

## COST ACCOUNTING STANDARDS—CLAUSES (2-95)

**I. COST ACCOUNTING STANDARDS.** (a) Unless this subcontract is exempt under Federal Acquisition Regulation (FAR) 9903.201-1 and 9903.201-2, the provisions of FAR Subpart 9903 are incorporated herein by reference, and the Seller, in connection with this subcontract, shall:

(1) (CAS-covered contracts and subcontracts only.) By submission of a Disclosure Statement, disclose in writing the Seller's cost accounting practices as required by FAR 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis used for allocating indirect costs. The practices disclosed for this subcontract shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Seller that contain a Cost Accounting Standards (CAS) clause. If the Seller has notified the Company that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside the Company and the Government.

(2) Follow consistently the Seller's cost accounting practices in accumulating and reporting subcontract performance cost data concerning this subcontract. If any change in cost accounting practices is made for the purposes of any contract or subcontract subject to CAS requirements, the change must be applied prospectively to this subcontract and the Disclosure Statement must be amended accordingly. If the price or cost allowance of this subcontract is affected by such changes, adjustment shall be made in accordance with subparagraph (a)(4) or (a)(5) of this clause, as appropriate.

(3) Comply with all CAS, including any modifications and interpretations indicated thereto contained in FAR Subpart 9904, in effect on the date of award of this subcontract or, if the Seller has submitted cost or pricing data, on the date of final agreement on price as shown on the Seller's signed certificate of current cost or pricing data. The Seller shall also comply with any CAS (or modifications to CAS) which hereafter become applicable to a contract or subcontract of the Seller. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.

(4) (i) Agree to an equitable adjustment as provided in the Changes clause of this subcontract if the subcontract cost is affected by a change which, pursuant to subparagraph (a)(3) of this clause, the Seller is required to make to the Seller's established cost accounting practices.

(ii) Negotiate with the Company to determine the terms and conditions under which a change may be made to a cost accounting practice, other than a change made under other provisions of this subparagraph (a)(4) of this clause; provided, that no agreement may be made under this provision that will increase costs paid by the Company.

(iii) When the parties agree to a change to a cost accounting practice, other than a change under Subdivision (a)(4)(i) of this clause, negotiate an equitable adjustment as provided in the Changes clause of this subcontract.

(5) Agree to an adjustment of the price or cost allowance, as appropriate, of this subcontract, if the Seller or a lower-tier subcontractor fails to comply with an applicable Cost Accounting Standard, or to follow any cost accounting practice consistently, and such failure results in any increased costs paid by the Company. Such adjustment shall provide for recovery of the increased costs to the Company, together with interest thereon computed at the annual rate established under Section 6621 of the Internal Revenue Code of 1986 (26 U.S.C. 6621) for such period, from the time the payment by the Company was made to the time the adjustment is effected.

(b) The Seller shall permit any authorized representatives of the Company and the Government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause.

(c) The Seller shall include in all negotiated subcontracts, which

the Seller enters into, the substance of this clause and shall require such inclusion in all other subcontracts, of any tier, including the obligation to comply with all CAS in effect on the subcontract's award date or, if the subcontractor has submitted cost or pricing data, on the date of final agreement on price as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data. This requirement shall apply only to negotiated subcontracts in excess of \$500,000 where the price negotiated is not based on:

(1) Established catalog or market prices of commercial items sold in substantial quantities to the general public; or

(2) Prices set by law or regulation, and except that the requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in FAR 9903.201-1.

**II. DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES.** (a) The Seller, in connection with this subcontract, shall:

(1) Comply with the requirements of FAR 9904.401, Consistency in Estimating, Accumulating, and Reporting Costs; 9904.402, Consistency in Allocating Costs Incurred for the Same Purpose; 9904.405, Accounting for Unallowable Costs; and 9904.406, Cost Accounting Standard—Cost Accounting Period, in effect on the date of award of this subcontract, as indicated in 48 CFR Part 9904.

(2) (CAS-covered contracts and subcontracts only.) If it is a business unit of a company required to submit a Disclosure Statement, disclose in writing its cost accounting practices as required by FAR 9903.202-1 through 9903.202-5. If the Seller has notified the Company that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside the Company and the Government.

(3) (i) Follow consistently the Seller's cost accounting practices. A change to such practices may be proposed, however, by either the Company or the Seller, and the Seller agrees to negotiate with the Company the terms and conditions under which a change may be made. After the terms and conditions under which the change is to be made have been agreed to, the change must be applied prospectively to this subcontract, and the Disclosure Statement, if affected, must be amended accordingly.

(ii) The Seller shall, when the parties agree to a change to a cost accounting practice and the Company has made the finding that the change is desirable and not detrimental to the interests of the Company, negotiate an equitable adjustment as provided in the Changes clause of this subcontract. In the absence of the required finding, no agreement may be made under this subcontract clause that will increase costs paid by the Company.

(4) Agree to an adjustment of the price or cost allowance, as appropriate, of this subcontract, if the Seller or a lower-tier subcontractor fails to comply with the applicable CAS or to follow any cost accounting practice and such failure results in any increased costs paid by the Company. Such adjustment shall provide for recovery of the increased costs to the Company together with interest thereon computed at the annual rate of interest established under the Internal Revenue Code of 1986 (26 U.S.C. 6621), from the time the payment by the Company was made to the time the adjustment is effected.

(b) The Seller shall permit any authorized representatives of the Company and the Government to examine and make copies of any documents, papers, and records relating to compliance with the requirements of this clause.

(c) The Seller shall include in all negotiated subcontracts, which the Seller enters into, the substance of this clause and shall require such inclusion in all other subcontracts of any tier, except that:

(1) If the subcontract is awarded to a business unit which pursuant to FAR 9903.201 is required to follow all CAS, the clause entitled "Cost Accounting Standards," as set forth in FAR 52.230-2,

shall be inserted in lieu of this clause;

(2) This requirement shall apply only to negotiated subcontracts in excess of \$500,000 where the price negotiated is not based on: (i) established catalog or market prices of commercial items sold in substantial quantities to the general public or (ii) price set by law or regulation.

(3) The requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in FAR 9903.201-1.

III. COST ACCOUNTING STANDARDS--EDUCATIONAL INSTITUTIONS (a) Unless this subcontract is exempt under FAR 9903.201-1 and 9903.201-2, the provisions of FAR 9903 are incorporated herein by reference, and the Seller, in connection with this subcontract, shall:

(1) (CAS-covered contracts and subcontracts only.) If a business unit of an educational institution required to submit a Disclosure Statement, disclose in writing the Seller's cost accounting practices as required by FAR 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis used for accumulating and allocating indirect costs. The practices disclosed for this subcontract shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Seller that contain a Cost Accounting Standards (CAS) clause. If the Seller has notified the Company that the Disclosure Statement contains trade secrets and confidential or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside the Company and the Government.

(2) Follow consistently the Seller's cost accounting practices in accumulating and reporting subcontract performance cost data concerning this subcontract. If any change in cost accounting practices is made for the purposes of any contract or subcontract subject to CAS requirements, the change must be applied prospectively to this subcontract and the Disclosure Statement, if required, must be amended accordingly. If an accounting principle change mandated under Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, requires that a change in the Seller's cost accounting practices be made after the date of this subcontract award, the change must be applied prospectively to this subcontract, and the Disclosure Statement, if required, must be amended accordingly. If the subcontract price or cost allowance of this subcontract is affected by such changes, adjustment shall be made in accordance with subparagraph (a)(4) or (a)(5) of this clause, as appropriate.

(3) Comply with all CAS, including any modifications and interpretations indicated thereto contained in FAR Subpart 9905, in effect on the date of award of this subcontract, or, if the Seller has submitted cost or pricing data, on the date of final agreement on price as shown on the Seller's signed certificate of current cost or pricing data. The Seller shall also comply with any CAS (or modifications to CAS) which hereafter become applicable to a contract or subcontract of the Seller. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.

(4) (i) Agree to an equitable adjustment as provided in the Changes clause of this subcontract if the subcontract cost is affected by a change which, pursuant to subparagraph (a)(3) of this clause, the Seller is required to make to the Seller's established cost accounting practices.

(ii) Negotiate with the Company to determine the terms and conditions under which a change may be made to a cost accounting practice, other than a change made under other provisions of subparagraph (a)(4) of this clause; provided that no agreement may be made under this provision that will increase costs paid by the Company.

(iii) When the parties agree to a change to a cost accounting practice, other than a change under Subdivision (a)(4)(i) or (a)(4)(iv) of this clause, negotiate an equitable adjustment as

provided in the Changes clause of this subcontract.

(iv) Agree to an equitable adjustment, as provided in the Changes clause of this subcontract, if the subcontract cost is materially affected by an OMB Circular A-21 accounting principle amendment which, on becoming effective after the date of subcontract award, requires the Seller to make a change to the Seller's established cost accounting practices.

(5) Agree to an adjustment of the price or cost allowance, as appropriate, of this subcontract, if the Seller or a lower-tier subcontractor fails to comply with an applicable Cost Accounting Standard, or to follow any cost accounting practice consistently and such failure results in any increased costs paid by the Company. Such adjustment shall provide for recovery of the increased costs to the Company, together with interest thereon computed at the annual rate established under Section 6621 of the Internal Revenue Code of 1986 (26 U.S.C. 6621) for such period, from the time the payment by the United States was made to the time the adjustment is effected.

(b) The Seller shall permit any authorized representatives of the Company and the Government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause.

(c) The Seller shall include in all negotiated subcontracts, which the Seller enters into, the substance of this clause and shall require such inclusion in all other subcontracts, of any tier, including the obligation to comply with all applicable CAS in effect on the subcontract's award date or, if the subcontractor has submitted cost or pricing data, on the date of final agreement on price as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, except that:

(1) If the subcontract is awarded to a business unit which pursuant to FAR 9903.201-2 is subject to other types of CAS coverage, the substance of the applicable clause set forth in FAR 9903.201-4 shall be inserted; and

(2) This requirement shall apply only to negotiated subcontracts in excess of \$500,000 where the price negotiated is not based on: (i) established catalog or market prices of commercial items sold in substantial quantities to the general public or (ii) prices set by law or regulation.

(3) The requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in FAR 9903.201-1.

IV. ADMINISTRATION OF COST ACCOUNTING STANDARDS.

For the purpose of administering the Cost Accounting Standards (CAS) requirements under this subcontract, the Seller shall take the steps outlined in (a) through (g) of this clause:

(a) Submit to the cognizant Contracting Officer a description of any cost accounting practice change, the total potential impact of the change on contracts and subcontracts containing a CAS clause, and a general dollar magnitude cost impact analysis of the change which identifies the potential shift of costs between CAS-covered contracts and subcontracts by type (i.e., firm-fixed-price, incentive, cost-plus-fixed-fee, etc.) and other business activity of the Seller. As related to CAS-covered contracts and subcontracts, the analysis should identify the potential impact on funds of the various Agencies/Departments (i.e., Department of Energy, NASA, Army, Navy, Air Force, other DOD, other Government) as follows:

(1) For any change in cost accounting practices required to comply with a new or modified CAS in accordance with subparagraphs (a)(3) and Subdivision (a)(4)(i) of the CAS clause, within 60 days (or such other date as may be mutually agreed to) after award of a contract or subcontract requiring this change.

(2) For any change in cost accounting practices proposed in accordance with Subdivision (a)(4)(ii) or (a)(4)(iii) of the CAS clause or with subparagraph (a)(3) of the Disclosure and Consistency of Cost Accounting Practices clause, not less than 60 days (or such other date as may be mutually agreed to) before the effective date of the proposed change.

(3) For any failure to comply with an applicable CAS or to follow a disclosed practice (as contemplated by subparagraph (a)(5) of the CAS clause or by subparagraph (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause):

(i) Within 60 days (or such other date as may be mutually agreed to) after the date of agreement with the initial finding of noncompliance; or

(ii) In the event of Seller disagreement with the initial finding of noncompliance, within 60 days of the date the Seller is notified by the Contracting Officer of the determination of noncompliance.

(b) After an ACO determination of materiality, submit a cost impact proposal in the form and manner specified by the Contracting Officer within 60 days (or such other date as may be mutually agreed to) after date of determination of the adequacy and compliance of a change submitted pursuant to paragraph (a) of this clause. The cost impact proposal shall be in sufficient detail to permit evaluation, determination, and negotiation of the cost impact upon each separate CAS-covered contract and subcontract.

(1) Cost impact proposals submitted for changes in cost accounting practices required to comply with a new CAS in accordance with subparagraph (a)(3) and Subdivision (a)(4)(i) of the CAS clause shall identify the applicable standard and all contracts and subcontracts containing the CAS clause, which have an award date before the effective date of that standard.

(2) Cost impact proposals submitted for any change in cost accounting practices proposed in accordance with Subdivisions (a)(4)(ii) or (iii) of the CAS clause or with subparagraph (a)(3) of the Disclosure and Consistency of Cost Accounting Practices clause shall identify all contracts and subcontracts containing the Cost Accounting Standards or Disclosure and Consistency of Cost Accounting Practices clauses.

(3) Cost impact proposals submitted for failure to comply with an applicable CAS or to follow a disclosed practice as contemplated by subparagraph (a)(5) of the CAS clause or by subparagraph (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause shall identify the cost impact on each separate CAS covered contract from the date of failure to comply until the noncompliance is corrected.

(c) If the submissions required by paragraphs (a) and (b) of this clause are not submitted within the specified time or any extension granted by the Contracting Officer, an amount not to exceed ten percent of each subsequent amount determined payable related to the Seller's CAS-covered prime contracts, up to the estimated general dollar magnitude of the cost impact, may be withheld until such time as the required submission has been provided in the form and manner specified by the Contracting Officer.

(d) Agree to appropriate contract and subcontract amendments to reflect adjustments established in accordance with subparagraphs (a)(4) and (a)(5) of the CAS clause or with subparagraphs (a)(3) or (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause.

(e) For all lower-tier subcontracts subject either to the CAS clause or to the Disclosure and Consistency of Cost Accounting Practices clause:

(1) So state in the body of the subcontract, in the letter of award, or in both (self-deleting clauses shall not be used); and

(2) Include the substance of this clause in all negotiated subcontracts. In addition, within 30 days after award of the subcontract, submit the following information to the Seller's cognizant contract administration office for transmittal to the contract administration office cognizant of the subcontractor's facility: (i) subcontractor's name and subcontract number; (ii) dollar amount and date of award; (iii) name of firm making the award; and (iv) any changes the subcontractor has made or proposes to make to accounting practices that affect prime contracts or subcontracts containing the CAS clause or Disclosure and Consistency of Cost Accounting Practices clause, unless these changes have already

been reported. If award of the subcontract results in making one or more CAS effective for the first time, this fact shall also be reported.

(f) Notify the Company in writing of any adjustments required to lower-tier subcontracts under this subcontract and agree to an adjustment, based on them, to this subcontract's price or estimated cost and fee. This notice is due within 30 days after proposed lower-tier subcontract adjustments are received and shall include a proposal for adjusting the higher-tier subcontract or this subcontract appropriately.

(g) For lower-tier subcontracts containing the CAS clause, require the subcontractor to comply with all Standards in effect on the date of award or of final agreement on price, as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.