

SELECTED AREAS OF COST

Chapter 2 – Costs of Alcoholic Beverages

Authoritative Sources

[FAR 31.205-51](#) Costs of alcoholic beverages

[FAR 31.201-6](#) Accounting for unallowable costs

Alcoholic beverages are drinks containing alcohol such as beer, wine, and spirits.

General Audit Guidelines

The cost principle at FAR 31.205-51, makes the costs of alcoholic beverages expressly unallowable. FAR 31.201–6(a), prescribes that expressly unallowable costs be identified and excluded from any billing, claim, or proposal applicable to a Government contract. Further, any directly associated cost, such as taxes, should also be excluded from any billing, claim, or proposal applicable to a Government contract.

AUDIT GUIDELINES

The audit team should remain alert to the potential existence of costs for alcoholic beverages in contractor billings, claims, and proposals.

Frequently Asked Questions

Question 1: Are the costs of alcoholic beverages expressly unallowable for Nonprofit entities?

Answer: Yes. OMB Circulars A-122 and A-21, as well as the Uniform Guidance for awards to nonprofit entities at 2 CFR 200.423, make costs for alcoholic beverages expressly unallowable.