

**CHAPTER 4**  
**FULL COST CONCEPTS**

0401 FULL COST CONCEPTS

040101. Full Cost

A. NASA's "full cost" policy integrates several fundamental accounting, budgeting, and management concepts. These include: accounting for costs as direct, service pool, and general and administrative (G&A) costs, budgeting for full project costs, and managing projects from a full cost perspective. Direct costs are costs that can be obviously and/or physically linked to a particular project, service costs are costs that cannot be readily or immediately linked to a project but can be subsequently traced to a project, and G&A costs are support costs that cannot be linked to any specific project in an economical manner. Under full cost practices, service costs will be "charged" or assigned to a project based on project-controlled use of the service pool; and G&A costs will be allocated to projects in a consistent, logical manner based on a methodology that relates G&A costs to projects. Under full cost management, project managers are expected to control direct costs (procurements, all other direct costs, civil service labor and travel) and to have significant control or influence over service pool and G&A costs. NASA's full cost policy supports "full disclosure" related to NASA activities and improves matching of costs with performance. The full cost concept is consistent with sound business practice and legal and administrative guidance, including the Chief Financial Officers Act, Government Performance and Results Act, and Federal Financial Management Improvement Act.

B. The basic NASA cost objective is typically a single program (the Agency level "full cost project" since this is the level at which Corporate G&A is applied. The term "program" will be used to represent NASA's final cost objective. The term "project" will be used to represent the Center's final cost objective. A NASA project is defined as an element of a program that is separately managed, separately budgeted, and uniquely identified within the NASA budgeting and accounting system. A project is generally the lowest level at which a performing Center will budget and account for its direct and service costs, and allocates its G&A cost. Therefore, all costs are tied to or associated with NASA's programs. Cost will also be accumulated at the program, budget line item, Center, Mission Directorate, and Agency level.

C. NASA's full cost concept is based on the tenet that the cost effectiveness of purchase and other decisions is improved when the actual customer of a produced item or service is given responsibility and authority, to the extent possible, for choosing the source of the item or service, while being directly accountable for the use of the funds needed to make the purchase. In this way, the detailed knowledge of the customer regarding what he or she needs and can afford is linked to the decision process. Therefore, under the full cost concept, the cost of government-managed capabilities that could be assigned or assessed to a project will need to be reviewed with the responsible project managers, or individuals representing such managers, prior to key decisions and during cost pool/budget formulation.

D. The full cost concept increases the relationship or linkage between supplier and customer demand. Services not in demand by customers may be unnecessary institutional capabilities and or capabilities better supplied by nongovernmental sources . Decisions on such issues could help streamline institutional capabilities NASA has typically managed in favor of lower cost alternatives from outside the Agency or government.

040102. Management Advantages. A number of management advantages are derived from the use of full cost information. These include:

A. Improved, cost effective mission performance through the use of better information for plans, decisions, and disclosure;

B. Strengthened ties between NASA's missions, its programs and projects, and its budget requests;

C. Obtaining maximum program content within constrained budgets;

D. Providing an effective tool for project managers to better manage;

E. Consistency and compliance with sound business practice;

F. Compliance with recent legislative and administrative guidance, including the Chief Financial Officers Act, the Government Performance and Results Act, and the Federal Financial Management Improvement Act of 1996.