

Cost Accounting Changes and Cost Impact Statements



Larry Caton
Acquisition Cost/Price Analyst



Cost Accounting Changes

A change in cost accounting practice occurs when there is a change in the method or technique for:

1. Determining whether a cost is directly or indirectly allocated,
2. Determining the composition of the cost pools,
3. Determining the selection of the allocation base, and
4. Determining the composition of the allocation base.

Cost Accounting Changes

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 also not a change in cost accounting practice.

Cost Accounting Changes

The transfer of contract work from one segment to another is not a change in cost accounting practice.

Cost Accounting Changes

- Accounting changes are required to be submitted to the cognizant federal official, for the administration of CAS, 60 days prior to the effective date of the proposed change
- The change will then be reviewed for adequacy and compliance by the designated federal audit agency

Cost Accounting Changes

Different Types of Accounting Changes

- Required Accounting Changes
- Unilateral Accounting Changes
- Desirable Accounting Changes
- Noncompliance

Cost Accounting Changes

Required Change, FAR 52.230-2(a)(4)(i),
Equitable adjustment.

A required change occurs with the issuance of a new CAS standard, requirements based on laws, accounting practices required to be changed to maintain compliance with CAS.

Cost Accounting Changes

Unilateral Change, FAR 52.230-2(a)(5), No increased cost to the Government in the aggregate.

Unilateral change by a contractor means a change in cost accounting practice from one compliant practice to another compliant practice that a contractor with a CAS-covered contract(s) elects to make that has not been deemed desirable by the Cognizant Federal Agency official.

Cost Accounting Changes

Desirable change FAR 52.230-2(a)(4)(iii) and -3(a)(3)(ii), Change that both the contractor and Government agree is desirable.

Equitable adjustment under CAS clause.

Cost Accounting Changes

Noncompliance with CAS or disclosed practices, FAR 52.230-2(a)(5), -3(a)(4), and -4, No increased cost to the Government in the aggregate.

Cost Impact Statements

A General Dollar Magnitude (GDM) Proposal is required to be submitted with the accounting change. A GDM contains an estimate of the aggregate impact on CAS-covered contracts by contract type and by various departments/agencies.

Cost Impact Statements

A detailed cost impact proposal should have data at the contract/subcontract level that should include, where appropriate:

1. Fixed price
2. Target/estimated cost
3. Accumulated cost to date
4. Estimate to complete
5. Target profit or fee
6. Sharing ratio
7. Ceiling price
8. Period of performance
9. Profit or fee impact
10. Total increase/ (decreased) cost to the Government

Cost Impact Statements

Calculating the increased/(decreased) costs paid by the Government for each contract type as follows:

- 1) For flexibly priced contracts: Increased costs to the Government occur when more costs are accumulated as the result of an accounting practice change. Conversely, decreased costs to the Government occur when fewer costs are accumulated as a result of an accounting practice change.

Cost Impact Statements

- 2) Fixed price contracts: Increased costs to the Government occur when fewer costs are accumulated as a result of an accounting practice change. Decreased costs to the Government occur when more costs are accumulated as a result of an accounting practice change.

The End