cost Pool
- Shared Staff Cost Pool

5. FUNDAMENTAL PRINCIPLES OF COST ALLOCATION

All cost allocation decisions must adhere to the following principles:

5.1 EQUITY

Costs must be allocated in proportion to the benefit received by each project.

5.2 CONSISTENCY

The same allocation method must be applied throughout the financial year unless a documented change is approved.

5.3 TRANSPARENCY

All allocation calculations must be documented, reviewable, and understandable.

5.4 REASONABLENESS

Allocation methods must be acceptable to donors, auditors, and statutory authorities.

5.5 NO DOUBLE CHARGING

An expense shall never be charged to more than one project beyond its total value.

5.6 COMPLIANCE

Donor-specific rules shall prevail where applicable.

6. COST ALLOCATION METHODS

The Organisation shall use one or more of the following methods depending on the nature of the expense.

6.1 ALLOCATION BASED ON STAFF TIME

- Used for shared staff such as Project Director, Accountant, HR Officer, and Project Coordinator.
- Each shared staff member shall submit a **monthly timesheet** showing time spent on each project.
- Salary shall be allocated proportionately.

Example:

If Accountant spends 40% time on Project A and 60% on Project B, salary shall be allocated accordingly.

6.2 ALLOCATION BASED ON HEADCOUNT

- Used for office rent, utilities, housekeeping, and similar costs.
- Costs shall be allocated based on number of staff working in each project.

6.3 ALLOCATION BASED ON BUDGET PROPORTION

Used when common costs benefit all projects in proportion to their size.

Example: audit fees, board meeting costs.

Allocation = Project Budget ÷ Total Organisational Budget.

6.4 ALLOCATION BASED ON ACTUAL USAGE

Used when usage can be measured objectively.

Examples:

- Vehicle logbook for fuel expenses
- Telephone usage records
- Printing and photocopying records

6.5 EQUAL DISTRIBUTION

Used only when benefit cannot be reasonably measured.

Example: annual statutory audit.

7. STANDARD COST ALLOCATION

MATRIX

Expense Type	Allocation Method	Required Evidence
Shared Staff Salary	Timesheet	Signed timesheet
Office Rent	Headcount	Staff list
Electricity	Headcount/Actual	Bills
Audit Fee	Equal/Budget	Invoice
Vehicle Cost	Logbook	Logbook
Internet	Headcount	Bill

8. COST ALLOCATION PROCEDURE

The following procedure shall be followed monthly:

Step 1 – Identification

The Finance Department shall identify all shared organisational expenditures incurred during the period.

Step 2 – Classification

Shared expenditures shall be classified into appropriate cost pools

Step 3 – Selection of Allocation Basis

The approved allocation basis shall be applied to each cost pool.

Step 4 – Preparation of Allocation Worksheet

Worksheet shall include:

- Expense details
- Allocation basis
- Calculation method
- Project-wise allocation

Step 5 – Verification

Project Coordinators/Project management personnel shall review allocations for accuracy and reasonableness.

Step 6 – Approval

Final allocation shall be approved by the [chief functionary of the BMM](#).

Step 7 – Accounting Entry

Allocation entries shall be recorded in the accounting system in accordance with established accounting procedures.

9. DOCUMENTATION

REQUIREMENTS

The Organisation shall maintain complete documentation supporting all cost allocations. Documentation shall include, but not be limited to:

- Monthly cost allocation worksheets
- Staff activity records
- Vehicle logbooks
- Staff attendance registers
- Supporting invoices and payment records
- Management approvals
- Board approvals
- Donor approvals where required

All records shall be preserved for a minimum period consistent with statutory requirements or donor agreements, whichever is longer.

10. DONOR COMPLIANCE

Where donor agreements specify indirect cost limits or allocation rules, such requirements shall override this Policy.

Examples include overhead caps imposed by donors.

If donor rules prohibit charging certain costs, such costs shall be charged to unrestricted funds.

11. ROLES AND RESPONSIBILITIES

1. Accountant

Responsible for preparing allocation schedules, maintaining documentation, and ensuring compliance with this Policy.

2. Project Coordinator

Responsible for verifying staff time allocation.

3. Project Director

Responsible for approving allocation results and ensuring organisational compliance.

4. Board Treasurer

Responsible for annual review of allocation practices.

12. INTERNAL CONTROL MEASURES

1. Allocation schedules shall be prepared and reviewed periodically.
2. Internal audit shall examine allocation methodology and supporting records annually.
3. Any change in allocation method shall require written approval by Governing body of BMM
4. Allocation shall be supported by verifiable and auditable information.
5. Segregation of duties shall be maintained in preparation, verification, and approval stages.

13. PROHIBITED PRACTICES

The following actions are strictly prohibited:

- Charging the same expense to more than one project without proper allocation.
- Manipulating records related to allocation.
- Allocating costs without documentation.
- Charging personal or unrelated expenses to project accounts.
- Deviating from approved allocation methods without written authorisation.

Violation of this Policy may result in disciplinary action and financial recovery.

14. POLICY REVIEW

This Policy shall be reviewed annually by the **chief functionary** and approved by the Governing Body.

16. BOARD APPROVAL

Approved by Governing Body of

Organisation Name: Bheemabhai Mahila Mandali

Date: 15/09/2025

Chief functionary Signature: _____

COST ALLOCATION WORKSHEET

FORMAT

1. WORKSHEET COVER PAGE

Organisation Name: _____

Registration Number: _____

Month / Quarter: _____

Financial Year: _____

Prepared By (Accountant): _____

Verified By (Project Coordinator/Mandal level implementor: _____

Approved By chief functionary _____

2. PROJECT LIST

Sl. No	Project Name	Donor Name	Project Code	Budget Year

3. COST ALLOCATION SUMMARY

Sl. No	Expense Category	Voucher No	Total Amount	Allocation Basis	Project A	Project B	Project C	Project D	Total allotted
1.									
2.									

Check: Total Allocated must equal Total Amount

4. DETAILED COST ALLOCATION SHEET

Section A – Expense Details

S.NO	Field	Details
1.	Expense Name	
2.	Invoice Number	
3.	Invoice Date	
4.	Vendor Name	
5.	Payment Voucher No	
6.	Total Amount	
7.	Expense Period	
8.	Cost Pool Name	
9.	Allocation Basis Approved	
10.	Supporting Documents Attached Yes / No	

SECTION B – ALLOCATION CALCULATION

S.NO	Project Name	Allocation Percentage	Allocation Amount	Project Code	Remarks
1.					
2.					

Total Allocation Amount: _____

SECTION C – ALLOCATION JUSTIFICATION

A brief written note explaining the basis used for allocation and confirmation that the allocation is consistent with organisational policy and donor conditions.

Signature (Finance Officer): _____

5. SHARED STAFF COST ALLOCATION SHEET

Staff Name	Designation	Total Salary	Project A %	Project B %	Project C %	Project D %	Total %	Allocation Checked

Supporting documents must include signed staff activity records.

6. SHARED VEHICLE COST ALLOCATION SHEET

Vehicle Number	Expense Type	Total Cost	Project A	Project B	Project C	Project D	Verified Logbook	With

7. CERTIFICATION

We certify that:

1. All allocations are made in accordance with the Organisation's Common Cost Allocation Policy.
2. No expense has been charged more than once.
3. Supporting documents are available for audit review.
4. Allocation complies with donor requirements.

Finance Manager Signature: _____

Executive Director Signature: _____

8. ATTACHMENTS CHECKLIST

Tick attached documents:

- Invoice Copy
- Payment Voucher
- Allocation Calculation Sheet
- Staff Activity Record
- Logbook Record
- Donor Approval (if required)
- Other Supporting Documents

9. FILE NUMBERING SYSTEM

Each worksheet must have a unique number:

Format: CAW / Year / Month / Serial No

Example: CAW / 2026 / 04 / 015

10. STORAGE REQUIREMENT

Worksheets must be filed:

- With monthly accounts file
- Digitally scanned in finance server
- Retained for audit period