

Independent Research and Development  
and Bid and Proposal Costs  
Incurred by Major Defense Contractors  
in the Years 1991 and 1992

\* \* \* 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 report includes data on major contractors with annual auditable costs of \$40 million or more during the contractor's fiscal year 1991 or 1992. To be compatible with statistics in the advance agreement reports prepared by the Army, Navy, Air Force, and DDMC, this report also includes data on other defense contractors which did not meet the above criteria but had negotiated IR&D and B&P advance agreements. 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, since these contracting activities generally incur nominal or no IR&D and B&P costs.

The IR&D and B&P cost data included in this report represents unaudited data obtained from the contractors accounting records. These costs will be audited during DCAA's annual audit of the contractor's incurred costs. The annual audit may disclose significant exceptions to the contractor's recorded IR&D and B&P cost data. The sales data was provided by the contractor and is also unaudited data. The sales data may not be directly comparable to the cost data as a result of the accounting method used by the contractor to recognize sales. For example, if the contractor uses the completed contract method to recognize sales, the entire sales amount for a contract would be recognized in the fiscal year in which the contract was completed, whereas the costs for the contract would be recognized in the years in which they were incurred.

The first page of the summary shows the totals of IR&D and B&P cost incurred by all the listed defense contractors during their fiscal years 1991 and 1992, amounts provided by the contractor which are allowable to all work, and the amount allowable to DoD contracts. The allowable costs, subject to final audit, are those costs which are allocable to all work and represent incurred costs accepted as a result of advance agreements or by the use of the FAR 31.205-18 formula computations. (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 summary on pages 2 shows the IR&D and B&P amounts for those contractors and/or reporting divisions with negotiated advance agreements while the summary on page 3 provides the same information for those contractors and/or reporting divisions without negotiated advance agreements.

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

PAGE: 1

FOR CONTRACTOR FISCAL YEARS 1991 AND 1992

	-1991 (IN MILLIONS)		1992 (IN MILLIONS)	
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK
Independent Research and Development (IR&D)	5,100	4,328	4,799	4,174
DoD Excluding Foreign Military Sales (FMS)		2,081		2,011
DoD FMS		123		122
Bid and Proposal (B&P)	2,092	1,828	2,202	1,992
DoD Excluding FMS		1,296		1,378
DoD FMS		60		72
<b>TOTAL IR&amp;D and B&amp;P COSTS</b>	<b>7,192</b>	<b>6,156</b>	<b>7,001</b>	<b>6,166</b>
				<b>3,583</b>

SALES, TOTAL GOVERNMENT and COMMERCIAL for REPORTING UNITS

	209,870	203,433
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Sales, DoD Excluding FMS

	110,053	107,941
Sales, DoD FMS	6,591	6,555
<b>SALES, TOTAL DoD</b>	<b>116,644</b>	<b>114,496</b>

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 1991 AND 1992

	1991 (IN MILLIONS)		1992 (IN MILLIONS)		DOD SHARE OF ALLOWABLE COSTS TO GOVT. & COMMERCIAL WORK *
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS TO GOVT. & COMMERCIAL WORK	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS TO GOVT. & COMMERCIAL WORK	
Independent Research and Development (IR&D)	4,595	3,824	4,074	3,455	2,076
Bid and Proposal (B&P)	2,030	1,768	2,093	1,890	1,383
TOTAL IR&D and B&P COSTS	6,625	5,592	6,167	5,345	3,459

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 1991 AND 1992

	1991 (IN MILLIONS)		1992 (IN MILLIONS)		DOD SHARE OF ALLOWABLE COMMERCIAL WORK	
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK		
Independent Research and Development (IR&D)	505	504	19	725	719	57
Bid and Proposal (B&P)	62	60	39	109	102	67
<b>TOTAL IR&amp;D and B&amp;P COSTS</b>	<b>567</b>	<b>564</b>	<b>58</b>	<b>834</b>	<b>821</b>	<b>124</b>

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

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