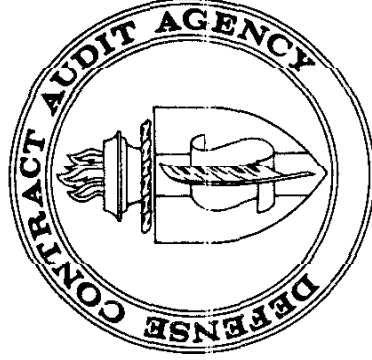


★ **SUMMARY** ★  
**Of Independent Research and Development  
and Bid and Proposal Cost  
Incurred by Major Defense Contractors  
in the Years 1984 and 1985**



★ ★ Prepared by ★ ★

**DEFENSE CONTRACT AUDIT AGENCY**

**March 1986**

## FOREWORD

This summary report presents the latest statistics assembled by the Defense Contract Audit Agency (DCAA) on the independent research and development (IR&D) and bid and proposal (B&P) costs allocated to defense contracts. The statistical data are to be included in the Secretary of Defense's annual report to the Congress on or before 15 March 1986, in accordance with Public Law 91-441, Section 203, paragraph (c).

The major defense contractors included in this summary are those which had an annual auditable volume of costs incurred in excess of \$40 million or required 5,000 or more hours of annual DCAA direct audit effort. To be compatible with the advance agreement reports prepared by the Army, Navy, Air Force, and the Defense Logistics Agency, this report also includes data of other defense contractors which did not meet the above criteria but had negotiated IR&D/B&P advance agreements. Contractors specifically excluded from this summary are construction companies, educational institutions, foreign contractors and overseas operations of U.S. contractors, insurance companies, marine transport contractors, and military medical contractors. These contracting activities incurred nominal or no IR&D/B&P costs.

DCAA obtained the IR&D/B&P cost and sales amounts from contractors' records. These amounts, as classified and recorded by the contractors and reported herein, do not necessarily represent audited amounts. Where actual cost and sales data were not available, as in the case of contractors which had not closed their books for 1985, DCAA auditors obtained reasonable estimates. Where costs not charged to IR&D were determined to be more properly classified as IR&D, these costs were reclassified by the auditors and included in IR&D costs incurred.

Page 1 summarizes the fiscal years 1984 and 1985 sales and IR&D and B&P costs incurred by 103 defense contractors, comprising 306 reporting divisions and/or operating groups. It also shows the IR&D/B&P amounts accepted by the Government. These amounts represent the IR&D/B&P costs that are allocable to all contractor work performed (commercial, as well as Government) and which have been or are expected to be accepted by the Government on the basis of overhead negotiations and established advance agreements. The DoD share of the costs accepted each year is based on the contractors' actual methods of allocating such costs to DoD work. The IR&D and B&P summaries on pages 2 and 3 separate the data between those contractors and/or reporting divisions with negotiated advance agreements and those without such agreements.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT  
AND BID AND PROPOSAL COSTS INCURRED AND SALES  
ACHIEVED BY MAJOR DEFENSE CONTRACTORS

FOR CONTRACTOR FISCAL YEARS 1984 AND 1985

	1984		1985	
	(IN MILLIONS)		(IN MILLIONS)	
	COSTS INCURRED	ACCEPTED AS ALLOCABLE TO ALL WORK	COSTS INCURRED	ACCEPTED AS ALLOCABLE TO ALL WORK
INDEPENDENT RESEARCH AND DEVELOPMENT (IR&D)	\$ 5,173	\$ 3,897	\$ 4,999	\$ 3,463
DOD EXCLUDING FOREIGN MILITARY SALES (FMS)				
DOD FMS		\$ 1,762		\$ 1,972
BID AND PROPOSAL (B&P)	1,965	1,476	2,082	1,627
DOD EXCLUDING FMS				
DOD FMS		\$ 1,074		\$ 1,192
		57		59
TOTAL IR&D AND B&P COSTS	\$ 7,138	\$ 5,373	\$ 7,081	\$ 5,090
SALES--TOTAL GOVERNMENT AND COMMERCIAL	\$ 136,896		\$ 152,517	
SALES--DOD EXCLUDING FMS	\$ 84,428		\$ 97,483	
SALES--DOD FMS	5,280		5,948	
SALES--TOTAL DOD	\$ 89,708		\$ 103,431	

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT  
AND BID AND PROPOSAL COSTS INCURRED AND SALES  
ACHIEVED BY MAJOR DEFENSE CONTRACTORS

FOR CONTRACTOR FISCAL YEARS 1984 AND 1985

WITH ADVANCE AGREEMENTS

	1984			1985		
	(IN MILLIONS)			(IN MILLIONS)		
	COSTS INCURRED	ALLOCABLE TO ALL WORK	NO. OF CONTRACTOR DIVISIONS	COSTS INCURRED	ALLOCABLE TO ALL WORK	NO. OF CONTRACTOR DIVISIONS
INDEPENDENT RESEARCH AND DEVELOPMENT (IR&D)	\$ 5,083	\$ 3,822	1,858	\$ 4,970	\$ 3,440	2,084
BID AND PROPOSAL (B&P)	1,893	1,413	1,097	2,014	1,570	1,211
TOTAL IR&D AND B&P	\$ 6,976	\$ 5,235	2,955	\$ 6,984	\$ 5,010	3,295

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT  
AND BID AND PROPOSAL COSTS INCURRED AND SALES  
ACHIEVED BY MAJOR DEFENSE CONTRACTORS

FOR CONTRACTOR FISCAL YEARS 1984 AND 1985

WITHOUT ADVANCE AGREEMENTS

	1984 (IN MILLIONS)				1985 (IN MILLIONS)			
	COSTS INCURRED	ALLOCABLE TO ALL WORK	DDO SHARE	NO. OF CONTRACTOR DIVISIONS	COSTS INCURRED	ALLOCABLE TO ALL WORK	DDO SHARE	NO. OF CONTRACTOR DIVISIONS
INDEPENDENT RESEARCH AND DEVELOPMENT (IR&D)	\$ 89	\$ 75	\$ 27	41	\$ 28	\$ 23	\$ 16	37
BID AND PROPOSAL (B&P)	72	63	33	41	68	57	40	37
TOTAL IR&D AND B&P	\$ 161	\$ 138	\$ 60		\$ 96	\$ 80	\$ 56	