

Independent Research and Development
and Bid and Proposal Costs
Incurred by Major Defense Contractors
in the Years 1992 and 1993
(Summary All Contractors)

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

FOREWORD

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 contractors and reporting divisions which meet the requirements of FAR 31.205-18(c) (2) for 1993, contractors with annual auditable costs of \$40 million or more during the contractor's fiscal year 1992, or \$70 million or more of annual auditable costs during 1993. 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 in 1992 or 1993. 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 1992 and 1993, 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, by the use of the FAR 31.205-18 formula computations, or ceilings. (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 page 2 shows the IR&D and B&P amounts for those contractors and reporting divisions which met the 1992 reporting requirements.

**Addendum to
DCAA Report on IR&D/B&P Costs
Incurred by Major Defense Contractors
in the Years 1992 and 1993
(Summary All Contractors)**

The significant decrease in reported statistics between Fiscal Years (FY) 1992 and 1993 (page 1) is primarily due to: (1) change in definition of "major contractor" as defined in Federal Acquisition Regulation (FAR) 31.205-18(a) (in accordance with Section 802 of Public Law 102-190, National Defense Authorization Act for FYs 1992 and 1993), and (2) change in DCAA criteria (i.e., amount of contractor's annual auditable costs) to determine contractors to be reported. Refer to DCAA report Foreword for additional information concerning the reported statistical data.

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

FOR CONTRACTOR FISCAL YEARS 1992 AND 1993

	1992 (IN MILLIONS)			1993 (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)	4,903	4,320	1,980	3,244	2,898	1,579
DoD Excluding Foreign Military Sales (FMS)			137			138
DoD FMS	2,244	2,003	1,387	1,696	1,607	1,005
Bid and Proposal (B&P)			82			86
DoD Excluding FMS						
DoD FMS						
TOTAL IR&D and B&P COSTS	7,147	6,323	3,586	4,940	4,505	2,908

SALES, TOTAL GOVERNMENT and COMMERCIAL
for REPORTING UNITS

	185,205	136,653
Sales, DoD Excluding FMS	107,115	10,815
Sales, DoD FMS	7,014	6,927
SALES, TOTAL DoD	114,129	17,742

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

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

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

FOR CONTRACTOR FISCAL YEAR 1992

1992 (IN MILLIONS)	
INCURRED COSTS	3,971
ALLOWABLE COSTS	3,400
DOD SHARE OF ALLOWABLE TO GOVT. & COMMERCIAL WORK *	2,057
Bid and Proposal (B&P)	2,126
	1,891
TOTAL IR&D and B&P COSTS	6,097
	5,291
	3,459

Independent Research and Development (IR&D)

Bid and Proposal (B&P)

TOTAL IR&D and B&P COSTS

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 YEAR 1992

1992		(IN MILLIONS)	
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)	932	920	60
Bid and Proposal (B&P)	118	112	67
TOTAL IR&D and B&P COSTS	1,050	1,032	127