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Boeing Commercial Airplanes (BCA) Terms and Conditions

McDonnell Douglas Additional Cost Accounting Standards Certification Quotation Conditions

MCDONNELL DOUGLAS CORPORATION
ADDITIONAL CONTRACT CONDITIONS
COST ACCOUNTING STANDARDS
Form DAC 26-879 (08-89)

A. COST ACCOUNTING STANDARDS

- (a) Unless the Cost Accounting Standards Board (CASB) has prescribed rules or regulations exempting Seller or this contract from standards, rules and regulations promulgated pursuant to 50 U.S.C. App. 2168 (Pub. L. 91-379, August 15, 1970), the Seller, in connection with this contract, shall:
- (1) By submission of a Disclosure Statement, disclose in writing Seller's cost accounting practices as required by regulations of the CASB. The practices disclosed for this contract shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by Seller and which contain a Cost Accounting Standards (CAS) clause. If Seller has notified McDonnell Douglas Corporation that the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be protected and shall not be released outside of McDonnell Douglas Corporation and the Government, except that McDonnell Douglas Corporation shall not be liable for any inadvertent release that occurs notwithstanding McDonnell Douglas Corporation's exercise of the same degree of care as it normally exercises to prevent unauthorized release of its confidential information.
 - (2) Follow consistently Seller's cost accounting practices in accumulating and reporting contract performance cost data concerning this contract. If any change in cost accounting practices is made for the purposes of any contract or subcontract subject to CASB requirements, the change must be applied prospectively to this contract and the Disclosure Statement must be amended accordingly. If the contract price or cost allowance of this contract is affected by such changes, adjustment shall be made in accordance with Subparagraph (a)(4) or (a)(5) below, as appropriate.
 - (3) Comply with all CAS in effect on the date of award of this contract or, if Seller has submitted cost or pricing data, on the date of final agreement on price as shown on Seller's signed certificate of current cost or pricing data, whichever is earlier. Seller shall also comply with any CAS which hereafter becomes applicable to a contract or subcontract of the Seller. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.
 - (4) (i) Agree to an equitable adjustment as provided in the Changes clause of this contract if the contract cost is affected by a change which, pursuant to (3) above, Seller is required to make to Seller's established cost accounting practices.
(ii) Negotiate with the Government to determine the terms and conditions under which a change may be made to a cost accounting practice, other than a change made under other provisions of this Paragraph (4); provided, that no agreement may be made under this provision that will increase costs paid by the United States.
(iii) When the parties agree to a change to a cost accounting practice, other than a change under (4)(i) above, negotiate an equitable adjustment as provided in the Changes clause of this contract.
 - (5) Agree to an adjustment of the contract price or cost allowance, as appropriate, if Seller or a subcontractor fails to comply with an applicable Cost Accounting Standard or to follow any cost accounting practice consistently and such failure results in any increased costs paid by the United States. Such

adjustment shall provide recovery of the increased costs to the United States together with interest thereon computed at the rate determined by the Secretary of the Treasury pursuant to Pub. L. 92-41, 85 Stat. 97, or 7 percent per annum, whichever is less, from the time payment by the United States was made to the time the adjustment is effected.

- (b) Seller shall permit any authorized representative of the agency head, of the CASB, or of the Comptroller General of the United States to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause.
- (c) Seller shall include in all negotiated subcontracts which Seller enters into, the substance of this clause and shall require such inclusion in all other subcontracts, of any tier, including the obligation to comply with all CAS in effect on the subcontract's award date or if the subcontractor has submitted cost or pricing data, on the date of final agreement on prices as shown on the Subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier. This requirement shall apply only to negotiated subcontracts in excess of \$100,000 where the price negotiated is not based on:
 - (1) Established catalog or market prices of commercial items sold in substantial quantities to the general public; or
 - (2) Prices set by law or regulation, and except that the requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause by reason of 331.30(b) of Title 4, Code of Federal Regulations (4 CFR 331.30(b)).
- (d) For purposes of this clause and the clause entitled "Administration of Cost Accounting Standards", the term "negotiated subcontract" means "any subcontract except a firm fixed-price subcontract made by a contractor or subcontractor after receiving offers from at least two persons not associated with each other or such contractor or subcontractor providing (1) the solicitation to all competing firms is identical, (2) price is the only consideration in selecting the subcontractor from among the competing firms solicited, and (3) the lowest offer received in compliance with the solicitations from among those solicited is accepted."
- (e) Any determination of the Contracting Officer pursuant to the provisions of the Cost Accounting Standards clause shall be binding upon Seller. If an appealable decision is made by a Contracting Officer relating to the Cost Accounting Standards and their applicability to this particular contract, such decision shall be conclusively binding upon Seller; provided Seller is given the opportunity to appeal such decision.

B. ADMINISTRATION OF COST ACCOUNTING STANDARDS

For the purpose of administering the Cost Accounting Standards (CAS) requirements under this contract, Seller shall take the steps outlined in (a) through (f) below:

- (a) Submit to the cognizant Contracting Officer a description of any accounting change, the potential impact of the change on contracts containing a CAS clause, and if not obviously immaterial, a general dollar magnitude cost impact analysis of the change which displays the potential shift of costs between CAS-covered contracts by contract type (i.e., firm-fixed-price, incentive, cost-plus-fixed-fee, etc.) and other contractor business activity. As related to CAS-covered contracts, the analysis should display the potential impact of funds of the various Agencies/Departments (i.e., Department of Energy, National Aeronautics and Space Administration, Army, Navy, Air Force, other Department of Defense, other Government) as follows:
 - (1) For any change in cost accounting practices required to comply with a new CAS in accordance with Paragraphs (a)(3) and (a)(4)(i) of the CAS clause, within 60 days (or such other date as may be mutually agreed to) after award of a contract requiring this change.
 - (2) For any change in cost accounting practices proposed in accordance with Paragraph (a)(4)(ii) or (a)(4)(iii) of the CAS clause or Paragraph (a)(3) of the Disclosure and Consistency of Cost Accounting Practices clause, not less than 60 days (or such other date as may be mutually agreed to)

before the effective date of the proposed change.

- (3) For any failure to comply with an applicable CAS or to follow a disclosure practice as contemplated by Paragraph (a)(5) of the CAS clause or by Paragraph (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause, within 60 days (or such other date as may be mutually agreed to) after the date of agreement of noncompliance by Seller.
- (b) Submit a cost impact proposal in the form and manner specified by the cognizant Contracting Officer within 60 days (or such other date as may be mutually agreed to) after the date of determination of a change submitted pursuant to (a) above. If the above proposal is not submitted within the specified time, or any extension granted by the cognizant Contracting Officer, an amount not to exceed 10 percent of each payment made after that date may be withheld until such time as a proposal has been provided in the form and manner specified by the cognizant Contracting Officer.
- (c) Agree to appropriate contract and subcontract amendments to reflect adjustments established in accordance with Paragraphs (a)(4) and (a)(5) of the CAS clause or with Paragraphs (a)(3), or (a)(4) of the Disclosure and Consistency of Cost Accounting Practices clause.
- (d) Include the substance of this clause in all negotiated subcontracts containing either the clause entitled "Cost Accounting Standards" or the clause entitled "Disclosure and Consistency of Cost Accounting Practices." In addition, within thirty (30) days after award of such subcontract submit the following information to Seller's cognizant Contract Administration Office for transmittal to the Contract Administration Office cognizant of the subcontractor's facility.
 - (i) Subcontractor's name and subcontract number.
 - (ii) Dollar amount and date of award.
 - (iii) Name of Contractor making the award.
 - (iv) Any changes the subcontractor has made or proposes to make to accounting practices that affect prime contracts or subcontracts containing the CAS clause or Disclosure and Consistency of Cost Accounting Practices clause, unless these changes have already been reported. If award of the subcontract results in making one or more CAS effective for the first time, this fact shall also be reported.
- (e) Notify the Contracting Officer in writing of any adjustments, required to subcontracts under this contract and agree to an adjustment, based on them, to this contract's price or estimated cost and fee. This notice is due within 30 days after proposed subcontract adjustments are received and shall include a proposal for adjusting the higher tier subcontract or the prime contract appropriately.
- (f) For subcontracts containing the CAS clause, require the subcontractor to comply with all Standards in effect on the date of award or of final agreement on price, as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.

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