**First Principles Thinking:** Actively questioning every assumption you think you “know” about a problem or scenario to create new knowledge and solutions from scratch.

**FIRST PRINCIPLE #1: AAR**

When making decisions about AAR, don’t mindlessly follow a process:

- **Step 1:** start from each core concept

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**ALLOWABILITY**

*UG 200.403*

Cost is necessary and reasonable, conforms to limitations/exclusions in UG, and is consistent with related policies and procedures.

**ALLOCABILITY**

*UG 200.405*

Cost is incurred specifically and proportionally for the sponsored project.

**REASONABLENESS**

*UG 200.404*

The nature and amount of the cost does not exceed what a prudent person would have determined when incurring the cost in the same circumstance.

Where you want to be.

For additional discussion around AAR, check out these learning opportunities:
Allocability Online Training, Research Administration Academy Core, Award and Project Management

*Uniform Guidance (UG): Federal regulations governing sponsored projects.*
First Principles Guide

#1: AAR

**Allowability**
- Was this cost included in the original budget? If not, why?
- Where does it say in the UG, sponsor, and/or institutional guidelines that this is an allowable cost?
- Does the associated award include language that disallows this cost?
- If this cost is administrative in nature, or typically unallowable, are the circumstances unusual enough to justify allowability in this specific situation?

**Allocability**
- How will this cost further the goals of this particular project?
- If this cost benefits multiple projects, how can the cost be reasonably assigned?
- Is the cost already reimbursed through F&A?
- What documentation can I provide to support how this cost was assigned?

**Reasonableness**
- Given the same set of circumstances, would a person exercising common sense determine this to be a reasonable cost?
- What, if any, guidelines or language exist in the award to direct similar purchases?
- What documentation can I provide to justify this cost?
- How does this purchase exemplify responsible and ethical stewardship of sponsor funds?

Thinking through the example questions above for these foundational concepts can help you determine additional guidance to follow in your specific situation. Refrain from reasoning by analogy (i.e. this is how I have done this in the past, or on this similar project).

- **Step 3: make an informed decision**

Understanding AAR as a whole is essential to managing sponsored projects. This is the foundation, intertwined with all research administration topics, over which we build a compliant and reportable ledger.