

Independent Research and Development
and Bid and Proposal Costs
Incurred by Major Defense Contractors
in the Years 1989 and 1990

* * * Prepared by * * *
Defense Contract Audit Agency

FORWARD

This report presents the latest available Defense Contract Audit Agency (DCAA) statistics on the independent research and development (IR&D) and bid and proposal (B&P) costs allocated to defense contracts.

This reports includes data on major contractors which had an annual auditable volume of costs incurred in excess of \$40 million or more during the contractor's fiscal year 1990. To be compatible with statistics in the advance agreement reports prepared by the Army, Navy, and Air Force, this reports also lists other defense contractors which did not meet the above criteria but had negotiated IR&D and B&P advance agreements. Contractors for which 1989 data were shown in the 1988-89 report are included in the present report in order to preserve continuity, even if no data are reportable for 1990. Contractors specifically excluded from this report 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 and B&P costs.

DCAA obtained the IR&D and B&P cost and sales data from contractor records; that is, data as recorded by the contractors. Cost and sales reported here 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 1990, 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. Reclassified costs were accepted to the extent that the adjusted IR&D costs accepted do not exceed negotiated advance agreement ceilings. In most cases, contractor sales shown represent sales of the listed division and/or operating groups and do not necessarily equal total contractor sales.

The first page of the summary shows the totals of IR&D and B&P cost incurred by these defense contractors during their fiscal years 1989 and 1990, amounts accepted which are allocable to all work, and the share allocated to DoD contracts. Amounts accepted which are allocable to all work represent costs accepted in overhead negotiations through advance agreements. These cost are allocable to all contractor work performed--Government and commercial. (The constraints of the IR&D and B&P ceilings mandated by Public Law 91-441 are not applicable to DoD contracts for Foreign Military Sales (FMS).) The DoD share of the accepted costs each year is based on the individual contractor's actual method for allocating such costs to DoD work. The summaries on pages 2 and 3 separate the IR&D and B&P amounts between those contractors and/or reporting divisions with negotiated advance agreements and those without.

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

FOR CONTRACTOR FISCAL YEARS 1989 AND 1990

	1989 (IN MILLIONS)				1990 (IN MILLIONS)			
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	
Independent Research and Development (IR&D)	4,866	3,798	2,132	4,910	3,766	2,043		
Dod Excluding Foreign Military Sales (FMS)			101			115		
Bid and Proposal (B&P)	2,290	1,909	1,378	2,359	1,996	1,388		
Dod Excluding FMS			48			60		
TOTAL IR&D and B&P COSTS	7,156	5,707	3,659	7,269	5,762	3,606		

SALES, TOTAL GOVERNMENT and COMMERCIAL
for REPORTING UNITS

	188,081	195,353
Sales, DoD Excluding FMS	112,580	113,955
Sales, DoD FMS	4,551	5,122
SALES, TOTAL DoD	117,131	119,077

Minor differences from amounts in detail report are due to intermediate rounding.

* = Determined based on IR&D/B&P advanced agreements and formula computations.

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

FOR CONTRACTOR FISCAL YEARS 1989 AND 1990

	1989 (IN MILLIONS)				1990 (IN MILLIONS)			
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	
Independent Research and Development (IR&D)	4,834	3,775	2,217	4,876	3,733	2,145	2,145	
Bid and Proposal (B&P)	2,210	1,838	1,374	2,293	1,934	1,410	1,410	
TOTAL IR&D and B&P COSTS	7,044	5,613	3,591	7,169	5,667	3,555	3,555	

Minor differences from amounts in detail report are due to intermediate rounding.

* = Determined based on IR&D/B&P advanced agreements and formula computations.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALES
ACHIEVED BY MAJOR DEFENSE CONTRACTORS
WITHOUT ADVANCE AGREEMENTS

FOR CONTRACTOR FISCAL YEARS 1989 AND 1990

	1989 (IN MILLIONS)			1990 (IN MILLIONS)		
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS
Independent Research and Development (IR&D)	32	23	16	34	33	13
Bid and Proposal (B&P)	80	71	52	66	62	38
TOTAL IR&D and B&P COSTS	112	94	68	100	95	51