

9904.411

48 CFR Ch. 99 (10-1-10 Edition)

(2) Government contracts which do not contain the CAS clause;

(3) Contracts other than Government contracts or customer orders; and

(4) Production not specifically identified with contracts or customer orders under production or work orders existing prior to the date on which a business unit must first allocate its costs in compliance with this Standard and which are limited in time or quantity.

Production under standing or unlimited work orders, continuous flow processes and the like, not identified with contracts or customer orders are to be treated as final cost objectives awarded after the date on which a business unit must first allocate its costs in compliance with the requirements of this Standard.

Business Unit N may allocate the G&A expense pool as follows:

[In dollars]

	Year 1978	Year 1979	Year 1980
1. G.&A. expense pool	375	375	375
Cost of sales rate	375/3,000=.125	375/2,500=.150	375/3,250=.115
Cost input	375/3,000=.125	375/3,000=.125	375/3,000=.125
2. G.&A. allocations:			
Prior contracts:			
Non-CAS work	600×0.125=75.00	450×0.15=67.50	450×0.115=51.75
CAS-fixed price work	550×0.125=68.75	650×0.15=97.50	800×0.115=92.00
CAS-cost contracts	700×0.125=87.50	700×0.15=105.00	700×0.115=80.50
After contracts:			
Non-CAS work	500×0.125=62.50	500×0.125=62.50	500×0.125=62.50
CAS-fixed price work	500×0.125=62.50	500×0.125=62.50	500×0.125=62.50
CAS-cost contracts	300×0.125=37.50	300×0.125=37.50	300×0.125=37.55
3. Inventory suspense account ¹	393.75	432.50	386.80
G.&A. rate applicable	200		
G.&A. rate applicable125		

¹ Beginning inventory of contracts subject to the CAS clause, January 1978.

2.B. In cost accounting period 1982, Business Unit N has an ending inventory of contracts subject to the CAS clause of \$100,000. This is the first cost accounting period after the transition in which the amount of the ending inventory is less than the amount of the inventory suspense account. During this cost accounting period, Business Unit N had G&A expenses of \$410,000 and cost input of \$3,500,000; \$1,500,000 applicable to contracts subject to the CAS clause and \$2,000,000 applicable to other work.

Business Unit N would compute its G&A expense allocation rate applicable to contracts subject to the CAS clause as follows:

(1) Amount of inventory suspense account	\$200,000
Amount of ending inventory	100,000
Difference	100,000
G. & A. rate applicable (see 2.A. above)	×0.125
Adjustment to G. & A. expense applicable to contracts subject to the CAS clause	12,500
(2) G. & A. expense pool	410,000
G. & A. expenses applicable to contracts subject to the CAS clause (\$1,500,000/\$3,500,000 × \$410,000)	175,890

G. & A. expenses applicable to other work	234,110
---	---------

(3) G. & A. expenses applicable to contracts subject to the CAS clause	175,890
Adjustment to G. & A. expenses applicable to contracts subject to the CAS clause	-12,500

G. & A. expenses allocable to contracts subject to the CAS clause	163,390
---	---------

(4) G. & A. expense allocation rate applicable to contracts subject to the CAS clause for cost accounting period 1982—\$163,390/\$1,500,000=0.109.

The amount of the inventory suspense account would be reduced to \$100,000.

[57 FR 14153, Apr. 17, 1992; 57 FR 34081, 34167, Aug. 3, 1992]

9904.411 Cost accounting standard—accounting for acquisition costs of material.

9904.411-10 [Reserved]

9904.411-20 Purpose.

(a) The purpose of this Cost Accounting Standard is to provide criteria for

the accounting for acquisition costs of material. The Standard includes provisions on the use of inventory costing methods. Consistent application of this Standard will improve the measurement and assignment of costs to cost objectives.

(b) This Cost Accounting Standard does not cover accounting for the acquisition costs of tangible capital assets nor accountability for Government-furnished materials.

[57 FR 14153, Apr. 17, 1992; 57 FR 34167, Aug. 3, 1992]

9904.411-30 Definitions.

(a) The following are definitions of terms which are prominent in this Standard. Other terms elsewhere in this chapter 99 shall have the meanings ascribed to them in those definitions unless paragraph (b) of this subsection, requires otherwise.

(1) *Allocate* means to assign an item of cost, or a group of items of cost, to one or more cost objectives. This term includes both direct assignment of cost and the reassignment of a share from an indirect cost pool.

(2) *Business unit* means any segment of an organization, or an entire business organization which is not divided into segments.

(3) *Category of material* means a particular kind of goods, comprised of identical or interchangeable units, acquired or produced by a contractor, which are intended to be sold, or consumed or used in the performance of either direct or indirect functions.

(4) *Cost objective* means a function, organizational subdivision, contract or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capitalized projects, etc.

(5) *Material inventory record* means any record used for the accumulation of actual or standard costs of a category of material recorded as an asset for subsequent cost allocation to one or more cost objectives.

(6) *Moving average cost* means an inventory costing method under which an average unit cost is computed after each acquisition by adding the cost of the newly acquired units to the cost of the units of inventory on hand and di-

viding this figure by the new total number of units.

(7) *Weighted average cost* means an inventory costing method under which an average unit cost is computed periodically by dividing the sum of the cost of beginning inventory plus the cost of acquisitions by the total number of units included in these two categories.

(b) The following modifications of terms defined elsewhere in this chapter 99 are applicable to this Standard: None.

9904.411-40 Fundamental requirement.

(a) The contractor shall have, and consistently apply, written statements of accounting policies and practices for accumulating the costs of material and for allocating costs of material to cost objectives.

(b) The cost of units of a category of material may be allocated directly to a cost objective provided the cost objective was specifically identified at the time of purchase or production of the units.

(c) The cost of material which is used solely in performing indirect functions, or is not a significant element of production cost, whether or not incorporated in an end product, may be allocated to an indirect cost pool. When significant, the cost of such indirect material not consumed in a cost accounting period shall be established as an asset at the end of the period.

(d) Except as provided in paragraphs (b) and (c) of this subsection, the cost of a category of materials shall be accounted for in material inventory records.

(e) In allocating to cost objectives the costs of a category of material issued from company-owned material inventory, the costing method used shall be selected in accordance with the provisions of 9904.411-50, and shall be used in a manner which results in systematic and rational costing of issues of material to cost objectives. The same costing method shall, within the same business unit, be used for similar categories of materials.