

not associated with each other or with such contractor or subcontractor, providing

(1) The solicitation to all competitors is identical,

(2) Price is the only consideration in selecting the subcontractor from among the competitors solicited, and

(3) The lowest offer received in compliance with the solicitation from among those solicited is accepted.

*Net awards*, as used in this chapter, means the total value of negotiated CAS-covered prime contract and subcontract awards, including the potential value of contract options, received during the reporting period minus cancellations, terminations, and other related credit transactions.

*Normal cost*. See 9904.412-30 or 9904.413-30.

*Operating revenue*. See 9904.403-30.

*Original complement of low cost equipment*. See 9904.404-30.

*Pay-as-you-go cost method*. See 9904.412-30.

*Pension plan*. See 9904.412-30 or 9904.413-30.

*Pension plan participant*. See 9904.413-30.

*Pricing*. See 9904.401-30.

*Production unit*. See 9904.407-30.

*Projected average loss*. See 9904.416-30.

*Projected benefit cost method*. See 9904.412-30 or 9904.413-30.

*Proposal*. See 9904.401-30.

*Repairs and maintenance*. See 9904.404-30.

*Reporting costs*. See 9904.401-30.

*Residual value*. See 9904.409-30.

*Segment*. See 9904.403-30, 9904.410-30, 9904.413-30 or 9904.420-30.

*Self-insurance*. See 9904.416-30.

*Self-insurance charge*. See 9904.416-30.

*Service life*. See 9904.409-30.

*Small business*, as used in this part, means any concern, firm, person, corporation, partnership, cooperative, or other business enterprise which, under 15 U.S.C. 637(b)(6) and the rules and regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern for the purpose of Government contracting.

*Spread-gain actuarial cost method*. See 9904.413-30.

*Standard cost*. See 9904.407-30.

*Tangible capital asset*. See 9904.403-30, 9904.404-30, 9904.409-30, 9904.414-30 or 9904.417-30.

*Termination gain or loss*. See 9904.413-30.

*Unallowable cost*. See 9904.405-30.

*Variance*. See 9904.407-30.

*Weighted average cost*. See 9904.411-30.

(b) The definitions set forth below are applicable exclusively to educational institutions and apply to this chapter 99.

*Business unit*. See 9903.201-2(c)(2)(ii).

*Educational institution*. See 9903.201-2(c)(2)(i).

*Intermediate cost objective*. See 9905.502-30(a)(7).

*Segment*. See 9903.201-2(c)(2)(ii).

[57 FR 14153, Apr. 17, 1992, as amended at 58 FR 58802, Nov. 4, 1993; 59 FR 55770, Nov. 8, 1994; 61 FR 39361, July 29, 1996]

**9903.302 Definitions, explanations, and illustrations of the terms, “cost accounting practice” and “change to a cost accounting practice.”**

**9903.302-1 Cost accounting practice.**

*Cost accounting practice*, as used in this part, means any disclosed or established accounting method or technique which is used for allocation of cost to cost objectives, assignment of cost to cost accounting periods, or measurement of cost.

(a) *Measurement of cost*, as used in this part, encompasses accounting methods and techniques used in defining the components of cost, determining the basis for cost measurement, and establishing criteria for use of alternative cost measurement techniques. The determination of the amount paid or a change in the amount paid for a unit of goods and services is not a cost accounting practice. Examples of cost accounting practices which involve measurement of costs are—

(1) The use of either historical cost, market value, or present value;

(2) The use of standard cost or actual cost; or

(3) The designation of those items of cost which must be included or excluded from tangible capital assets or pension cost.

(b) *Assignment of cost to cost accounting periods*, as used in this part, refers

to a method or technique used in determining the amount of cost to be assigned to individual cost accounting periods. Examples of cost accounting practices which involve the assignment of cost to cost accounting periods are requirements for the use of specified accrual basis accounting or cash basis accounting for a cost element.

(c) *Allocation of cost to cost objectives*, as used in this part, includes both direct and indirect allocation of cost. Examples of cost accounting practices involving allocation of cost to cost objectives are the accounting methods or techniques used to accumulate cost, to determine whether a cost is to be directly or indirectly allocated to determine the composition of cost pools, and to determine the selection and composition of the appropriate allocation base.

**9903.302-2 Change to a cost accounting practice.**

*Change to a cost accounting practice*, as used in this part, means any alteration in a cost accounting practice, as defined in 9903.302-1, whether or not such practices are covered by a Disclosure Statement, except for the following:

(a) The initial adoption of a cost accounting practice for the first time a cost is incurred, or a function is created, is not a change in cost accounting practice. The partial or total elimination of a cost or the cost of a function is not a change in cost accounting practice. As used here, function is an activity or group of activities that is identifiable in scope and has a purpose or end to be accomplished.

(b) The revision of a cost accounting practice for a cost which previously had been immaterial is not a change in cost accounting practice.

**9903.302-3 Illustrations of changes which meet the definition of “change to a cost accounting practice.”**

(a) The method or technique used for measuring costs has been changed.

Description	Accounting treatment
(1) Contractor changes its actuarial cost method for computing pension costs..	(1)(i) Before change: The contractor computed pension costs using the aggregate cost method. (ii) After change: The contractor computes pension cost using the unit credit method.
(2) Contractor uses standard costs to account for its direct labor. Labor cost at standard was computed by multiplying labor-time standard by actual labor rates. The contractor changes the computation by multiplying labor-time standard by labor-rate standard.	(2)(i) Before change: Contractor’s direct labor cost was measured with only one component set at standard. (ii) After change: Contractor’s direct labor cost is measured with both the time and rate components set at standard.

(b) The method or technique used for assignment of cost to cost accounting periods has been changed.

Description	Accounting treatment
(1) Contractor changes his established criteria for capitalizing certain classes of tangible capital assets whose acquisition costs totaled \$1 million per cost accounting period.	(1)(i) Before change: Items having acquisition costs of between \$200 and \$400 per unit were capitalized and depreciated over a number of cost accounting periods. (ii) After change: The contractor charges the value of assets costing between \$200 and \$400 per unit to an indirect expense pool which is allocated to the cost objectives of the cost accounting period in which the cost was incurred.
(2) Contractor changes his methods for computing depreciation for a class of assets.	(2)(i) Before change: The contractor assigned depreciation costs to cost accounting periods using an accelerated method. (ii) After change: The contractor assigns depreciation costs to cost accounting periods using the straight line method.