

DAU

***CON 7040, 7050, 7060
Course Glossary***

Course Glossary

Accumulating costs

The collecting of cost data in an organized manner, such as through a system of accounts.

Acquisition cost

The value of what the contractor gave up for materials (including extra charges and discounts or rebates).

Actual cash value

The cost of replacing damaged property with other property of like kind and quality in the physical condition of the property immediately prior to the damage.

Actual cost

An amount determined on the basis of cost incurred (as distinguished from forecasted cost), including standard cost properly adjusted for applicable variance.

Affected CAS covered contract or subcontract

A contract or subcontract subject to Cost Accounting Standards (CAS) rules and regulations for which a contractor or subcontractor: (1) used one cost accounting practice to estimate costs and a changed cost accounting practice to accumulate and report costs; or (2) used a noncompliant practice for estimating, accumulating, or reporting costs under the contract or subcontract. FAR 30.001

Aggregate cost

In general, aggregate means a whole formed by combining several (typically disparate) elements. In the context of Government Cost Accounting Standards, the aggregate cost refers to the total cost impact that is assessed by combining the increases and decreases in the costs of disparate CAS-covered contracts resulting from a unilateral cost accounting practice (CAP) change or a CAS noncompliance.

Allocate

To assign an item of cost, or a group of items of cost, to one or more cost objectives. This includes both the direct assignment of cost and the reassignment of a share from an indirect cost pool.

Asset accountability unit

A tangible capital asset which is a component of plant and equipment that is capitalized when acquired or whose replacement is capitalized when the unit is removed, transferred, sold, abandoned, demolished, or otherwise disposed of.

Course Glossary, Continued

Bid and proposal (B&P) cost

The cost incurred in preparing, submitting, or supporting any bid or proposal which effort is neither sponsored by a grant, nor required in the performance of a contract.

Business unit

Any segment of an organization, or an entire business organization which is not divided into segments.

CAS applicability

Negotiated contracts not exempt in accordance with 48 CFR 9903.201-1(b) shall be subject to CAS; therefore, CAS is applicable.

CAS coverage

A determination of whether applicable CAS coverage is full, modified, or 401 and 402 only.

CAS exemption

A negotiated contract or subcontract is exempt from CAS coverage if it meets any of the criteria listed in 48 CFR 9903.201-1(b).

CAS waivers

In the rare instance where application of CAS to a particular contract or a particular contractor situation is not practical and/or cost effective, the CAS provides for waivers of some or all of the standards. CAS waivers apply to a particular contract and/or a particular contractor.

Catastrophic

Extremely harmful; bringing physical or financial ruin. One or related losses whose consequences are extremely harsh or severe, resulting in loss of assets, bankruptcy, etc.

Category of material

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.

Change to a cost accounting practice

Any alteration in a cost accounting practice, as defined in 48 CFR 9903.302-1, whether or not such practices are covered by a Disclosure Statement, with the following exceptions: (a) the initial adoption of a cost accounting practice 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.

Course Glossary, Continued

Cognizant Federal Agency Official (CFAO)

Usually the Administrative Contracting Officer (ACO) (FAR 42.2). The CFAO has sole authority to administer the cost accounting standards. This authority may not be delegated.

Compensated personal absence

Any absence from work for reasons such as illness, vacation, holidays, jury duty or military training, or personal activities, for which an employer pays compensation directly to an employee in accordance with a plan or custom of the employer.

Cost accounting practice

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.

Cost Accounting Standards (CAS)

CAS provides direction on the methods by which costs will be measured, assigned, and allocated to final cost objectives (i.e., contracts).

Cost Accounting Standards Board (CASB)

Created in 1970 by Public Law 91-379, the CASB was authorized to promulgate standards that would have the effect of law in promoting uniformity and consistency in contractor accounting systems.

Cost impact proposal

A proposal that outlines the increased/decreased costs on CAS-affected contracts due to a change in accounting practice.

Cost input

The cost, except G&A expenses, which for contract costing purposes is allocable to the production of goods and services during a cost accounting period.

Cost objective

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.

Cost of capital committed to facilities

An imputed cost determined by applying a cost of money rate to facilities capital.

Course Glossary, Continued

Deferred compensation

An award made by an employer to compensate an employee in a future cost accounting period or periods for services rendered in one or more cost accounting periods prior to the date of the receipt of compensation by the employee. This definition does not include the amount of year end accruals for salaries, wages, or bonuses that are to be paid within a reasonable period of time after the end of a cost accounting period.

Defined-benefit pension plan

FAR and CAS describe a defined-benefit pension plan as a pension plan in which the benefits to be paid or the basis for determining such benefits are established in advance and the contributions are intended to provide the stated benefits. In simpler terms, a defined-benefit pension plan is a pension plan that guarantees a stated or defined amount of pension payment every month in retirement.

Defined-contribution pension plan

FAR and CAS describe a defined-contribution pension plan as a pension plan in which the contributions are established in advance and the benefits are determined thereby. In simpler terms, a defined-contribution pension plan is a pension plan that defines the amount of up-front contribution that is made and the future payments are dependent on those contributions and their market performance. The amount of monthly income derived from this type of plan is not guaranteed.

Depreciation

A rational method for allocating the cost of a capital asset over its service life.

Course Glossary, Continued

Desirable change

A compliant change to a contractor's established or disclosed cost accounting practices that the Cognizant Federal Agency Official (CFAO) finds is desirable to the Government and is, therefore, not subject to the no increased cost prohibition provisions of CAS-covered contracts affected by the change. [48 CFR 9903.201-6(c)(2) and FAR 30.001]

Direct cost

Any cost which is identified specifically with a particular final cost objective. Direct costs are not limited to items which are incorporated in the end product as material or labor. Costs identified specifically with a contract are direct costs of that contract. All costs identified specifically with other final cost objectives of the contractor are direct costs of those cost objectives.

Directly associated costs

Any cost which is generated solely as a result of the incurrence of another cost, and which would not have been incurred had the other cost not been incurred.

Disclosure Statement

A written description of a contractor's cost accounting practices and procedures.

Domestic concern

A concern incorporated in the United States (including a subsidiary that is incorporated in the United States, even if the parent corporation is a foreign concern; or an unincorporated concern having its principal place of business in the United States). [DFARS 225.003(3)]

Entitlement

An employee's right, whether conditional or unconditional, to receive a determinable amount of compensated personal absence, or pay in lieu thereof.

Estimating costs

The process of forecasting a future result in terms of cost, based upon information available at the time.

Estoppel

A principle in equity and means that a party who makes a representation on which another party justifiably relies, resulting in some injury, is barred from later denying the accuracy of the representation and must repair the resulting injury.

Course Glossary, Continued

Expressly unallowable

A particular item or type of cost which, under the express provisions of an applicable law, regulation or contract, is specifically named and stated to be unallowable.

Facilities capital

The net book value of tangible capital assets and of those intangible capital assets that are subject to amortization.

Final cost objective

A cost objective which has allocated to it both direct and indirect costs, and in the contractor's accumulation system, is one of the final accumulation points.

First-in, first-out

An inventory costing method in which the cost flow assumption is that the first (oldest) costs are assumed to be assigned to the inventory that flows from the inventory storage bin to the manufacturing floor, or for a retail store, from an inventory bin to the retail floor. This indicates that the latest (newest) costs are assigned to the inventory that remains in the inventory bin.

Fiscal year

The accounting period for which annual financial statements are regularly prepared, which is generally a period of 12 months, 52 weeks or 53 weeks.

Foreign concern

Any concern other than a domestic concern. [DFARS 225.003(6)]

General and administrative (G&A) expense

Any management, financial, and other expense which is incurred by or allocated to a business unit and which is for the general management and administration of the business unit as a whole. G&A expense does not include those management expenses whose beneficial or causal relationship to cost objectives can be more directly measured by a base other than a cost input base representing the total activity of a business unit during a cost accounting period.

Generally Accepted Accounting Principles (GAAP)

GAAP provides guidance on how much of the cost to record (measurement) and when to record the costs (assignment). GAAP does not address allocability (to which contracts should the costs be charged), and is not always appropriate for purposes of Government contract costing.

Course Glossary, Continued

Home office

An office responsible for directing or managing two or more, but not necessarily all, segments of an organization. It typically establishes policy for, and provides guidance to the segments in their operations. It usually performs management, supervisory, or administrative functions, and may also perform service functions in support of the operations of the various segments. An organization which has intermediate levels, such as groups, may have several home offices which report to a common home office. An intermediate organization may be both a segment and a home office.

Independent research and development (IR&D) cost

The cost of effort which is neither sponsored by a grant, nor required in the performance of a contract, and which falls within any of the following three areas: (i) basic and applied research, (ii) development, and (iii) systems and other concept formulation studies.

Indirect cost

Any cost not directly identified with a single final cost objective but identified with two or more final cost objectives or with at least one intermediate cost objective.

Indirect cost pool

A grouping of incurred costs identified with two or more objectives but not identified specifically with any final cost objective.

Insurance administration expenses

The contractor's costs of administering an insurance program, e.g., the costs of operating an insurance or risk-management department, processing claims, actuarial fees, and service fee paid to insurance companies, trustees, or technical consultants.

Intangible capital asset

An asset that has no physical substance, has more than minimal value, and is expected to be held by an enterprise for continued use or possession beyond the current accounting period for the benefits it yields.

Involuntary conversion

The involuntary loss of property through destruction or condemnation.

Labor cost at standard

A pre-established measure of the labor element of cost.
(labor-rate standard) x (labor-time standard)

Course Glossary, Continued

Labor-rate standard

A pre-established measure, expressed in monetary terms, of the price of labor.

Labor-time standard

A pre-established measure, expressed in temporal terms, of the quantity of labor.

Last-in, first-out

An inventory costing method in which the cost flow assumption is that the last (recent) costs are assumed to be assigned to the inventory that flows from the inventory storage bin to the manufacturing floor, or for a retail store, from an inventory bin to the retail floor. This indicates that the first (oldest) costs are assigned to the inventory that remains in the inventory bin.

Material cost at standard

A pre-established measure of the material element of cost.
(material-price standard) x (material-quantity standard)

Material inventory record

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.

Material-price standard

A pre-established measure, expressed in monetary terms, of the price of material.

Material-quantity standard

A pre-established measure, expressed in physical terms, of the quantity of material.

Measurement date

The first date the number of shares awarded is known. For stock options, the measurement date is the first date the number of shares and the option price are both known.

Moving average cost

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 dividing the figure by the new total number of units.

Course Glossary, Continued

Net awards

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.

Noncompliance

A failure in estimating, accumulating, or reporting costs to comply with applicable cost accounting standards or consistently follow disclosed or established cost accounting practices. [FAR 30.001]

Operating revenue

Amounts accrued or charged to customers, clients, and tenants, for the sale of products manufactured or purchased for resale, for services, and for rentals of property held primarily for leasing to others. It includes both reimbursable costs and fees under cost-type contracts and percentage-of-completion sales accruals except that it includes only the fee for management contracts under which the contractor acts essentially as an agent of the Government in the erection or operation of Government-owned facilities. It excludes incidental interest, dividends, royalty, and rental income, and proceeds from the sale of assets used in the business.

Original complement of low-cost equipment

A group of items acquired for the initial outfitting of a tangible capital asset or an operational unit, or a new addition to either. The items in this group individually cost less than the minimum amount established by the contractor for capitalization for the classes of assets acquired, but in the aggregate, they represent a material investment. The group, as a complement, is expected to be held for continued service beyond the current period. Initial outfitting of the unit is completed when the unit is ready and available for normal operations.

Pension plan

A deferred compensation plan established and maintained by one or more employers to provide systematically for the payment of benefits to plan participants after their retirement, provided that the benefits are paid for life or are payable for life at the option of the employees. Additional benefits such as permanent and total disability and death payments, and survivorship payments to beneficiaries of deceased employees may be an integral part of a pension plan.

Pricing

The process of establishing the amount or amounts to be paid in return for goods or services.

Course Glossary, Continued

Procuring Contracting Officer (PCO)

The PCO is responsible for determining the applicability of CAS to any given contract. The contracting officer must then ensure that the offeror has made the required solicitation certifications and that required Disclosure Statements are submitted.

Production unit

A grouping of activities which either uses homogeneous inputs of direct material and direct labor or yields homogeneous outputs such that the costs or statistics related to these homogeneous inputs or outputs are appropriate as bases for allocating variances.

Projected average loss

The estimated long-term average loss per period for periods of comparable exposure to risk of loss.

Property

Tangible property, both real and personal. Real property means any interest in land, together with the improvements, structures, and fixtures located thereon. Other tangible property, such as material, equipment, special tooling, and special test equipment, is considered personal property.

Proposal

Any offer or other submission used as a basis for pricing a contract, contract modification or termination settlement, or for securing payments thereunder.

Qualified pension plan

A pension plan comprising a definite written program communicated to and for the exclusive benefit of employees which meets the criteria deemed essential by the Internal Revenue Service as set forth in the Internal Revenue Code for preferential tax treatment regarding contributions, investments, and distributions. Any other plan is a nonqualified pension plan.

Course Glossary, Continued

Repairs and maintenance

The total endeavor to obtain the expected service during the life of tangible capital assets. Maintenance is the regularly recurring activity of keeping assets in normal or expected operating condition while repair is the activity of putting them back into such condition.

Reporting costs

Provision of cost information to others.

Representative investment

The calculated amount considered invested by the contractor during the cost accounting period to construct, fabricate, or develop the asset.

Required change

A change in cost accounting practice that a contractor is required to make in order to comply with applicable Standards, modifications, or interpretations applicable to an existing CAS-covered contract due to the receipt of another CAS-covered contract or subcontract. [48 CFR 9903.201-6(a)(2) and FAR 30.001]

Residual value

The proceeds (less removal and disposal costs, if any) realized upon disposition of a tangible capital asset. It is usually measured by the net proceeds from the sale or other disposition of the asset, or its fair value if the asset is traded in on another asset. The estimated residual value is a current forecast of the residual value.

Segment

One of two or more divisions, product departments, plants, or other subdivisions of an organization reporting directly to a home office, usually identified with responsibility for profit and/or producing a product or service. The term includes Government-owned contractor-operated (GOCO) facilities, and joint ventures and subsidiaries (domestic and foreign) in which the organization has a majority ownership. The term also includes those joint ventures and subsidiaries (domestic and foreign) in which the organization has less than a majority of ownership, but over which it exercises control.

Self-insurance

The assumption or retention of the risk or loss by the contractor, whether voluntarily or involuntarily. Self-insurance includes the deductible portion of purchased insurance.

Course Glossary, Continued

Self-insurance charge

A cost which represents the projected average loss under a self-insurance plan.

Service life

The period of usefulness of a tangible asset (or group of assets) to its current owner. The period may be expressed in units of time or output. The estimated service life of a tangible capital asset (or group of assets) is a current forecast of its service life and is the period over which depreciation cost is to be assigned.

Standard cost

Any cost computed with the use of pre-established measures.

Subrogation

The substitution of one party for another. Insurance companies typically have rights of subrogation, so if the insurer pays the property owner for a loss, such as a house fire, and then discovers that loss was the fault of a third party, the insurance company may sue and recover from the third party.

Tangible capital asset

An asset that has physical substance, more than minimal value, and is expected to be held by an enterprise for continued use or possession beyond the current accounting period for the services it yields.

Unallowable cost

Any cost which, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost reimbursements, or settlements under a Government contract to which it is allocable.

Unilateral Change

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 CFAO and for which the Government will pay no aggregate increased costs. [48 CFR 9903.201-6(b)(2) and FAR 30.001]]

Variance

The difference between a pre-established measure and an actual measure.

Weighted average cost

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