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Boeing Commercial Airplanes (BCA) Terms and Conditions

McDonnell Douglas Additional Cost Accounting Standards Certification Quotation Conditions

MCDONNELL DOUGLAS
ADDITIONAL CONTRACT CONDITIONS
COST ACCOUNTING STANDARDS
Form DAC 26-880 (08-89)

A. DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES

- (a) Seller, in connection with this contract, shall:
- (1) Comply with the requirements of 4 CFR Parts 401, Consistency in Estimating, Accumulating, and Reporting Costs, and 402, Consistency in Allocating Costs Incurred for the Same Purpose, in effect on the date of award of this contract.
 - (2) If it is a business unit of a company required to submit a Disclosure Statement, disclose in writing its cost accounting practices as required by regulations of the Cost Accounting Standards Board (CASB). 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.
 - (3) (i) Follow consistently Seller's cost accounting practices. A change to such practices may be proposed, however, by either the Government or Seller, and Seller agrees to negotiate with the Contracting Officer the terms and conditions under which a change may be made. After the terms and conditions under which the change is to be made have been agreed to, the change must be applied prospectively to this contract, and the Disclosure Statement, if affected, must be amended accordingly.
(ii) Seller shall, when the parties agree to a change to a cost accounting practice and the Contracting Officer has made the finding required in 332.51 of the CASB's regulations, negotiate an equitable adjustment as provided in the Changes clause of this contract. In the absence of the required finding, no agreement may be made under this contract clause that will increase costs paid by the United States.
 - (4) Agree to an adjustment of the contract price or cost allowance, as appropriate, if Seller or a subcontractor fails to comply with the applicable CAS or to follow any cost accounting practice, and such failure results in any increased costs paid by the United States. Such adjustment shall provide for 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 the payment by the United States was made to the time the adjustment is effected.
- (b) Seller shall permit any authorized representatives 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, and 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, except that:
- (1) If the subcontract is awarded to a business unit which pursuant to Part 331 is required to follow all CAS, the clause entitled "Cost Accounting Standards" set forth in 331.50 of the CASB's regulations shall be inserted in lieu of this clause; or
 - (2) This requirement shall apply only to negotiated subcontracts

in excess of \$100,000 where the price negotiated is not based on:

- (i) Established catalog or market prices of commercial items sold in substantial quantities to the general public; or
- (ii) Price set by law or regulation.

(3) 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 the CASB's regulations.

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 with 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 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) (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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