

**Independent Research and Development  
and Bid and Proposal Costs  
Incurred by Major Defense Contractors  
in the Years 1996 and 1997**



**\*\*\* Prepared by \*\*\***

**Defense Contract Audit Agency**

**April 1998**

This 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.

This report includes data on all contractors that meet either the FAR 31.205-18 or the DCAA definition of a major contractor for contractor fiscal years ending in 1997. These definitions are:

- FAR 31.205-18 definition of a major contractor:

A contractor meets the FAR 31.205-18 definition of a major contractor if their covered segments have allocated, in total, more than \$10,000,000 to covered contracts during the prior fiscal year. A covered segment includes any contractor division, subsidiary, or affiliate that allocated more than \$1,000,000 to covered contracts during the prior fiscal year. A covered contract means any prime contract with a value greater than \$100,000 -- except for fixed price contracts with no cost incentive.

- DCAA definition of a major contractor:

Any contractor that had \$70,000,000 or more in annual auditable costs for the prior fiscal year.

Contractors specifically excluded from this report are construction companies, educational institutions, foreign contractors and overseas operations of U.S. contractors, insurance companies, marine transport contractors, and military medical contractors, since these contracting activities generally incur nominal or no IR&D and B&P costs.

The IR&D and B&P cost data included in this report represents unaudited data obtained from the contractor's accounting records. These costs will be audited during DCAA's annual audit of the contractor's incurred costs. The annual audit may disclose significant exceptions to the contractor's recorded IR&D and B&P cost data. The sales data was provided by the contractor and is also unaudited data. The sales data may not be directly comparable to the cost data as a result of the accounting method used by the contractor to recognize sales. For example, if the contractor uses the completed contract method to recognize sales, the entire sales amount for a contract would be recognized in the fiscal year in which the contract was completed, whereas the costs for the contract would be recognized in the years in which they were incurred.

The summary shows the totals of IR&D and B&P costs incurred by all the listed defense contractors during their fiscal years 1996 and 1997, the contractor claimed allowable amounts on all contractor work, and the contractor claimed allowable amounts on DoD contracts. The claimed allowable costs are subject to final audit.

**SUMMARY OF DOD INDEPENDENT RESEARCH AND DEVELOPMENT  
AND BID AND PROPOSAL COSTS INCURRED AND SALE  
ACHIEVED BY MAJOR DEFENSE CONTRACTOR**

**FOR CONTRACTOR FISCAL YEARS 1996 AND 1997**

	1996				1997			
	(IN MILLIONS)				(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)	3,009	2,850	1,736	2,838	2,742	1,726		
DoD FMS			165			261		
DoD Excluding Foreign Military Sales (FMS)			1,571			1,465		
Bid and Proposal (B&P)	1,580	1,554	1,043	1,416	1,412	875		
DoD FMS			80			67		
DoD Excluding Foreign Military Sales (FMS)			963			808		
<b>TOTAL IR&amp;D and B&amp;P COSTS</b>	<b>4,590</b>	<b>4,404</b>	<b>2,779</b>	<b>4,304</b>	<b>4,154</b>	<b>2,601</b>		
<b>SALES, TOTAL GOVERNMENT and COMMERCIAL for REPORTING UNITS</b>	<b>137,930</b>			<b>141,185</b>				
Sales, DoD Excluding FMS			74,447			70,178		
Sales, DoD FMS			8,823			10,386		
<b>SALES, TOTAL DoD</b>			<b>83,270</b>			<b>80,564</b>		

Minor differences in the amounts in the Detail Report and Summary Report are due to rounding.