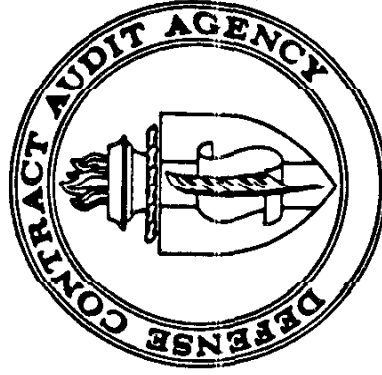


★ **SUMMARY** ★

**Independent Research and Development
and Bid and Proposal Cost
Incurred by Major Defense Contractors
in the Years 1986 and 1987**



★ ★ Prepared by ★ ★

DEFENSE CONTRACT AUDIT AGENCY

March 1988

FOREWORD

This summary report presents the latest available Defense Contract Audit Agency (DCAA) statistics on the independent research and development (IR&D) and bid and proposal (B&P) costs allocated to defense contracts. The statistical data are to be included in the Secretary of Defense's annual report to the Congress on or before 15 March 1988, in accordance with Public Law 91-441, Section 203, paragraph (c).

The major defense contractors included in this summary are those which had an annual auditable volume of costs incurred in excess of \$40 million or required 5,000 or more staff hours of DCAA's direct audit work a year. To be compatible with the advance agreement reports prepared by the Army, Navy, and Air Force, this report also includes data of other defense contractors which, although not meeting the above criteria, negotiated IR&D/B&P advance agreements. Contractors specifically excluded from this summary are construction companies, educational institutions, foreign contractors and overseas operations of U.S. contractors, insurance companies, marine transport contractors, and military medical contractors. These contracting activities incurred nominal or no IR&D/B&P costs.

DCAA obtained the IR&D/B&P cost and sales data from contractors' records, that is, data as recorded by the contractors. Costs and sales reported here do not necessarily represent audited amounts. Where actual cost and sales data were not available, as in the case of contractors which had not closed their books for 1987, DCAA auditors obtained reasonable estimates. Where costs not charged to IR&D were determined to be more properly classified as IR&D, these costs were reclassified by the auditors and included in IR&D costs incurred. Reclassified costs were accepted to the extent that the adjusted IR&D costs accepted do not exceed negotiated advance agreement ceilings.

Page 1 summarizes the sales and the IR&D and B&P costs incurred by 120 defense contractors, comprising 349 reporting divisions and/or operating groups, during their fiscal years 1985 and 1986. It also shows the amounts accepted which are allocable to all work, and the share allocated to DoD contracts. Amounts accepted which are allocable to all work represent costs accepted in overhead negotiations and through advance agreements. These costs are allocable to all contractor work performed--Government and commercial. The DoD share of the costs accepted each year is based on the contractors' actual methods of allocating such costs to DoD work. The IR&D and B&P summaries on pages 2 and 3 separate the data between those contractors and/or reporting divisions with negotiated advance agreements and those without.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT AND BID AND PROPOSAL COSTS INCURRED AND SALES ACHIEVED BY MAJOR DEFENSE CONTRACTORS

FOR CONTRACTOR FISCAL YEARS 1986 AND 1987

	1986 (IN MILLIONS)		1987 (IN MILLIONS)		DOD SHARE OF ALLOWABLE COSTS
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS SHARE OF ALLOWABLE TO GOVT. & COMMERCIAL WORK	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS TO GOVT. & COMMERCIAL WORK	
Independent Research and Development (IR&D)	5,042	3,537	4,715	3,439	2,000
Dod Excluding Foreign Military Sales (FMS)		2,070			116
Dod FMS		128			
Bid and Proposal (B&P)	2,449	1,740	2,548	1,908	1,441
Dod Excluding FMS		1,292			62
Dod FMS		57			
TOTAL IR&D and B&P COSTS	7,491	5,277	7,263	5,346	3,619
SALES, TOTAL GOVERNMENT and COMMERCIAL for REPORTING UNITS	164,813		171,190		
Sales, Dod Excluding FMS	110,166				115,455
Sales, Dod FMS	5,704				5,894
SALES, TOTAL DoD	115,870				121,349

Minor differences from amounts in detail report are due to intermediate rounding.

* - Determined based on IR&D/B&P advanced agreements and formula computations.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALES
ACHIEVED BY MAJOR DEFENSE CONTRACTORS
WITH ADVANCE AGREEMENTS

FOR CONTRACTOR FISCAL YEARS 1986 AND 1987

	1986 (IN MILLIONS)			1987 (IN MILLIONS)		
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK *	DOD SHARE OF ALLOWABLE COSTS	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS
Independent Research and Development (IR&D)	4,939	3,459	2,172	4,650	3,415	2,106
Bid and Proposal (B&P)	2,380	1,686	1,316	2,474	1,865	1,473
TOTAL IR&D and B&P COSTS	7,319	5,145	3,488 3,488	7,124	5,280	3,579

Minor differences from amounts in detail report are due to intermediate rounding.

* = Determined based on IR&D/B&P advanced agreements and formula computations.

SUMMARY OF INDEPENDENT RESEARCH AND DEVELOPMENT
AND BID AND PROPOSAL COSTS INCURRED AND SALES
ACHIEVED BY MAJOR DEFENSE CONTRACTORS
WITHOUT ADVANCE AGREEMENTS

FOR CONTRACTOR FISCAL YEARS 1986 AND 1987

	1986 (IN MILLIONS)		1987 (IN MILLIONS)		
	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	INCURRED COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	ALLOWABLE COSTS ALLOCABLE TO GOVT. & COMMERCIAL WORK	DOD SHARE OF ALLOWABLE COSTS
Independent Research and Development (IR&D)	103	78	65	23	10
Bid and Proposal (B&P)	69	54	74	43	30
TOTAL IR&D and B&P COSTS	172	132	139	66	40

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