

Ch 3 - Price-Related Information From Offerors

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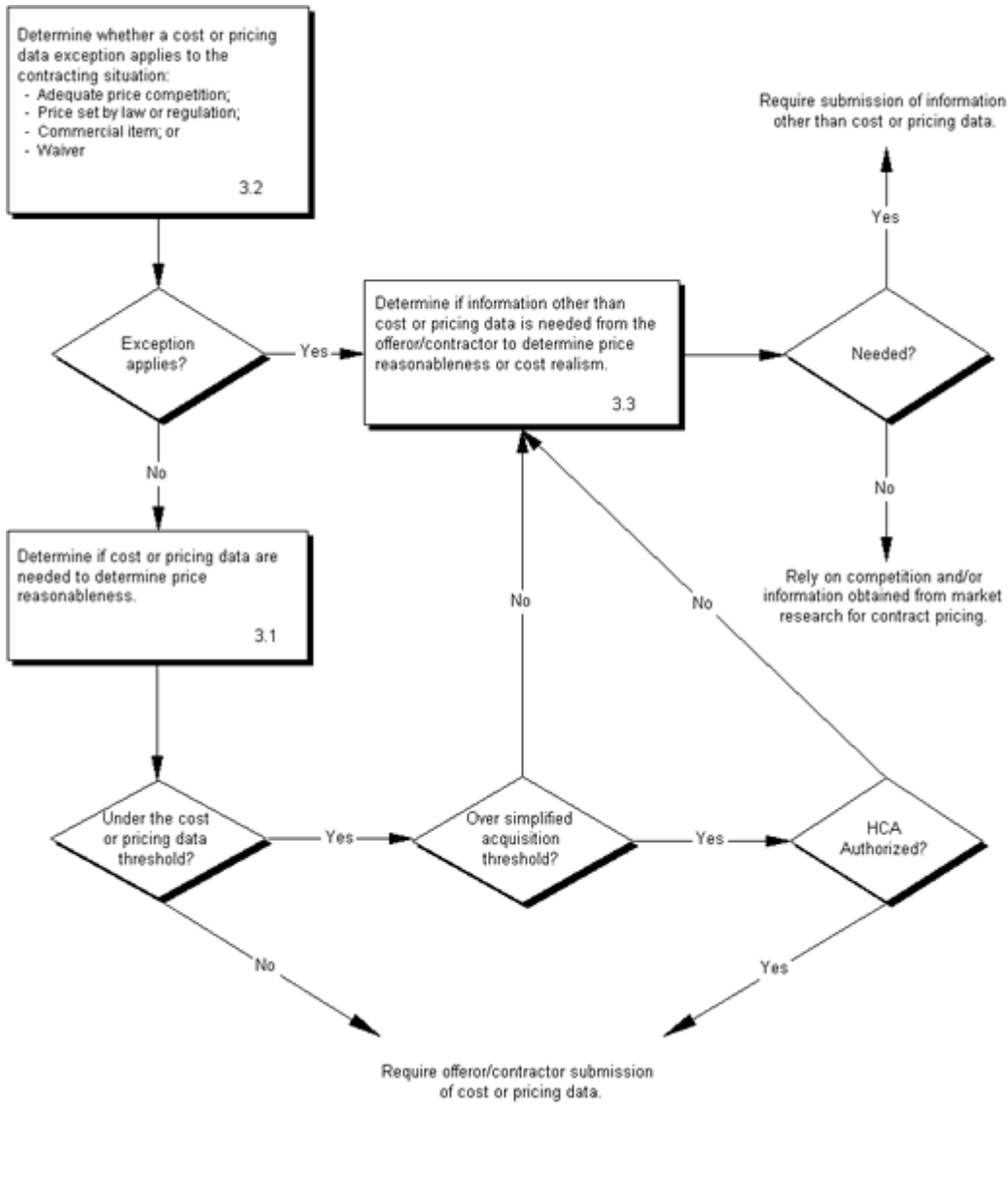
3.0 - Chapter Introduction

This chapter covers the steps you will take to determine what data will be needed from offerors to support the pricing decision.

The policies described in this chapter for obtaining and evaluating cost or pricing data or information other than cost or pricing data from offerors **apply only to acquisition by negotiation**.

NEVER require offerors to submit cost or pricing data or information other than cost or pricing data with sealed bids. For sealed bidding, you may only require bidders to submit original worksheets and other data used in bid preparation when there is an alleged mistake in bid ([FAR 14.407-3\(g\)\(2\)](#)).

Flow Chart of the Decision Process. This flow chart outlines the decision process that you should follow to determine what (if any) information to require from offerors/contractors.



Cost or Pricing Data ([FAR 15.401](#)).

Cost or pricing data:

- Are all facts that, as of the date of price agreement or, if applicable, another date agreed upon between the parties that is as close as practicable to the date of agreement on price, prudent buyers and sellers would reasonably expect to affect price negotiations significantly.
- Require certification as accurate, complete, and current in accordance with ([FAR 15.406-2.](#))

- Are factual, not judgmental, and are therefore verifiable.
- Include the data that form the basis for the prospective offeror's judgment about future cost projections. The data do not indicate the accuracy of the prospective contractor's judgment.
- Are more than historical accounting data. They are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred.
- Include such factors as:
 - Vendor quotations;
 - Nonrecurring costs;
 - Information on changes in production methods and in production or purchasing volume;
 - Data supporting projections of business prospects and objectives and related operations costs;
 - Unit-cost trends such as those associated with labor efficiency;
 - Make-or-buy decisions;
 - Estimated resources to attain business goals; and
 - Information on management decisions that could have a significant bearing on costs.

Information Other Than Cost or Pricing Data.

Information other than cost or pricing data:

- Are any type of offeror information that are not required to be certified as accurate, complete, and current, in accordance with FAR 15.406-2, that are necessary to determine price reasonableness or cost realism.
- May include pricing, sales, or cost information.
- Includes all of data submitted that was to have been cost or pricing data but for which certification is not required after submission.

Order of Preference for Information ([FAR 15.402](#)). When conducting acquisition by negotiation, you should generally use the following order of preference in determining the type of information to obtain from an offeror:

- If price is based on adequate price competition, generally no additional information is required to determine price reasonableness.

- If you conclude that additional information is necessary to determine price reasonableness, to the maximum extent practicable, obtain the additional information from sources other than the offeror.
 - You may require offerors to submit information other than cost or pricing data to determine the cost realism of competing offers or to evaluate competitive approaches.
- If you need price information other than cost or pricing (e.g., established catalog or market prices) rely:
 - First, on information available within the Government;
 - Second, on information obtained from sources other than the offeror; and
 - If necessary, obtain information from the offeror.
- If you need cost information other than cost or pricing data, only require an offeror to submit the information needed to determine price reasonableness or cost realism.
- Use every means available to ascertain a fair and reasonable price prior to requiring an offeror to submit cost or pricing data.

Solicitation Price-Related Information Requirements ([FAR 15.403-5](#) and [15.408\(1\)](#)). You may require offerors to submit pricing-related information at any time prior to the close of negotiations. However, identifying all requirements in the solicitation will permit offerors to gather and document the required information during proposal preparation. If you require information after proposals are received, the contracting process must be delayed while the offeror gathers and documents the information required.

The solicitation must specify:

- Whether cost or pricing data are required;
- That, when cost or pricing data are required, the offeror may submit a request for exception from the requirement to submit cost or pricing data;
- Whether information other than cost or pricing data is required, if cost or pricing data are not necessary;
- Necessary preaward or post award access to the offeror's records;

- The format required for submission of cost or pricing data or information other than cost or pricing data (the FAR Table 15-2 format, a specified alternate format, or a format selected by the offeror).

Price-Related Information Requirements After Receipt of Offers ([FAR 15.403-4\(c\)](#)). Decisions on pricing-related information requirements continue after proposals are received:

- If offerors were required to submit cost or pricing data and:
 - An offeror submitted the data, but the contracting officer later finds that an exception applies, never require the offeror to certify that the data are accurate, complete, and current. Instead treat the data as information other than cost or pricing data.
 - No exception applies, but an offeror initially refuses to provide the required data, or the data provided are so deficient as to preclude adequate analysis and evaluation, the contracting officer must again attempt to obtain the data. If the offeror persists in refusing to provide the needed data, the contracting officer must withhold contract award or price adjustment and refer the contract action to higher authority, with details of the attempts made to resolve the matter and a statement on the practicality of obtaining the supplies or services from another source.
 - If offerors are not required to submit cost or pricing data and the contracting officer later determines that the data are necessary, require the offeror to submit the required data prior to the close of contract negotiations.
 - If the Government does not require submission of cost or pricing data or information other than cost or pricing data, but the contracting officer later determines that information other than cost or pricing data are needed from the offeror to determine price reasonableness, require the offeror to submit the necessary information prior to the close of contract negotiations.
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3.1 - Cost or Pricing Data

Decision Process for Requiring Cost or Pricing Data ([FAR 15.402\(a\)\(3\)](#), [15.403-1\(b\)](#), and [FAR 15.403-4\(a\)](#)). [The Truth in Negotiations Act \(TINA\)](#) requires that you obtain cost or pricing data in specific contracting situations (described in this section). However, the Act also provides exceptions to that requirement (described in the next section). **Never** require an offeror to submit cost or pricing data unless the contracting officer concludes that none of the exceptions to the cost or pricing data requirement are appropriate.

Because you must consider the exceptions before requiring cost or pricing data, the decision to require cost or pricing data is the last determination in the flow chart presented at the beginning of this chapter. However, in the chapter, we present this section first to identify the general requirement from which contracting officers should consider possible exceptions.

Situations Requiring Cost or Pricing Data ([FAR 15.403-4\(a\)](#)). When no exception is appropriate, obtain cost or pricing data before accomplishing any of the following actions when the price is expected to exceed the cost or pricing data threshold:

- The award of any negotiated contract (except for undefinitized actions such as letter contracts).
- The award of a subcontract at any tier, if the contractor and each higher-tier subcontractor have been required to furnish cost or pricing data.
- The modification of any sealed bid or negotiated contract (whether or not cost or pricing data were initially required). This requirement also applies to subcontracts if the contractor and each higher-tier subcontract have been required to furnish cost or pricing data.
 - When deciding whether cost or pricing data are required, sum the value of related increases and decreases in contract requirements. For example, a \$150,000 modification resulting from a reduction of \$350,000 and an increase of \$200,000 is a \$550,000 price adjustment when determining the need for cost or pricing data.
 - Do not sum the value of unrelated and separately priced changes for which cost or pricing data

would not otherwise be required. Such changes may be included in the same contract modification for administrative convenience.

New Contract Cost or Pricing Data Threshold ([FAR 15.403-4\(a\)\(1\)](#)). For a new contract, the applicable cost or pricing data threshold is the threshold that is in effect on the date of agreement on price, or the date of award, whichever is later. The cost or pricing data threshold is currently \$500,000. This amount is subject to review and possible adjustment on October 1, 2000 and every five years thereafter.

Subcontract And Modification Cost or Pricing Data Threshold. For prime contract modifications, new subcontracts at any tier, and subcontract modifications, the applicable cost or pricing data threshold is established by the prime contract.

- For most contracts, the applicable cost or pricing data threshold is the current threshold on the date of agreement on price, or the date of award, whichever is later.
- Some older contracts specify a dollar threshold that does not automatically change as the current threshold changes. However, a specific dollar threshold can be updated using a bilateral contract modification.

HCA-Approved Cost or Pricing Data Below the Threshold ([FAR 2.101](#), [15.403-1](#), and [15.403-4\(a\)\(2\)](#)). The contracting officer may require cost or pricing data submission at or below the cost or pricing data threshold, but only if all three of the following requirements are met:

- The estimated value of the contract action exceeds the simplified acquisition threshold.
 - The simplified acquisition threshold for most noncommercial acquisitions is currently \$100,000.
 - For noncommercial contracts awarded and performed, or purchases to be made, outside the United States in support of contingency operations, the simplified acquisition threshold is \$200,000.
- No exception to obtaining cost or pricing data applies. (For example, never require cost or pricing data when contracting for a commercial item.)

- The head of the contracting activity (without power of delegation) authorizes the cost or pricing data requirement.
 - The head of the contracting activity must justify the cost or pricing data requirement.
 - File documentation must include a written finding that cost or pricing data are necessary to determine whether an offered price is fair and reasonable and the facts supporting that finding.
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3.2 - Cost Or Pricing Data Exceptions

Section Introduction. This section will present a brief review of points to consider in determining whether an exception applies to cost or pricing data requirements. Topics that will be covered include:

- [3.2.1 - Adequate Price Competition Exception](#)
- [3.2.2 - Price Set By Law Or Regulation Exception](#)
- [3.2.3 - Commercial Item Exception](#)
- [3.2.4 - Waiver Exception](#)

General Guidelines on Exceptions ([FAR 15.403-4\(a\)](#)). **Never** require cost or pricing data when an exception to cost or pricing data requirements applies. In determining whether a specific exception applies, consider the conditions for granting that exception and the special issues associated with granting that exception.

Contract Options ([FAR 15.403-2\(a\)](#)). **Never** require cost or pricing data when exercising an option at the price established at contract/subcontract award or initial contract/subcontract negotiation.

Funding Adjustments ([FAR 15.403-2\(b\)](#)). **Never** require cost or pricing data for proposals used solely for overrun funding or interim billing price adjustments.

Actions at or Below the Cost or Pricing Data Threshold.
([FAR 15.403-4\(a\)\(2\)](#))

Never require cost or pricing data for contract or subcontract actions priced at or below the simplified acquisition threshold.

Never require cost or pricing data for other contract or subcontract actions priced at or below the cost or pricing data threshold **unless** the requirement is authorized by the head of the contracting activity without power of delegation.

3.2.1 Adequate Price Competition Exception

Conditions for New Contract or Subcontract Exception ([FAR 15.403-1\(b\)\(1\)](#) and [FAR 15.403-1\(c\)\(1\)](#)). Never require cost or pricing data when the contracting officer determines that the agreed-upon prices are based on adequate price competition. A price is based on adequate price competition if:

- Two or more responsible offerors, competing independently, submit priced offers responsive to the Government's expressed requirement and both of the following conditions are met:
 - Award will be made to the offeror whose proposal represents the best value to the Government where price is a substantial factor in the source selection;
 - There is no finding that the price of the otherwise successful offeror is unreasonable. Any finding that a proposed price is unreasonable must be supported by a statement of the facts and approved at a level above the contracting officer;
- There was a reasonable expectation, based on market research or other assessment, that two or more responsible offerors, competing independently, would submit priced offers responsive to the solicitation's expressed requirement, even though only one offer is received from a responsible, responsive offeror and both of the following requirements are met:
 - Based on the offer received, the contracting officer can reasonably conclude that the offer was submitted with the expectation of competition, e.g., circumstances indicate that:
 - The offeror believed that at least one other offeror was capable of submitting a meaningful, responsive offer; and

- o The offeror had no reason to believe that other potential offerors did not intend to submit an offer; and
 - o The determination that the proposed price is based on adequate price competition and is reasonable is approved at a level above the contracting officer; or
- Price analysis clearly demonstrates that the proposed price is reasonable in comparison with current or recent prices for the same or similar items, adjusted to reflect changes in market conditions, economic conditions, quantities, or terms and conditions under contracts that resulted from adequate price competition.

Conditions for Modification Exception ([FAR 52.215-21\(a\)\(ii\)](#)).

Never require cost or pricing data for a modification of a contract or subcontract for a commercial item if:

- The original contract or subcontract was granted an exception from cost or pricing data requirements because:
 - o The price agreed upon was based on adequate price competition or prices set by law or regulation, or
 - o The contract or subcontract was for a commercial item; and
- The modification would not change the contract or subcontract from a contract or subcontract for acquisition of a commercial item to a contract or subcontract for acquisition of an item other than a commercial item.

Independence of Brand Name Offers in Competition ([FAR 6.302-1\(c\)](#)). Brand-name acquisitions raise special concerns about independent competition. If the Government requirement specifies a particular brand name, product, or feature of a product, peculiar to one manufacturer you cannot have **full and open competition** regardless of the number of sources solicited. That is why brand name descriptions must be approved in accordance with FAR Part 6.

- o You may still be able to obtain **adequate price competition** among dealers if the acquisition involves

- value added by the offeror** so that the brand name item is a relatively small part of the total acquisition. Examples of situations where you may have adequate price competition include acquisitions where the brand name item:
- Is a component of a larger system being acquired by the Government;
 - Requires contractor modification for Government use;
 - Requires contractor testing to qualify for Government use; or
 - Requires unique packaging to meet the needs of the Government.
- However, if the item will simply flow through the contractor without any **value added**, it is **unlikely that you will have adequate price competition because the manufacturer will control the majority of the acquisition price**. Dealers may actively compete within their portion of the price, but the manufacturer's pricing policy to dealers will likely determine the winner. Dealers cannot price the product independently because all must ultimately rely on the same source for the item. Even though there may not be adequate price competition, the item may qualify for a commercial item exception.
 - Be especially careful when the manufacturer is one of the competitors. Since the manufacturer controls its pricing policy to dealers, the manufacturer can usually win the competition if it desires.

Price as Substantial Factor in the Source Selection (CGEN B-176217, December 14, 1972 and CGEN B-189884, March 29, 1979). To have adequate price competition, price must be a substantial factor in the contract award decision, but neither the FAR nor the law define what weight price must have to be considered a substantial factor.

- In general, the weight assigned must be large enough to cause offerors to seriously consider price in preparing their offers.
- The Comptroller General (CGEN) has found adequate price competition in cases where price was assigned a weight of only 20 percent in the award decision. However, price is usually assigned a weight that is higher than 20 percent.

Recent Competition. The FAR does not provide any guidelines on how recent competition must be to be considered as a basis for excepting an offeror from submitting cost or pricing data. The term "recent" must be judged subjectively.

- The price must be recent enough to use as a basis for determining price reasonableness.
- Normally, competition is considered recent if it took place within the last 12 months.
- However, be careful.
 - Before you except an offeror from submission of cost or pricing data based on recent competition, examine the market to see how market conditions have changed since the last competitive acquisition.
 - If the product market is extremely volatile, a price that is only a few months old may not be recent enough to use as a basis for determining price reasonableness.

3.2.2 Price Set By Law Or Regulation Exception

Conditions for Exception ([FAR 15.403-1\(b\)\(2\)](#), [15.403-1\(c\)\(2\)](#), and [52.215-21\(a\)\(1\)](#)). Never require cost or pricing data for a new contract, new subcontract, or a contract or subcontract modification when the contracting officer determines that the agreed-upon prices are based on prices set by law or regulation. Pronouncements in the form of periodic rulings, reviews, or similar actions of a governmental body, or embodied in the laws, are sufficient to set a price.

Applicable Items. To apply this exception, the price of the item that you are acquiring must be set by law or regulation. You are not permitted to use this exception for items similar to those priced by law or regulation.

Request for Exception ([FAR 52.215-20\(a\)\(1\)](#) and [52.215-21\(a\)\(1\)](#)). When a solicitation or contract clause requires submission of cost or pricing data, an offeror/contractor may request an exception using prices set by law or regulation. The request for exception must (as a minimum):

- Identify the law or regulation that establishes the price offered.
 - Include a copy of any periodic ruling, review, or similar action of a governmental body used to establish the offered price, unless it was previously submitted to the contracting office.
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3.2.3 Commercial Item Exception

Conditions for Exception ([FAR 15.403-1\(b\)\(3\)](#), [15.403-1\(b\)\(5\)](#), and [15.403-1\(c\)\(3\)](#)). Never require cost or pricing data for a new contract, new subcontract, or contract or subcontract modification when you are acquiring a commercial item.

- Any acquisition for an item that meets the FAR definition of a commercial item is excepted from cost or pricing data requirements.
- Any contract modification that does not change the item from a commercial item to a noncommercial item is also excepted from cost or pricing data requirements.

Commercial Item Identification ([FAR 2.101](#)). A commercial item is:

1. Any item, other than real property, that is of a type customarily used for nongovernmental purposes and that has been sold, leased, or licensed to the general public; or, offered for sale, lease, or license to the general public;
2. Any item that evolved from an item described in Paragraph 1 through advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under a Government solicitation;
3. Any item that would satisfy a criterion expressed in Paragraphs 1 or 2 of this definition, but for:
 - Modifications of a type customarily available in the commercial marketplace; or
 - Minor modifications of a type not customarily available in the commercial marketplace made to meet Government requirements. A "minor" modification is any modification that does not significantly alter the nongovernmental function

- or essential physical characteristics of an item or component, or change the purpose of a process. When you determine whether a modification is minor consider the value and size of the modification and the comparative value and size of the final product. Use dollar values and percentages as guideposts, but they are not conclusive evidence that a modification is minor;
4. Any combination of items meeting the requirements of Paragraphs 1, 2, 3, or 5 of this definition that are of a type customarily combined and sold in combination to the general public;
 5. Installation services, maintenance services, repair services, training services, and other services if such services are procured for support of an item referred to in Paragraphs 1, 2, 3, or 4 above, and if the source of such services:
 - o Offers such services to the general public and the Government contemporaneously and under similar terms and conditions; and
 - o Offers to use the same work force for providing the Government with such services as the source uses for providing such services to the general public;
 6. Services of a type offered and sold competitively in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks performed under standard commercial terms and conditions. This does not include services that are sold based on hourly rates without an established catalog or market price for a specific service performed;
 7. Any item, combination of items, or service referred to in Paragraphs 1 through 6, notwithstanding the fact that the item, combination of items, or service is transferred between or among separate divisions, subsidiaries, or affiliates of a contractor; or
 8. A nondevelopmental item, if the procuring agency determines the item was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple State and local governments.

Nondevelopmental Item Identification ([FAR 2.101](#)). A nondevelopmental item is:

1. Any previously developed item of supply used exclusively for governmental purposes by a Federal agency, a State or local government, or a foreign government with which the United States has a mutual defense cooperation agreement;
2. Any item described in Paragraph 1 of this definition that requires only minor modification or modifications of a type customarily available in the commercial marketplace in order to meet the requirements of the procuring department or agency; or
3. Any item of supply being produced that does not meet the requirements of Paragraph 1 or 2 solely because the item is not yet in use.

Request for Exception ([FAR 52.215-20\(a\)\(1\)](#) and [52.215-21\(a\)\(1\)](#)). When a solicitation or contract clause requires submission of cost or pricing data, a firm may request a commercial item exception. At a minimum, the request for exception must include information on prices at which the same or similar items have previously been sold in the commercial market that is adequate for evaluating the reasonableness of the current acquisition price.

- For catalog items, the firm should include:
 - A copy of or identification of the catalog and its date, or the appropriate pages for the offered items, or a statement that the catalog is on file in the buying office to which the proposal is being submitted;
 - A copy or description of current discount policies and price lists (published or unpublished) (e.g., wholesale, original equipment manufacturer, or reseller); or
 - An explanation of the basis of each offered price and its relationship to the established catalog price, including how the proposed price relates to the price of recent sales in quantities similar to the proposed quantities.
- For market-priced items, the firm should include:
 - The source and date or period of the market quotation or other basis for market price, the base amount, and applicable discounts; and
 - A description of the nature of the market.
- For items included on an active Federal Supply Service Multiple-Award Schedule contract, the firm should include proof that an exception has been granted for the schedule item.

3.2.4 Waiver Exception

Conditions for Exception ([FAR 15.403-1\(b\)\(4\)](#) and [15.403-1\(c\)\(4\)](#)). Never require cost or pricing data for a new contract, new subcontract, or contract or subcontract modification when the head of the contracting activity waives the requirement for cost or pricing data.

- The authorization for the waiver and the supporting rationale must be in writing.
- The head of the contracting activity (without power of delegation) may consider waiving the cost or pricing data requirement if the price can be determined to be fair and reasonable without submission of cost or pricing data.

Special Issue for Waivers ([FAR 15.403-1\(c\)\(4\)](#)). For all other exceptions to cost or pricing data requirements, granting the exception to a prime contractor or higher-tier subcontractor means that lower-tier subcontractors are also excepted from submitting cost or pricing data.

Under the waiver of cost or pricing data requirements, the contractor or higher-tier subcontractor to whom the waiver applies must be considered as having been required to submit cost or pricing data. Consequently, lower-tier subcontract actions that are expected to exceed the cost or pricing data threshold require the submission of cost or pricing data unless:

- An exception otherwise applies to the lower-tier subcontract; or
- The prime contract waiver specifically includes the subcontract and the rationale supporting the waiver for that subcontract.

3.3 Information Other Than Cost Or Pricing Data

Policy on Requiring Information Other Than Cost or Pricing Data ([FAR 15.403-3](#)). The contracting officer is responsible for obtaining information other than cost or pricing data to the extent necessary to determine price reasonableness or cost realism.

- Generally, you should not require firms to submit information other than cost or pricing data when there is adequate price competition.
 - If you need additional information to determine price reasonableness, to the maximum extent practicable, the contracting officer must obtain the necessary information from sources other than the offeror.
 - However, the contracting officer may require information other than cost or pricing data to determine the cost realism of competing offers or to evaluate competing approaches.
- Unless price reasonableness will be determined by adequate price competition or a price set by law or regulation, obtain (as a minimum) appropriate information on prices at which the same item or similar items have previously been sold that is adequate for determining price reasonableness.
- For commercial items:
 - Limit requests for sales information to data for the same or similar items during a relevant time period.
 - To the maximum extent practicable, limit the requirement to information in a form regularly maintained by the offeror in commercial operations.
- As specified in Section 808 of Public Law 105-261, an offeror who does not comply with a requirement to submit information that the contracting officer has deemed necessary to determine price reasonableness or cost realism is ineligible for award unless the Head of the Contracting Activity determines that it is in the best interest of the Government to make the award to that offeror, based on consideration of the following:
 - The effort made to obtain the data.
 - The need for the item or service.
 - Increased cost or significant harm to the Government if award is not made.
- Contractor refusals to submit requested information, and all actions taken by the contracting officer and at levels above the contracting officer to address those refusals, must be fully documented.

Price Information Other Than Cost or Pricing Data. The contracting officer may require the offeror/contractor to provide price information other than cost or pricing data. Price information will be particularly important for commercial items purchased noncompetitively.

Price Information Other Than Cost or Pricing Data		
Information Element	Consider Offerors/Contractors To...	Requiring Related Analysis Questions
Catalog pricing	Identify any relevant offeror commercial catalog, its date, catalog prices, and related discounts. Also require the offeror/contractor to explain any differences between the offered price, the established catalog price, and price of recent sales in quantities similar to the proposed quantities.	Does the firm have a commercial catalog price? How do the prices for recent commercial sales compare with the catalog price? How does the price offered compare to the catalog price and the circumstances of the commercial sales?
Market pricing	Describe the nature of the relevant market and how that market affects the offered price including the source and date or period of any relevant market quotation or other basis for market price, the base market price, and applicable discounts or other price adjustments.	Is there a commercial market for the item? Is there an independent and verifiable record of the market price? How does the price offered compare to the market price and the circumstances of the commercial sales?
Other evidence	Provide evidence of prices charged other customers	Can the offeror provide evidence

prices charged	under similar circumstances. For example, the firm could provide copies of contracts with other customers to document the prices charged.	of the prices paid by commercial customers? Do commercial customers verify the prices paid?
		How does the price offered compare with the prices paid by other customers under similar circumstances?
Services normally provided	Describe the services provided by the offeror/contract to the firm's buying at the prices provided as bases for price analysis. Different firms and industries provide different levels of support services for their products, including product warranties, set-up, and financing.	What services are provided other customers? Based on services provided, should the Government price be different than the price charged commercial customers?
Normal order size	Document the normal order size for firms paying prices provided by the offeror/contractor as bases for price analysis. Prices may relate to the total size of each order, not just the price of the item involved. For example, an order could include 100 units of the item and nothing else, or the order could include 100 units of the item and thousands of units of other items. Presumably, the larger order should merit a lower price.	What was the total dollar value of orders with other customers? Based on the relative order size, should the Government price be different than the price charged other customers?
Annual Volume of	Document the sales volume to similar customers and	Under similar circumstances,

Sales to Similar Customers	the prices paid by those customers. For example, commercial firms often negotiate total volume discounts with major customers, over and above normal order quantity discounts. In comparing total volume of purchases, you should normally consider known acquisitions from all Government activities as a group.	does the firm sell at lower prices to firms with larger total annual purchases? What prices are charged other customers with total annual purchases similar to that of the Government?
Lowest Price Charged Other Customers	Document the lowest prices recently charged other customers for the same or similar products. The Government procurement may not this most favored customer treatment, however this information will provide useful information on the lowest prices paid by any customer under any circumstances. What is recent will vary based on the type of item and the market. Generally, it will vary from three months to a year.	What is the lowest recent price paid for the same or similar product? How do the circumstances of the Government procurement differ from the circumstances of the lowest priced sale?

Cost Information Other Than Cost or Pricing Data. You may require an offeror/contractor to provide cost information other than cost or pricing data to support your analysis of price reasonableness or cost realism. The table below examines five situations in which cost information other than cost or pricing data might be needed. Examples of the type of questions that cost information could help answer are also provided. Government technical and audit assistance may be required to analyze the cost information and answer related questions.

Contracting Situation	Analysis Purpose	Analysis Questions
You expect a single offer at or below the cost or pricing data threshold,	Support determination of price	Does the proposed price appear

and you do not expect to be able to determine price reasonableness using price analysis alone.

reasonableness reasonable based on its relationship with estimated costs?

You expect a single offer greater than the cost or pricing data threshold that will be excepted from cost or pricing data requirements, but you do not expect to be able to determine price reasonableness using price analysis alone.

You expect competitive offers, but because of technical differences, you do not expect to be able to determine price reasonableness using price analysis alone.

You find that there are too few sales of commercial item to use as a basis for price analysis and cost analysis is the only reasonable method for determining price reasonableness.

You expect competitive offers for a cost-reimbursement contract.

Cost realism analysis to determine probable final cost to the Government. Are proposed costs realistic for the work to be performed?

You expect competitive offers for a fixed-price contract, but new requirements may not be understood by all offerors.

Cost realism analysis to determine an offeror understands all contract requirements. Do proposed costs reflect a clear understanding of contract requirements?

You expect competitive offers for a fixed-price

Cost realism analysis to Are proposed costs consistent

contract, but you have concerns about the performance quality that will result from each offeror's proposal.

determine an offeror's ability to deliver proposed quality at the proposed price.

with the offeror's technical proposal?

You expect competitive offers for a fixed-price contract, but market analysis leads you to believe that some offerors may propose unrealistic prices that would jeopardize contract performance.

Cost realism analysis to determine an offeror's ability to meet all contract requirements at the proposed price.

Do proposed costs reflect a clear understanding of contract requirements?

Information Requirement ([FAR 15.403-3\(a\)](#), [15.408\(1\)](#), [15.408\(m\)](#), [52.215-20](#), and [52.215-21](#)).

The solicitation/contract must specify the information and the format required:

- Tailor the requirement to the information essential for your analysis (e.g., do not require cost information if price information is adequate).
- Permit the firm to select the format for submitting the information unless the contracting officer determines that use of a specific format is essential.
- Ensure that the information used to support price negotiations is sufficiently current to permit negotiation of a fair and reasonable price.
- Limit requests for updated offeror/contractor information to information that affects the adequacy of the proposal for negotiations (e.g., changes in price lists).
- Never require a certificate of current cost or pricing data for any information other than cost or pricing data.