

Direct and Indirect Costs

- Direct costs can be specifically and exclusively identified with a given cost object.
- Indirect costs cannot be specifically and exclusively identified with a given cost object.
- Indirect costs (i.e. overheads) are assigned to cost objects on the basis of cost allocations.

Direct and Indirect Costs

- Cost allocations = process of assigning costs to cost objects that involve the use of surrogate, rather than direct measures.
- The distinction between direct and indirect costs depends on what is identified as the cost object.