



Progress Report To The Congress 1974

**(Including Aggregated
Disclosure Statement
Responses)**

COST ACCOUNTING STANDARDS BOARD

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ARTHUR SCHOENHAUT
Executive Secretary

August 15, 1974

To the Speaker of the House of Representatives
and the President pro tempore of the Senate

In accordance with Section 719(k) of the Defense
Production Act of 1950, as amended, I respectfully
submit the progress report of the Cost Accounting
Standards Board for the year ended June 30, 1974.

A handwritten signature in cursive script, reading "Elmer B. Staats".

Chairman

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HIGHLIGHTS OF ACTIVITIES

The Cost Accounting Standards Board was created as an agent of the Congress in August 1970 by an amendment (Public Law 91-379) to the Defense Production Act of 1950. The Board was formally organized in January 1971 following the initial appropriation of funds for its operations.

The individuals originally appointed as members of the Board by the Chairman, who is Comptroller General of the United States, continued to serve with the Board through June 30, 1974. This report describes the progress made by the Board during the fiscal year then ended. Summarized below are the highlights of the activities of the Board during the year:

1. There was a continued increase in the level and extent of participation, cooperation, and communication with other Federal agencies, industry, the accounting profession, the academic community, and other interested individuals. There are now approximately 800 organizations and individuals who have requested that Board proposals and promulgations be regularly mailed to them. These organizations and individuals generally have provided constructive reviews and comments of Board materials, and their assistance constitutes an integral part of the Board's operations. (See page 3.)
2. The Board has developed an extensive program for the research of potential Cost Accounting Standards. The research procedure includes an in-depth study of each subject area and continuous dialogue with Government agencies, contractors and representatives of the accounting profession. Actual practices of contractors and

the underlying accounting concepts are considered by the Board in developing alternative proposals. During the year the Board distributed to organizations and individuals who have volunteered to participate in the Board's research process (a) papers soliciting views on specific issues involved in four subjects, (b) preliminary drafts of Standards on five subjects, and (c) Federal Register exposure drafts of proposed Standards covering four subjects. The successive steps in the Board's research procedure are described starting on page 5.

3. In recognition of the need for orderly implementation of its rules, regulations, and Standards, the Board has sponsored a series of orientation programs and has encouraged establishment of training courses in Board materials by other organizations. Nine 1-day orientation sessions were conducted by Board staff for both Government and industry representatives in various sections of the country; the sessions were attended by about 3,000 persons. Training programs have been initiated, with Board assistance, by the Civil Service Commission, the U.S. Army Logistics Management Center, and the American Institute of Certified Public Accountants. In addition, Board and staff members have appeared at numerous meetings and conferences sponsored by accounting or legal professional associations and by industry associations to present information about the Board and to answer questions concerning Board promulgations. (See page 7.)
4. Effective July 1, 1972, major contractors were required to submit Disclosure Statements to procuring agencies as a condition of obtaining a negotiated defense contract subject to Public Law 91-379. The cost accounting practices disclosed are required to be followed consistently for all covered contracts. This disclosure requirement was initially applied only to those companies which received prime contract awards of negotiated defense contracts during fiscal year 1971 totaling more than \$30 million. Effective April 1, 1974, the

filing requirement was reduced to \$10 million of negotiated prime defense contract awards of the type covered by Board requirements in either fiscal years 1972 or 1973. Since July 1, 1972, more than 1,100 Disclosure Statements have been submitted to Government agencies by 135 contractors. These figures include 140 Disclosure Statements received from organizational units of 41 contractors who were required to submit Statements under the reduced threshold. (See page 8.)

A copy of each completed Disclosure Statement is sent to the Board for its use in developing future Cost Accounting Standards. Responses are maintained in a computerized data bank to facilitate analysis and correlation of the data for research purposes. Information contained in Disclosure Statements filed under the original \$30 million threshold requirement is presented in aggregate statistical form as Appendix B of this report.

5. Four Cost Accounting Standards had been promulgated by the Board prior to the start of fiscal year 1974. These Standards deal with (a) Consistency in Estimating, Accumulating, and Reporting Costs, (b) Consistency in Allocating Costs Incurred for the Same Purpose, (c) Allocation of Home Office Expenses to Segments, and (d) Capitalization of Tangible Assets. During fiscal year 1974, the Board promulgated three additional Standards—a Standard on Accounting for Unallowable Costs, a Standard on Cost Accounting Period, and a Standard on Use of Standard Costs for Direct Material and Direct Labor. In addition, the Board had in various stages of research and development potential Standards dealing with 17 subjects. The Standards promulgated by the Board during the year and the nature and status of current research studies are summarized starting on page 9 of this report.
6. The Board has a continuing responsibility to evaluate the effectiveness of materials which it promulgates. This evaluation process is assisted by obtaining annual

reports from Federal agencies. In addition, the Board is planning an evaluation conference late in fiscal year 1975 to obtain industry views on promulgated Standards and regulations.

Twenty agencies sent reports to the Board covering their experience with promulgated materials during calendar year 1973. These reports show that submissions of Disclosure Statements by contractors were, for the most part, accurate, current and complete, based upon agency reviews of those Statements. The reports received from the Department of Defense indicate that Administrative Contracting Officers have determined, in a number of cases, that there have been violations of Standards and disclosed practices. These violations are of concern to the Board not only from the standpoint of the rights of the United States to recovery of any appropriate sums stemming from such violations but also because of the problems created for contractors pending resolution of the violations. The Board has offered to work with the Department in any manner that would assure prompt resolution of problems impeding enforcement of Standards and regulations. The Department has advised the Board that it is applying a great deal of effort and resources to resolve the various problems associated with the violations. (See page 13.)

Reports received from those agencies having significant experience with Board promulgations show that Standards and the Disclosure Statement have been particularly helpful in improving the consistency and accuracy of cost estimates included in contractor proposals and have improved the Government's negotiating position on questioned cost accounting practices. In addition, Board materials have helped resolve long-standing cost accounting problems and have contributed to more uniform treatment of certain accounting transactions. Specific comments and suggestions received from these agencies to improve the effectiveness of Board promulgations are being

studied from the standpoint of possible modification of existing requirements, and they will be considered also in future work of the Board. (See page 14.)

7. During fiscal year 1974, two exemption requests were considered by the Board. An exemption was granted for any sub-contract to be performed outside the United States either by an agency of a foreign government or by a foreign concern in connection with the class of hydrofoil guided missile ship known as the "NATO PHM Ship." The Board denied a request from the Canadian Government for exemption of all U.S. prime and subcontracts performed in Canada. (See page 15.)

The Board has established a procedure whereby waiver of Board requirements may be granted under certain circumstances for particular contracts or subcontracts. During fiscal year 1974 the Board, at the request of the Department of Defense, granted waiver of the requirements of the Cost Accounting Standards contract clause in 26 procurement actions. The Board also granted one waiver request by the National Aeronautics and Space Administration and one request by the Atomic Energy Commission. The Board denied requests for waiver by the Department of Defense on three procurement actions. (See page 16.)

At the close of the fiscal year the Board had a study in process to consider the possible establishment of a threshold below which Board Standards and regulations need not be followed.

BOARD ORGANIZATION

The Comptroller General of the United States, Elmer B. Staats, is designated by Public Law 91-379 as Chairman of the Cost Accounting Standards Board. Pursuant to that law, he appointed four members to serve with him on the Board for a term of 4 years each. The Board Members appointed in January 1971 and who continue to serve are:

Herman W. Bevis who was Senior Partner of Price Waterhouse & Co., Certified Public Accountants. Mr. Bevis is currently a member of the Banking and Securities Industry Committee and until recently was its Executive Director.

Robert K. Mautz who was Weldon Powell Memorial Professor of Accountancy at the University of Illinois. Mr. Mautz is currently a Partner in the firm of Ernst & Ernst, Certified Public Accountants.

Charles A. Dana who is Director of Government Accounting Controls of Raytheon Company.

Robert C. Moot who was Assistant Secretary (Comptroller) of the Department of Defense. Mr. Moot is currently Vice President-Finance of AMTRAK.

The Board's Executive Secretary is Arthur Schoenhaut and its General Counsel is Harry R. Van Cleve, both of whom have served with the Board almost from the beginning of its operations. As of June 30, 1974, the Board had a full-time staff of 35 employees—22 professional and 13 administrative and clerical. In staff selection, the Board has been successful in recruiting and maintaining the same balance of representation evidenced by the backgrounds of the Board Members, i.e., people from Government, industry, public accounting, and the academic community.

Appendix A to this report provides a brief background description of each Board Member and each professional staff member.

BOARD OPERATIONS

The Board generally holds monthly meetings lasting from 1 to 3 days. The Board operates on the basis of staff papers, and each Board Member is personally briefed by the staff in advance of each Board meeting on the items included in the meeting agenda. Board Members are in frequent communication with the staff on materials being developed by the staff. Thus, the Board Members are deeply involved in all aspects of research and development of Standards and regulations.

Since its inception, the Board has vigorously encouraged the cooperation of all those who might be interested in Cost Accounting Standards. The Board's third full year of operation has been characterized by a continuing increase in the level and extent of participation, cooperation and communication with industry (both associations and individual companies), the public accounting profession, the academic community and other interested groups and individuals. The Board continues to find these relationships to be of considerable benefit. For example:

1. There are now approximately 800 organizations and individuals to which Board proposals and promulgations are regularly mailed for comment, testing, and evaluation. These organizations and individuals have provided helpful reviews and comments on Board materials.
2. Individual contractors have evidenced a constructive approach to Board efforts. They have responded in a timely manner to questionnaires and draft Standards. They have been readily available for across-the-table discussions of their practices and views on Board proposals. While not always in agreement with Board proposals, contractors have been willing to test the practicability of those proposals, and they are usually prepared to offer alternatives.
3. The accounting profession and the academic community have taken a positive and active approach to the Board's work through the creation of liaison committees representing various accounting associations. Constructive criticism of Board proposals or suggestions for viable alternatives have been offered by committees of the American Accounting Association, the American Institute of Certified Public Accountants, the Financial Executives Institute, the Federal Government Accountants Association, and the National Association of Accountants. Several individual public accounting firms and individual members of university faculties have also participated actively in the Board's research and development process.

4. In April 1974 the Board presented its first public service awards to Leonard P. Spacek, retired senior partner of the public accounting firm of Arthur Andersen & Co., and to the Financial Executives Institute. The award to Mr. Spacek was made in recognition of his distinguished professional career in accounting and, in particular, for his early, vigorous and unremitting support for the need for Cost Accounting Standards. The award cited his strong encouragement of the accounting profession to provide constructive assistance to the Board in accomplishing its objectives.

The award to the Financial Executives Institute was in recognition of its leading role in assuring active participation by the accounting profession in the Board's research in the field of cost accounting. The Board noted that the Institute had mobilized the financial managers of American industry to provide constructive, penetrating and cogent comments during many phases of the Board's research into possible Cost Accounting Standards. This cooperation has contributed significantly to the professional quality and to the acceptability in the business community of the Board's promulgated Standards.

Recognizing that cooperation by departments and agencies of the Executive Branch would be very important in achieving the full benefit of its regulations and Standards, the Board established an Interagency Advisory Committee in 1972. The Committee is composed of controller and procurement representatives of the Atomic Energy Commission, the Department of Defense, the General Services Administration, the National Aeronautics and Space Administration, the Department of Health, Education and Welfare, and the Department of Transportation. The Committee is chaired by a representative of the General Services Administration.

The cooperative spirit of this Committee and of the individual Federal agencies involved has materially assisted in the implementation of promulgated Standards, rules and regulations. For example, the Atomic Energy Commission, the Department of

Defense and the National Aeronautics and Space Administration, the three principal relevant Federal agencies under Public Law 91-379, have issued uniform implementing regulations. The General Services Administration, in its publication of the Federal Procurement Regulations provided that, with certain exceptions, the Board's Standards, rules, and regulations, as a matter of policy, are to be extended to nondefense contracts, thus better assuring consistent application of Board issuances to contractors having both defense and nondefense contracts.

The Defense Contract Audit Agency and the Defense Contract Administration Services, the two agencies having principal responsibility for the implementation of Board promulgations within the Department of Defense, have established monitors or specialists at their headquarters and field locations throughout the United States to deal with Cost Accounting Standards. The primary function served by these individuals is to assure uniform implementation of Board promulgations through advice and assistance to auditors and administrative contracting officers in the field. Certain contractors have indicated that this assistance has proven to be beneficial to them. These actions manifest the high degree of interest shown by the agencies in Board promulgations and should contribute materially to effective implementation of the CASB promulgations both by the agencies and by the contractors involved.

Contract costing often deals with the same expenditures and the same problems of allocation to time periods as are of interest in financial and income tax accounting. The Board, therefore, believes that cooperation and coordination with other authoritative bodies will be of considerable benefit to all organizations having similar responsibilities for issuing pronouncements involving accounting matters. Since early 1973, when the Financial Accounting Standards Board (FASB) was being organized, the Board has had several meetings with representatives of the FASB to explore areas of mutual interest. The staffs of the CASB and the FASB meet periodically to exchange research data and to discuss the accounting concepts of proposed

Standards. The CASB sends all proposals involving potential Standards to the FASB to provide it with an opportunity to comment on the accounting concepts involved. Both Boards have recognized that the public interest would not be served by issuing divergent requirements concerning the same subject unless it is clear that the objectives of cost accounting and financial accounting differ with respect to a particular subject.

The Board and its staff continue to meet with officials of the Securities and Exchange Commission and the Internal Revenue Service to explore areas of common interest and both organizations have provided constructive assistance on Board proposals.

RESEARCH AND DEVELOPMENT OF STANDARDS

Before the promulgation of any Standard, the Board makes an in-depth study of the subject area. The study includes extensive research and careful testing of alternative proposals. At the close of fiscal year 1974, there were 17 studies in process. (See page 11.) The successive steps in the typical research procedure leading to promulgation of Standards are outlined below.

1. Research of existing materials—Authoritative materials on a subject are reviewed, including sources such as textbooks and theses, Government procurement regulations, pronouncements of accounting and regulatory groups, Court and Board of Contract Appeals decisions, Government agency reports of problems, and Disclosure Statements filed by contractors with the Board.
2. Initial liaison—As the research of existing materials progresses, the initial phase of liaison with various contractors and Government agencies is begun through correspondence, telephone conversations, personal interviews, or plant visits to discuss actual practices and the underlying accounting concepts.
3. Issues papers and questionnaires—With information gained from both research of

existing materials and field visits, there is usually prepared an issues paper and a list of questions to be answered concerning those issues. These papers are designed to elicit opinions on specific issues as well as descriptions and empirical data concerning current cost accounting practices with respect to a specific subject. The papers are mailed directly to organizations and individuals who have volunteered to participate in the Board's research process. During fiscal year 1974 issues papers were distributed on four subjects (a) accounting for pension costs, (b) allocation of material costs, (c) cost of capital, and (d) allocation of manufacturing, engineering, and comparable overhead.

4. Preliminary draft—Based on the research to this point, a preliminary draft of a proposed Cost Accounting Standard is developed and is discussed with a limited number of appropriate groups such as professional accounting associations, contractors, and Government agencies. After considering suggestions made, a revised draft is sent to organizations and individuals on the Board's research mailing list. The draft Standard is usually accompanied by questions designed to elicit information concerning potential administrative problems and estimated costs of implementation. Also, certain statistical data may be obtained directly from contractors or may be obtained for the Board by Government audit organizations. During the past fiscal year, the views of participating organizations and individuals were obtained on preliminary draft Standards dealing with (a) allocation of business unit general and administrative expense to cost objectives, (b) cost accounting period, (c) use of standard costs for direct material and direct labor, (d) accounting for costs of compensated personal absence, and (e) allocation of material costs.

5. Initial Federal Register publication—After comments on a preliminary draft are evaluated and other research data are analyzed, the Board publishes a proposed Cost Accounting Standard in the Federal

Register. This initial publication, which is viewed by the Board as an integral part of its research process, serves as a public solicitation by the Board for comments on the proposed Standard. Sixty days is usually allowed for receipt of those comments. The publication is also mailed directly to all of the organizations and individuals on the Board's research mailing list, together with a transmittal letter specifically requesting comments on this exposure draft Standard. After initial publication, a number of contractors and Government agencies are visited to discuss further all aspects of the proposed Standard, with additional special emphasis on the anticipated administrative costs of implementation and the probable benefits to be achieved through adoption of the Standard. During fiscal year 1974 the Board published exposure drafts in the Federal Register on the subjects of (a) cost accounting period, (b) use of standard costs for direct material and direct labor, (c) accounting for costs of compensated personal absence, and (d) depreciation of tangible capital assets.

6. Promulgation—After careful consideration of all comments submitted and the further discussions with outside organizations, the Board makes appropriate revision of the Cost Accounting Standard and publishes it for the second time in the Federal Register. The Board's reasons for revising or not revising various sections of the proposed Standard in accordance with the comments received are also included in the second publication in the form of extensive prefatory remarks. During fiscal year 1974 the Board promulgated three Standards which are described starting at page 9 of this report.

7. Congressional consideration—Standards promulgated by the Board are sent to the Congress at the time of the second publication in the Federal Register. The Standards become effective unless the Congress, within 60 days of continuous session, passes a concurrent resolution stating in substance that it does not favor the proposed Standard. The Board's

promulgations have the full force and effect of law.

8. Follow-up reviews and interpretations—The Board is keenly aware of its responsibility to assure that promulgated Standards are not misunderstood in their implementation by contractors and procurement agencies. To help carry out this responsibility, the Board has emphasized the need of the staff to be alert to any problems of interpretation that may arise following the effective date of individual Standards. Staff reviews of specific situations have been made where the potential for misunderstanding of provisions of certain Standards has been brought to the attention of the Board or its staff. Also, there have been numerous informal and unofficial consultations between Board staff and representatives of Government agencies and contractors. These discussions have assisted in achieving the satisfactory resolution of most questions and problems. When there are widespread and serious questions of the Board's intention or meaning in its promulgations, the Board has announced that it may at its discretion respond to requests for authoritative interpretations of its rules, regulations and Cost Accounting Standards. Such interpretations will be published in the Federal Register and will be an integral part of the rules, regulations and Standards to which the interpretations relate. The Board has noted, however, the existence of contractual and administrative provisions for the resolution or settlement of disputes arising under a contract, and the Board will not intervene in or seek to supersede such provisions.

ORIENTATION AND TRAINING

As an aspect of its conviction of the need for candid and regular communication with industry and Executive Branch agencies and also of its continuing concern for the orderly implementation of its rules, regulations, and Cost Accounting Standards, the Board has (1) sponsored during the last 12 months a series

of orientation programs and (2) encouraged establishment of training courses in Board materials by other organizations.

ORIENTATION SESSIONS

As reported in its Progress Report to the Congress, 1972, the Board joined with the Department of Defense in the spring and fall of 1972 to offer 1-day orientation sessions on Board promulgations to both industry representatives and Government employees. Fifty-nine such sessions were attended by almost 8,000 persons.

Similar 1-day sessions were conducted in October and November 1973. Nine such sessions for both Government and industry representatives were held in various sections of the country. The sessions were attended by approximately 3,000 persons. Administration of these sessions was undertaken by the National Contract Management Association and the Federal Government Accountants Association.

CONTINUING EDUCATION

The Board has encouraged established training organizations to assume the major training responsibility in Board materials. The willingness of such groups to undertake this responsibility has been very gratifying. The Civil Service Commission is offering Government employees a series of 3-day training sessions on Cost Accounting Standards Board requirements. Materials for use in these sessions were prepared by the Board's staff, and the first session was conducted wholly by staff members, with the expectation that future courses will be taught by the Civil Service Commission personnel. The continuing contribution by the Board will be limited to providing up-to-date information to the Commission.

The United States Army Logistics Management Center at Fort Lee, Virginia, has initiated a 2-week course in Board regulations and Standards and the implementation of them by the Department of Defense. Staff

members of the Board have worked closely with officials of the Center and have undertaken to provide lecturers for the initial offering of the course. That course, although designed primarily for employees of the Department of Defense, will also be open to employees of the National Aeronautics and Space Administration.

Finally, the Board encouraged the American Institute of Certified Public Accountants (AICPA) to establish a 1-day training program for AICPA members interested in Board materials. One such course has been presented in Washington, D.C., and six additional offerings are contemplated in July and November 1974, in different cities across the country. As was done in the case of the Civil Service Commission course, the Board prepared the materials to be used in this course and has agreed to provide staff members to conduct the first seven courses, with the understanding that for any subsequent offerings, the AICPA will provide its own instructors.

Training and orientation outside of the context of formalized training sessions have continued to be performed through acceptance of invitations to Board members and staff persons to speak to interested groups and to participate in panels, conferences, and the like. In connection with these appearances, the Board pays for all necessary travel expenses in accordance with Standardized Government Travel Regulations, and no Board or staff member is paid for his appearance. In fiscal year 1974, in addition to major appearances by Board Members, staff members appeared at 42 meetings, conferences, and the like, most of which were sponsored by accounting or legal professional associations or by industry associations. These occasions have afforded opportunities to provide interested parties with information about the Board, and also to answer questions and to discuss concerns about the Board's Standards and regulations.

DISCLOSURE OF COST ACCOUNTING PRACTICES

A Disclosure Statement has been designed by the Board to meet the requirements of

Public Law 91-379 whereby contractors entering into negotiated defense prime contracts and subcontracts in excess of \$100,000 must, as a condition of contracting, disclose in writing their cost accounting practices. A separate Disclosure Statement must be submitted covering the practices of each of the contractor's corporate (home office) and group (intermediate management) offices and profit centers, divisions, or similar organizational units having differing cost accounting practices.

In completing the Disclosure Statement, a contractor must define what it considers as direct costs of contracts and disclose its methods of charging such costs to contracts. The contractor must also disclose its method of distinguishing direct from indirect costs and its method of allocating indirect costs to contracts. Contractors are required to follow consistently their disclosed practices in pricing contract proposals and in accumulating and reporting contract performance cost data.

Initially this disclosure requirement applied to those companies which, together with their subsidiaries and affiliated companies under common control, received prime contract awards of negotiated national defense contracts during Federal fiscal year 1971 totaling more than \$30 million.

Effective April 1, 1974, the requirement to submit a Disclosure Statement was amended to add those contractors whose dollar volume of covered prime contract awards exceeded \$10 million in either Federal fiscal year 1972 or 1973.

Since July 1, 1972, more than 1,100 Disclosure Statements have been submitted to Government agencies by reporting units of 135 contractors. These figures include 140 Disclosure Statements received from reporting units of 41 contractors who were required to submit Statements under the reduced threshold effective April 1, 1974.

Colleges and universities are subject to Standards and regulations only in contracts awarded by defense agencies. Representatives of colleges and universities had expressed to the Board a desire to have a separate Disclosure Statement to cover their accounting practices. They have unique accounting systems

that differ markedly from those of other Government contractors subject to Disclosure Statement requirements. The Board worked in cooperation with representatives of Government agencies and universities in designing a separate Disclosure Statement for use by colleges and universities. The specially designed Statement incorporates terminology more commonly used by colleges and universities. This Statement was promulgated by the Board on December 12, 1973, and became effective April 1, 1974.

The Board has by regulation provided that Disclosure Statements will not be made public in any case when the contractor files its statement specifically conditioned on the Government's agreement to treat the Disclosure Statement as privileged and confidential. An action challenging the validity of this regulation was brought under 5 U.S.C. 552, the Freedom of Information Act. (*Petkas v. Staats*, Civil Action No. 2238-72.) A decision of the District Court for the District of Columbia upholding the Board's position was reversed and remanded in a decision dated July 25, 1974, by the U.S. Court of Appeals for the District of Columbia (No. 73-2153).

A copy of each completed Disclosure Statement is sent to the Board for its use in developing future Cost Accounting Standards. Responses are maintained in a computerized data bank to facilitate various analyses and correlations of the data for research purposes. Information from those Disclosure Statements filed in accordance with the \$30 million threshold requirement is presented in aggregate statistical form as Appendix B of this report.

COST ACCOUNTING STANDARDS

In its Progress Report to the Congress, 1973, the Board reported that four Cost Accounting Standards to be used in connection with negotiated contracts had been promulgated. These Standards deal with:

1. Consistency in estimating, accumulating and reporting costs
2. Consistency in allocating costs incurred for the same purpose

3. Allocation of home office expenses to segments
4. Capitalization of tangible assets

The Board promulgated three additional Cost Accounting Standards during fiscal year 1974 and has in various stages of research and development potential Standards dealing with 17 subjects. The Standards promulgated by the Board during the past year and the nature of current research studies are summarized below.

ACCOUNTING FOR UNALLOWABLE COSTS

This Cost Accounting Standard was published in its final form in the Federal Register of September 6, 1973, and became effective on April 1, 1974. Research on the subject of unallowable costs showed that there were significant continuing problems in this area of contract cost accounting. There was evidence of a general lack of uniformity and consistency in the cost accounting treatment accorded unallowable costs, even after specific determination of their unallowability. Audit and negotiation problems were reported as resulting from the fact that contractors often did not clearly segregate, or otherwise identify, unallowable costs.

A proposed Cost Accounting Standard was initially published in the Federal Register of March 30, 1973, with an invitation for interested parties to submit written data, views, and comments to the Board. Responses were received from 67 sources, consisting of individual companies, Government agencies, professional associations, industry associations, public accounting firms, and others. All of these comments were carefully considered by the Board prior to promulgation.

In its development of the Standard, the Board has recognized that the concept of "unallowable costs" is not generally applied in commercial or industrial cost accounting, and that this concept has no direct relevance to the determination of what incurred costs are allocable to particular cost objectives. The question of the allowability of costs is a function of the appropriate procurement or reviewing authority.

The Standard is designed to facilitate negotiation, audit, administration, and settlement of negotiated Government contracts by establishing guidelines covering (1) contractor identification of all costs specifically described as unallowable, at the time such costs first become defined or authoritatively designated as unallowable, and (2) the cost accounting treatment to be accorded the identified unallowable costs in order to promote the consistent application of sound cost accounting principles in allocations covering all incurred costs.

The Board, in this Standard, has approached the determination of the nature and the amount of the costs related to an item, activity, or function deemed unallowable by other relevant authority in three stages (1) its direct costs, (2) its directly associated costs, and (3) the indirect costs allocable by means of a base containing such costs. This three-phased approach has been adopted because, while there is usually no question that the relevant authority intended that the direct cost be disallowed, there may be questions as to whether costs (2) and (3) above also were intended to be disallowed. The latter two types of costs are, therefore, required to be separately identified and measured so that their allowability can be resolved through the procurement process.

Limited comments were received on the subject of the implementation cost of the Standard, and several of these indicated only minimal impact. Of those claiming significant additional implementation expense, none provided any data as justification for the claim. The Board concluded from its research that the Standard constitutes a reasonable requirement, and that the costs of implementation will be minimal. It has also concluded that the potential benefits to the audit and negotiation processes accruing from the increase in visibility and in uniformity of cost accounting treatment will be substantial and will greatly outweigh any added costs.

COST ACCOUNTING PERIOD

This Cost Accounting Standard was published in its final form in the Federal Register

of November 7, 1973. Its effective date, July 1, 1974, was announced in the Federal Register of March 18, 1974. The Standard establishes the principle that, in general, contract costing will be on the basis of the same fiscal periods for which annual financial statements are prepared by companies having negotiated contracts subject to Standards and regulations. The Standard also establishes the principle that the same cost accounting period shall be used for accumulating costs in an indirect cost pool as for establishing its allocation base.

Prior to the promulgation of this Standard there was no firm requirement specifying the cost accounting period to be used for contract costing. Contractors generally used their fiscal years, but other periods were used under various circumstances. There were no generally accepted criteria for determining when other periods would be appropriate.

The research process which led to the promulgation of this Standard included an extensive review of available literature on the subject and a review of decisions by Boards of Contract Appeals and by Courts. A number of organizations and individuals were asked to comment on the major issues to be considered in any proposal. Numerous comments on the issues and on a subsequent preliminary draft of a Standard were considered in the development of a proposal which was published August 7, 1973, in the Federal Register for public comment. The 50 comments received were analyzed and resulted in several modifications in the Standard before promulgation.

Many contractors already had practices which complied with the criteria provided in this Standard. Compliance with the Standard will, for others, require minor changes in cost accounting practices. The result will be greater uniformity in cost accounting and improved comparability among contractors. The Board's research demonstrated that the adoption of this Standard would have, for most contractors and for the Government, almost no administrative cost impact. The Board concluded that significant benefits will be realized from the promulgation of this Standard. Such benefits include reduction of disagreements and disputes; increased

consistency, fairness, and objectivity; and improvements of estimates in contract proposals.

USE OF STANDARD COSTS FOR DIRECT MATERIAL AND DIRECT LABOR

This Cost Accounting Standard was published in its final form in the Federal Register of April 1, 1974. It will be effective October 1, 1974. The Standard provides criteria for the use of standard costs for direct material and direct labor in connection with negotiated contracts. It also establishes criteria relating to the setting of standards, accumulation of standard costs, and accumulation and disposition of variances from standard costs.

The development of this Standard was initiated as the result of the recognition that practices concerning the use of standard costs for contract costing purposes had not been well defined in Government procurement regulations. The Board undertook research on this subject with a view that promulgation of a Standard would provide better guidance in the use of standard costs.

The Board's research preceding the promulgation of this Standard included a questionnaire on the use of standard costs which was sent to over 100 companies known to be using or to have used standard costs. Information derived from replies to the questionnaire and from subsequent visits to many of the respondents served as the basis for a preliminary draft of this Standard, which was widely distributed for comment. A revised proposal, incorporating recommendations from many contractors, was published for comment in the Federal Register of November 21, 1973. Comments were received from 47 sources and were carefully considered by the Board prior to promulgation.

This Standard, in reflecting the many uses of standard costs, permits a contractor to select from recognized alternative practices. Specifically, in the areas of standard setting and variance allocation, the Standard permits categorization and groupings of items or costs, providing there is specific adherence to the concept of homogeneity. This permits

contractors a degree of flexibility based on individual circumstances while still providing for proper contract cost assignment.

The Board believes that this Standard, by providing needed criteria, will improve cost measurement and will result in more equitable assignment of contract costs. Little or no cost of implementation by those contractors who are currently using standard costs is anticipated. Consequently, the Board believes that the benefits to be derived from this Standard outweigh any costs of implementation.

CURRENT STUDIES

Selection of specific areas for research and possible development of Cost Accounting Standards is based primarily on (1) relationship to the objectives of Public Law 91-379, (2) significance of observed costing problems, and (3) relationship to other work of the Board. The research projects selected are at various stages of development and may result in one or more Standards on each subject. Preliminary proposals and research papers have been widely circulated for some of these subjects, as indicated below.

1. Accounting for Costs of Compensated Personal Absence—A proposed Standard on this subject was published in the Federal Register for March 4, 1974, soliciting comments from all interested parties. The proposed Standard provides criteria for the use of accrual or cash basis accounting for the costs of vacation, sick leave, holiday pay, and other forms of compensated personal absence. The Board is analyzing comments received from 86 sources on the Federal Register publication.
2. Depreciation of Tangible Capital Assets—A proposed Cost Accounting Standard on this subject was published in the Federal Register of June 11, 1974, soliciting comments from all interested parties by August 12, 1974. The purpose of the proposed Standard is to provide criteria and guidance for assigning the depreciation costs of tangible capital assets to

- appropriate cost accounting periods and to contracts and other work within those periods. The proposal deals with the determination of appropriate depreciation methods, the estimation of service life, and the treatment of gains and losses upon disposition of depreciable assets.
3. Allocation of Business Unit General and Administrative Expense to Cost Objectives—A preliminary draft Standard was distributed in December 1973. The draft would provide criteria for the allocation of costs related to the overall management and administration of a business unit. Approximately 100 responses to the draft are currently being analyzed.
 4. Allocation of Material Costs—This subject covers the charging of material costs to inventory accounts, indirect cost accounts, or directly to contracts. Responses to a preliminary draft Standard and the results of visits to contractors' plants are being analyzed.
 5. Pension Costs—This subject covers the problems pertinent to accounting for costs of contractor pension plans, including the allocation of these costs to contracts. Comments on an issues paper received from 80 sources are being analyzed prior to preparation and circulation of a preliminary draft Standard.
 6. Allocation of Manufacturing, Engineering and Comparable Overhead—This subject covers the allocation of pools of indirect costs such as manufacturing and engineering overhead. An issues paper on this subject was mailed to interested parties in June 1974 for comment.
 7. Direct Materials Not Incorporated in Contract End Items—This subject encompasses the accounting for the cost of materials which are chargeable directly to contracts and other final cost objectives, but which are not incorporated in end items. A statement of issues on this subject is being prepared for circulation to interested organizations for comment. This subject is a continuation and expansion of earlier research on the subject of accounting for scrap.
 8. Cost of Capital—This research study deals with the techniques for measuring and allocating the cost of capital employed in contract performance. An issues paper on the subject was distributed in June 1974 for comment.
 9. Direct and Indirect Charging—This study covers the accounting concepts and principles governing consistent classification of costs as direct or indirect, for purposes of allocation to cost objectives. Research to date has been concerned with analysis of published material.
 10. Independent Research and Development and Bid and Proposal Costs—This subject covers the accounting for costs of performing independent research and development and costs of preparing bids and proposals for Government contracts. Staff members are currently visiting defense contractors to obtain more detailed information concerning existing accounting practices for these costs.
 11. Standard Costs for Service Centers and Overhead—This subject deals with the use of standard costs in estimating, accumulating and reporting contract costs for service centers and overhead. Research is in its preliminary stage.
 12. Termination Accounting—This subject is being explored with contractors and Government agencies to ascertain appropriate accounting principles and practices applicable to contracts which are terminated for the convenience of the Government.
 13. Deferred Incentive Compensation—This research study involves inquiry into criteria for cost accounting techniques related to certain contractor profit-sharing and bonus arrangements. The research on this subject is in a preliminary stage.
 14. Other Labor-Related Costs—This subject covers costs such as those of employee health, welfare and morale activities, recruiting, training and collective bargaining. The research is at an early stage.
 15. Current-Value or Price-Level Accounting—This research involves a continuing study of concepts and practices for cost measurement in times of changing price levels.

16. Special Facilities—This research study deals with the identification of factors affecting the allocation of costs of various special facilities. The study is in a preliminary stage.
17. Terminology—The Board has undertaken a continuing effort to develop definitions for those terms which may be used in Cost Accounting Standards. Drafts of proposed definitions are circulated for comment among 90 participating accountants in Government, industry, the public accounting profession and the academic community. Definitions used in Standards promulgated by the Board appear in Part 400 of the Board's regulations.

EFFECTIVENESS OF BOARD PROMULGATIONS

Federal agencies report to the Cost Accounting Standards Board on the effectiveness of its promulgations within 120 days of the close of the calendar year. These reports contain comments dealing with:

1. Disclosure Statement reviews for adequacy
2. Violations of disclosed practices and Standards
3. Substance of findings of noncompliance with Standards
4. Equitable adjustments
5. Comments on Cost Accounting Standards Board promulgations
6. Facts concerning any cases in dispute

Twenty agencies sent reports to the Board covering their experience with promulgated materials during calendar year 1973. These reports are being studied and analyzed by the Board and its staff, primarily to assist in evaluating the clarity and effectiveness of Board promulgations. In this regard, the Board is planning an evaluation conference late in fiscal year 1975 to obtain industry views on promulgated Standards and regulations.

ADEQUACY OF DISCLOSURE STATEMENTS

The agency reports indicate that reviews were conducted during the year to assure that the initial submission of about 400 Disclosure Statements by contractors were accurate, current, and complete. Similar reviews were conducted on accounting changes proposed by the contractors for 162 Disclosure Statements. The reports show that 96 Disclosure Statements were returned to contractors by contracting officers because of inadequate descriptions of cost accounting practices. Questions of inadequacy of these Statements are discussed by Government representatives and the contractor until satisfactorily resolved.

VIOLATIONS OF STANDARDS AND DISCLOSED PRACTICES

The reports received from the Department of Defense indicate that Administrative Contracting Officers have determined that 67 failures to follow disclosed practices and 297 violations of Standards have occurred. Under the provisions of Public Law 91-379, contractors are required to follow their disclosed practices and comply with Cost Accounting Standards in pricing contract proposals and in accumulating and reporting contract performance cost data. Should contractors fail to do so, and if there are resulting increased costs to the United States because of such noncompliance, contractors are required to repay the increased costs with interest not to exceed 7 percent per annum. The violations noted by DOD involve failure to follow disclosed practices and Standards that were in effect during all or part of calendar years 1972 and 1973. These Standards are listed on page 9. The Department of Defense stated in its reports that the cost impact of the violations has not been completely analyzed.

The number of violations of Standards and disclosed practices reported by the

Department of Defense is of concern to the Board. The Board's interest is not only in the rights of the United States to the recovery of any appropriate sums stemming from those violations, but also for the problems created for contractors pending resolution of those violations. Accordingly, the Board has offered to work with the Department in any manner that would assure prompt resolution of problems impeding its enforcement of contractors' and the Government's obligations and rights arising under Public Law 91-379.

The Department of Defense has advised the Board that it is very concerned about the possible buildup of a backlog in unresolved cases. The Department does not feel that the backlog problem is growing to an unmanageable level at this time. The Department has further stated that it is applying a great deal of effort and resources to resolve the various problems associated with the noncompliance cases. Finally, since the Department feels that the major delaying factor currently is the lack of contract language requiring contractors to furnish a statement quantifying the financial impact of noncompliance, it is planning to publish a contract provision to require contractors to furnish such statements. For existing cases where the contractor refuses to furnish cost impact data, the Department will develop the estimated impact data itself.

GENERAL EVALUATION OF PROMULGATIONS

The agencies reported on their general evaluation of Board promulgations which are categorized and summarized below.

1. Contract proposals—Several agencies reported that the first two Standards and the Disclosure Statements were especially helpful in reviewing contract proposals. Agencies cited improvement in the consistency and accuracy of cost estimates.
2. Contract negotiation—Some agencies reported that minor delays had been experienced in negotiating contracts due to delays on the part of contractors in submitting Disclosure Statements or changes thereto. One agency stated that

the Disclosure Statement had strengthened the Government's negotiating position on questioned cost accounting practices.

3. Contract administration—A few agencies reported that they encountered a problem in obtaining audit and contractor agreement on the adequacy of the description of changes to disclosed practices. One major procurement agency reported that the Disclosure Statement permitted increased visibility of cost or pricing data and a more precise comparison of estimating practices with accounting and reporting practices.
4. Audits—The Defense Contract Audit Agency reported that the Disclosure Statement and Standards have helped resolve long-standing problems regarding cost accounting and have been contributing to more uniform treatment of certain accounting transactions. Also, it was reported that Standards have been responsible for greater detail and precision in contract proposals.

The annual reports by the agencies also contained some specific comments and suggestions regarding Standards and the Disclosure Statement that they believe would (1) improve their effectiveness, (2) facilitate the conduct of negotiations, (3) facilitate the effectiveness of the procurement function, and (4) facilitate the effectiveness of the audit function. These comments and suggestions are being studied from the standpoint of modification of existing Board promulgations, particularly the Disclosure Statement, and will be considered also in other future work of the Board.

EVALUATION CONFERENCE

Early in 1974, the Board received a proposal from an industry association that the Board consider establishing a means whereby industry experience with promulgated Standards and regulations could be formally described to the Board. Believing this suggestion had merit, the Board has agreed to hold an Evaluation Conference for that purpose.

The subject matter of the conference will be limited to Board regulations and Cost Accounting Standards which have been promulgated and for which there is actual field experience. Since the evaluation by Government agencies on their experience with promulgated regulations and Standards is already available to the Board through agency reports, participation at the Evaluation Conference will be open to industry spokesmen, professional associations and the general public. The Board anticipates that the proposed conference will prove to be a valuable means of eliciting constructive comments and recommendations not only with respect to promulgated regulations and Standards, but also for the Board's guidance in the work it currently has under development.

EXEMPTIONS AND WAIVERS

Section 719 of the Defense Production Act of 1950, as amended by Public Law 91-379, gives the Cost Accounting Standards Board the responsibility of issuing Cost Accounting Standards to be used by relevant Federal agencies and defense contractors and subcontractors in estimating, accumulating and reporting costs in connection with national defense prime contracts and subcontracts in excess of \$100,000. The Defense Production Act provides that several categories of contracts are exempt from Board promulgations. Section 719 excludes negotiated defense contracts where the price negotiated is based on (1) established catalog or market prices of commercial items sold in substantial quantities to the general public, or (2) prices which are set by law or regulation. Section 713 limits the applicability of the Act to contracts executed or performed in the United States, its Territories and possessions, and the District of Columbia.

Further, the law authorizes the Board to prescribe regulations exempting from the requirements to follow Board Standards and regulations other classes or categories of defense contractors or subcontractors. In previous years the Board has used the authority granted to it to (1) exempt from its rules and

regulations certain categories of contractors, (2) grant waivers of its requirements for certain individual contracts, (3) limit the requirements for formal disclosure of accounting practices to the larger defense contractors, and (4) limit the application of some individual Standards either by exempting certain categories of contractors or by establishing a dollar threshold for the application of the Standard.

During the past year the Board has taken the following actions concerning exemptions and waivers.

EXEMPTIONS

Prior to fiscal year 1974, the Board had exempted from its rules, regulations and Standards certain contracts awarded under small business programs and labor surplus area programs, as well as contracts awarded to the Canadian Commercial Corporation. During fiscal year 1974, two exemption requests were considered by the Board. The first exemption, requested by the Department of Defense, applied to any subcontract to be performed outside the United States either by an agency of a foreign government or by a foreign concern in connection with the class of hydrofoil guided missile ship known as the "NATO PHM Ship." Since these particular subcontracts are priced and performed under the surveillance of the government of the foreign country involved, the Board considered the mandate of its law to be fulfilled and authorized the exemption.

The Board also considered during the past year a request from the Canadian Government that, in addition to contracts placed with the Canadian Commercial Corporation, all other U.S. prime and subcontracts performed in Canada be exempt. After careful consideration of the request, the Board concluded it did not at present wish to grant the further exemption requested by Canada, noting that the Board's study of threshold for applicability could result in regulations under which many Canadian firms would automatically be exempt.

WAIVERS

The Board previously established in its regulations a mechanism by which a waiver could be granted for a particular contract or subcontract from all or a portion of the requirements of the Cost Accounting Standards Board's rules, regulations and Standards. To obtain a waiver, the requesting agency must supply the Board with a statement that no other source of supply can meet the agency's need on a timely basis, information concerning alternative methods of fulfilling program needs and the agency's reasons for rejecting the alternatives, information concerning the steps being taken to establish other sources of supply for future procurement of the products or services for which the waiver is requested, a full description of the procurement requested, and any other information which the agency believes may aid the Board in evaluating the request. In all

cases where the agency has met the foregoing requirements, the Board has been able to respond promptly to the agency request and, in every case considered by the Board, timely action has been taken on the request. The Board has made a full report of all waiver requests and the action taken on them to the Chairmen of the Committee on Banking and Currency of the House of Representatives, the Committee on Banking, Housing and Urban Affairs of the United States Senate and the Joint Economic Committee of the Congress of the United States.

During the past year the following requests for partial or total waivers have been considered by the Board. According to information furnished by the requesting agency, each of the waivers involved essentially a procurement from a sole source with the urgency of the procurement precluding any alternative to the proposed source.

WAIVERS GRANTED

<u>Agency</u>	<u>Contractor</u>	<u>Contract</u>	
		<u>Requirements</u>	<u>Amount</u>
DOD	Ministry of Defence (U.K.)	Machine Gun Shell Cases	\$ 157,000
		Harrier Aircraft-Pegasus Engine Development	86,000,000
DOD	Rolls-Royce (1971) Limited Derby Engine Division (U.K.)	Basic Ordering Agreement for TF-41 Engine Spares	12,000,000
		TF-41 Engines	23,000,000
		TF-41 Engines and Engine Improvement Program	16,122,000
DOD	Mercer Enterprises	Airlift Services	503,000
DOD	Genesco	Women's Shoes	823,000
DOD	Dr. Ing. Mario Biazzi - (Switzerland)	Nitroglycerine Manufacturing Unit	672,000
DOD	Martin-Baker Aircraft Company, Limited (U.K.)	Basic Ordering Agreement for Aircraft Ejection Seat Spare Parts	8,000,000
		Aircraft Ejection Seats for:	
		FY 1973 F-14A	1,253,000
		FY 1974 F-14A	1,497,000
		FY 1973 A-6E	600,000
		FY 1974 A-6E	458,000
		FY 1973 EA-6B	432,000
		FY 1974 EA-6B	392,000
		FY 1974 F-4E	2,700,000
		FY 1974 F-4E (Add on)	600,000

WAIVERS GRANTED (CONT'D)

Agency	Contractor	Contract	
		Requirements	Amount
DOD	Elliott Brothers (London) Limited - (U.K.)	FY 1973 Head-Up Display System	\$ 2,633,000
		FY 1974 Head-Up Display System	1,869,000
		Ground Support Equipment	4,015,000
DOD	Western Electric Co.	Bell System Standard Items	
		Telephone Exchange	800,000
		Teletypewriters	247,000
		Electron Tubes	143,000
DOD	General Electric Co. Tube Products Department	Electron Tubes	284,000
DOD	General Motors Corp. Commercial Division	T56 Engine Components CY 1975 Requirements only	980,000
DOD	Litton Precision Industries Winchester Electronic Division	Frame Connectors	263,000
NASA	Various Foreign Governments	Tracking Station Support	5,932,000
AEC	Classified		

WAIVERS DENIED

DOD	Caterpillar Tractor Co.	Graders	144,750
DOD	Rolls-Royce (1971), Limited (U.K.) Bristol Engine Division	Basic Ordering Agreement - Pegasus Engine Spare Parts	10,000,000
	Derby Engine Division	All TF-41 Engine Procurements	
DOD	General Motors Corp. Commercial Division	T56 Engine Components CY 1976 Requirements	980,000

In addition to the overall waiver actions, the Board has provided in its regulations that under certain circumstances the head of a procurement agency may waive the requirement that a Disclosure Statement be submitted. Waiver action by the agency head

must be reported to the Board within 30 days. During the past year the Board has been notified that the requirement for the submission of the Disclosure Statement has been waived by a Government agency in the following contractual action.

Agency	Contractor	Requirement	Amount	Notice to CASB
Air Force	Delco-Remy, Division of General Motors Corporation	Batteries	\$680,000	April 2, 1974

EXEMPTION THRESHOLD STUDY

The Board has undertaken a study to consider the possible establishment of a threshold below which the Board's Standards and regulations need not be followed. The Board designed a form which would provide certain

sales information needed in its study. Explanatory letters and forms were mailed on January 31, 1974, to more than 2,600 companies. In addition, a notice was published in the Federal Register of February 11, 1974, encouraging contractors at all levels of business to join in the study and assist the Board

by furnishing sales information. Completed forms have been received from 480 companies reporting sales for some 1,300 profit centers. The Board is in the process of considering this information and an appropriate course of action.

BUDGET ESTIMATES

For fiscal year 1974, the Congress appropriated \$1,500,000 for the operation of the Board. Of this amount, \$1,300,000 was obligated, and the remainder, \$200,000 lapsed on June 30, 1974. The principal reasons for the saving in fiscal year 1974 are that the Board has been able to use part-time consultants for certain specialized areas rather than recruiting full-time professional staff for these areas. Also, the Board has been able to utilize the capabilities of its professional staff to develop certain computer applications

instead of contracting for such services. The Board is pleased to have been able to effect savings in funds appropriated for each year of Board operations, since inception in 1971, while absorbing all Federal salary increases in that 3-year period.

For fiscal year 1975, the Board anticipates appropriations of \$1,628,000. This amount is \$128,000 more than the amount appropriated for fiscal year 1974. The principal reasons for this increase are the continuing future effect of Federal pay increases and beginning with fiscal year 1975 the Board is required to reimburse the General Services Administration for the costs of space and related services it provides to the Board. The request for appropriations does not contemplate any increase in permanent positions.

A comparative schedule of accrued expenditures, obligations incurred, and amounts appropriated for fiscal years 1973, 1974 and 1975 is shown below.

Schedule of Accrued Expenditures

Obligations Incurred, and Amounts Appropriated

	<u>1973</u> <u>Actual</u>	<u>1974</u> <u>Actual</u>	<u>1975</u> <u>Estimated</u>
	<u>(Thousands)</u>		
Accrued expenditures:			
Personnel compensation	\$ 880	\$ 917	\$1,057
Personnel benefits	69	69	88
Travel and transportation	56	45	100
Rent, communications, and utilities	148	29	98
Printing and reproduction	16	2	20
Other services	282	174	190
Supplies and materials	9	4	10
Equipment	4	1	5
Total accrued expenditures	\$1,464	\$1,241	\$1,568
Adjustment for undelivered orders	<u>- 111</u>	<u>59</u>	<u>60</u>
Total obligations incurred	1,353	1,300	1,628
Unobligated balance	<u>297</u>	<u>200</u>	<u>—</u>
Total appropriation	<u>\$1,650</u>	<u>\$1,500</u>	<u>\$1,628</u>

APPENDIX A

BACKGROUNDS OF COST ACCOUNTING STANDARDS BOARD

THE BOARD

STAATS, Elmer B., Chairman

Elmer B. Staats is Comptroller General of the United States. He was appointed to that position by President Johnson on March 8, 1966, after 26 years' service in the Federal Government. Mr. Staats joined the Bureau of the Budget in 1939 serving in various capacities prior to his appointment by President Truman as Deputy Director in 1950. He served in that position under Presidents Truman, Eisenhower, Kennedy and Johnson. Mr. Staats is a native of Kansas and a graduate of McPherson College, McPherson, Kansas. He has an M.A. degree from the University of Kansas and a Ph.D. degree from the University of Minnesota. He was a fellow of the Brookings Institute from 1938 to 1939, is a member of Phi Beta Kappa, an honorary member of Alpha Kappa Psi, and received the Rockefeller Public Service Award in 1961. Mr. Staats received distinguished service awards from the University of Kansas (1966) and the University of Minnesota (1964) and the honorary degrees of Doctor of Public Service from The George Washington University, Doctor of Laws from McPherson College, and Doctor of Administration from the University of South Dakota. He is currently serving on the Board of Trustees of American University in Washington and McPherson College in Kansas.

BEVIS, Herman W., Member

Mr. Bevis served with Price Waterhouse & Co., Certified Public Accountants, from 1933 to 1969 and was a Senior Partner from 1964. Mr. Bevis was Executive Director of the Banking and Securities Industry Committee, 1970-1974. He is a member of the New York State Society of Certified Public Accountants, and the American Institute of Certified Public Accountants; he was formerly a member of the Institute's Accounting Principles Board. Mr. Bevis of Greenwich, Connecticut, served as a member of the President's Task Force on Improving the Prospects of Small Business which reported to the President in March 1970. He was a consultant in financial management for the United States Air Force from 1952 to 1958. He is a graduate of Southwestern at Memphis and the Harvard Graduate School of Business Administration and is the author of numerous books and articles on accounting and financial management.

DANA, Charles A., Member

Mr. Dana of Newton Centre, Massachusetts, is Director of Government Accounting Controls of Raytheon Company. Prior to 1960 when he assumed that position, he served in various capacities in Raytheon Company: Project Business Manager, Engineering Laboratories; Assistant Manager, Cost and Schedule Control, Equipment Engineering Division; Financial Assistant to Works Manager; Controller, Government Equipment Division. He has been active in various industry associations concerned with Government contracting and is well known as an author and lecturer. He was a member of the Defense Industry Advisory Committee Working Group on Cost Principles, 1964-1968. In 1970 he was a recipient of the Howard H. Cork Memorial Award of the National Security Industrial Association. He is a graduate of Boston University and the Harvard Graduate School of Business Administration.

MAUTZ, Robert K., Member

Mr. Mautz is a partner in the firm of Ernst & Ernst, Certified Public Accountants. He was formerly Weldon Powell Memorial Professor of Accountancy at the University of Illinois where he taught accounting from 1948 to 1972. Mr. Mautz of Rocky River, Ohio, is a member of the American Institute of Certified Public Accountants, has served on its Committee on Auditing Procedure, and was a member of the Commission on the Study of the Common Body of Knowledge for CPAs from 1963 to 1966. He has served as President of the American Accounting Association and as editor of its Accounting Review from 1958 to 1961. He is a graduate of the University of North Dakota and the University of Illinois and is the author of many books and articles on accounting.

MOOT, Robert C., Member

Mr. Moot is Vice President-Finance of AMTRAK. He had been Assistant Secretary (Comptroller) of the Department of Defense from August 1, 1968, to March 31, 1973. In this latter position, he was responsible for developing and supervising financial management policies in the Department of Defense. From June 1963 to December 1966, Mr. Moot was Deputy Assistant Secretary of Defense for Logistics Services. From August 1, 1967, to August 1, 1968, Mr. Moot was Administrator of the Small Business Administration. In that Agency, he was responsible for directing loan programs and procurement assistance programs for small business. Before entering the Federal service, Mr. Moot, who lives in Annandale, Virginia, held accounting and marketing positions in private industry. He is the recipient of the Department of Defense Distinguished Civilian Service Award, the Defense Supply Agency Exceptional Civilian Service Award, and the Small Business Administration Distinguished Civilian Service Award. In 1971, Mr. Moot received the Rockefeller Public Service Award for Administration.

PROFESSIONAL STAFF

ABEL, Rein

Mr. Abel comes to the Cost Accounting Standards Board (CASB) from the Wharton School of the University of Pennsylvania where he served as an assistant professor of accounting. His prior work experience includes several years with a national public accounting firm and some industrial cost accounting experience in England. Mr. Abel has a B.Sc. (Econ.) degree from the London University, a Diploma in Business Administration from the London School of Economics and M.B.A. and Ph.D. degrees from the Columbia University, where he was elected to Beta Gamma Sigma. He is a member of American Accounting Association, American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants, Pennsylvania Institute of Certified Public Accountants and the Institute of Cost and Management Accountants (U.K.).

ADAMS, Clark G.

Mr. Adams, an attorney, has a broad and comprehensive background in contract administration within the aerospace industry. He worked most recently with the Rockwell International Corporation (formerly North American Rockwell) where he directed the contracts management activities for the corporation's Los Angeles division and held the position of Director of Contracts Management. Mr. Adams was directly responsible for the negotiation and administration of contracts for the B-70 and B-1 aircraft. Mr. Adams received his B.S. in Law and J.D. degrees from the University of Utah. He is also active in the National Contract Management Association, having been its president in 1966, and currently serving on its board of directors.

BELL, Elmer S.

Mr. Bell comes to the Cost Accounting Standards Board from the aerospace industry where he held various positions of increasing responsibility. His last position was Assistant Controller of TRW Systems Group, Redondo Beach, California, where he participated in negotiations of overhead rates with Government representatives. Mr. Bell received a B.A. degree in Business Administration and Accounting from Chapman College, Orange, California. He has attended the Graduate School of the University of California at Los Angeles. Mr. Bell has been affiliated with the Controls and Planning Association, and the Federal Government Accountants Association.

BODENHEIMER, Bertold

Mr. Bodenheimer brings to the Cost Accounting Standards Board extensive experience in the contract auditing field. He worked as a Contract Auditor and an Assistant Branch Chief of the Air Force Auditor General's Office and was a Project Manager of the Defense Contract Audit Agency (DCAA). Most recently, Mr. Bodenheimer was DCAA's representative to, and served as Chairman of, the ASPR, Part 2, Section XV, Standing Subcommittee. This subcommittee is responsible for developing principles and procedures for use in supply and research contracts with commercial organizations. Mr. Bodenheimer received a B.S. degree in Accounting from the University of Maryland. In 1969, he attended the Executive Seminar Center, Kings Point, New York.

BRUNNER, James J.

Mr. Brunner brings to the Cost Accounting Standards Board extensive experience in the field of Government contract accounting in the aerospace industry. While with Rockwell International Corporation (formerly North American Rockwell) he served as Controller at several divisions, with his last position being Vice President—Finance of the

Los Angeles Division. Mr. Brunner has also had broad financial and administrative responsibilities with other nonaerospace companies. Mr. Brunner has a B.S. degree in Accounting and an M.B.A. in Finance from the University of Southern California. He is a member of the National Association of Accountants.

DELMORE, John R.

Before entering Government service, Mr. Delmore had several years' experience with the public accounting firm of Arthur Andersen & Co., and as Chief Accountant and Controller in private industry. With the Government, before joining the Board, Mr. Delmore was an Assistant Director, General Accounting Office; Assistant Commissioner, Public Housing Administration; Director of Audits, Department of Commerce; and Special Assistant to the Assistant Controller for Auditing, Atomic Energy Commission. Mr. Delmore has a B.S. degree in Business Administration from Marquette University where he was elected to Beta Alpha Psi, Beta Gamma Sigma, and Alpha Sigma Nu. He also graduated from the Federal Executives Institute. He is a member of the American Institute of Certified Public Accountants, the Wisconsin Society of Certified Public Accountants, and the American Accounting Association.

DiGUISEPPI, James L.

Mr. DiGuseppi was formerly an Associate Director in the Defense Division of the General Accounting Office (GAO). In that capacity, he was responsible for planning, directing, and carrying out GAO's accounting and auditing functions including contract examination in the Department of the Navy. Subsequently, his responsibilities were broadened to cover all of GAO's activities involving manpower matters in the Department of Defense. Mr. DiGuseppi received a B.S. degree in Accounting from Bucknell University, undertook graduate studies at the American University, and attended the Program for Management Development at the Graduate

School of Business Administration, Harvard University. He is a member of the American Institute of Certified Public Accountants and the Federal Government Accountants Association.

FUKUDA, Albert N.

Mr. Fukuda has had extensive experience as an auditor with the Army Audit Agency and later with the Defense Contract Audit Agency (DCAA). In August 1968, he was assigned as a Special Assistant to the Deputy Director of DCAA. In this role, Mr. Fukuda was responsible for performing research for and rendering assistance to the General Accounting Office team that was studying the feasibility of developing uniform Cost Accounting Standards. Mr. Fukuda received a B.S. degree in Accounting from Kwansei-gakuin University, Japan, and an A.B. degree in accounting from San Francisco State College. He is a member of the American Institute of Certified Public Accountants and the Federal Government Accountants Association.

HELLENTHAL, Alverne S.

Prior to coming to the Cost Accounting Standards Board, Mrs. Hellenthal was Treasurer and Corporate Controller of Rocket Research Corporation, Redmond, Washington. In this capacity she was for many years deeply involved in cost accounting for defense contracts and was responsible for all financial functions of the company and its subsidiaries. She has also had broad finance and management responsibilities in commercial and service firms. Mrs. Hellenthal received a B.A. degree in Accounting from the University of Washington, where she was elected to Beta Gamma Sigma, and an M.B.A. degree in Finance from Seattle University. She is a member of the Financial Executives Institute, the National Association of Accountants, the Planning Executive Institute, and the American Society of Women Accountants.

LI, David H.

Mr. Li comes to the Cost Accounting Standards Board from the University of Washington where he served as a Professor of Accounting. He received a B.A. degree in Economics from St. John's University, Shanghai, and an M.B.A. degree in Industrial Management from the Wharton School, University of Pennsylvania. His doctoral work at the University of Illinois included a dissertation on approaches to uniformity in accounting for industrial enterprises. He held controllership and research positions with industrial, service, and educational organizations, and was on the audit staff of two national public accounting firms. He is a member of the American Accounting Association, American Institute of Certified Public Accountants, Federal Government Accountants Association, National Association of Accountants and National Contract Management Association. He is the author of four books and many articles on management/cost accounting and on computerized information systems.

McCLENON, Paul R.

Mr. McClenon has had diverse experience in the accounting, analytical, and academic fields. Prior to coming to the Cost Accounting Standards Board, he was a Senior Cost Analyst for the Rand Corporation of Santa Monica, California. Mr. McClenon had diversified experience with Government agencies and with a national public accounting firm. Mr. McClenon has an A.B. degree in Public Administration from The George Washington University and an M.B.A. degree in Accounting from the Wharton School of Finance, University of Pennsylvania. He is a member of Phi Beta Kappa and belongs to the American Accounting Association, the American Institute of Certified Public Accountants, the Federal Government Accountants Association, the National Association of Accountants, and the Pennsylvania Institute of Certified Public Accountants.

McCORMICK, J. Jett

Mr. McCormick, an attorney, has a broad background in contract management in the defense industry. Before coming to the Cost Accounting Standards Board, he was with General Dynamics Corporation, where he was Director of Contracts at its Pomona Division, responsible for contracts, pricing, and legal activities. Prior to that, he was Director of Contracts and Material for its Dynatronics Operation. He has also been with the Navy Office of General Counsel. He received an A.B. degree from Princeton University and a J.D. degree from the University of Virginia. He has been admitted to practice in Virginia and is a member of the Federal Bar Association and the National Management Association.

MINKIN, Noah

Immediately prior to joining the staff of the Cost Accounting Standards Board, Mr. Minkin was an Attorney-Advisor for the U.S. Postal Service. He has held legal positions in other Government agencies, including the Department of Defense and the General Services Administration. Mr. Minkin has a B.S. degree and an L.L.B. degree from the University of Wisconsin. Mr. Minkin was selected for the Wisconsin Law Review and had a Research Fellowship in Public Utility Law. He is a member of the Wisconsin State Bar Association and was admitted to practice before the Wisconsin Supreme Court and the U.S. District Court, Western District, Wisconsin.

PARKER, William

Mr. Parker comes to the Cost Accounting Standards Board from the Committee on Aeronautical and Space Sciences, United States Senate, where he was a professional staff member and acted as Minority Counsel. In the course of his work, Mr. Parker became intimately involved with the problems of and authorizations for the National Aeronautics and Space Administration. In addition, he had

extensive dealings with a variety of defense contractors and trade associations. Prior to his employment with the Committee, Mr. Parker was an Assistant Director in the General Accounting Office and worked with a wide variety of Government agencies and activities. Mr. Parker has a B.S. degree in Accounting from New York University. He is a member of the American Institute of Certified Public Accountants and the Federal Government Accountants Association.

ROSEN, Louis I.

Mr. Rosen comes to the staff from the University of Maryland, where he served as an Instructor in Accounting. He received a B.S. degree in Accounting, an M.B.A. degree in Management and a D.B.A. in Accounting from the University of Maryland. Mr. Rosen has also received a J.D. degree from the University of Maryland School of Law. He is a member of Beta Gamma Sigma and Beta Alpha Psi and belongs to the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, and the Federal Government Accountants Association. He is also a member of the Bar of the State of Maryland.

SACKS, Bernard

Mr. Sacks was formerly an Assistant Director in the Civil Division of the General Accounting Office (GAO). He was responsible for all of the accounting and auditing work for GAO in the Department of Transportation, and immediately prior to coming to the Cost Accounting Standards Board, was in charge of GAO's work at the Department of Agriculture. Mr. Sacks attended Cornell University and the University of West Virginia. He received a B.B.A. degree in Accounting from the City University of New York and did graduate work at New York University. Mr. Sacks belongs to the American Institute of Certified Public Accountants, the National Association of Accountants, and the Federal Government Accountants Association.

SCHOENHAUT, Arthur

Mr. Schoenhaut brings to the Cost Accounting Standards Board (CASB) outstanding experience in accounting. From 1967 until accepting the position as CASB Executive Secretary in April 1971, he was Deputy Controller of the Atomic Energy Commission. Prior to that time, he was with the General Accounting Office serving as Deputy Director of its Civil Division from 1964 until 1967. Mr. Schoenhaut received his B.B.A. degree from the City University of New York, attended the Graduate School of Education of New York University, and is a graduate of the Advanced Management Program of the Harvard Graduate School of Business. He is an honorary member of Beta Alpha Psi, and received the Distinguished Leadership Award from the Federal Government Accountants Association in 1974. Mr. Schoenhaut is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Federal Government Accountants Association.

SHAPIRO, Nelson H.

Mr. Shapiro brings to the Board a variety of backgrounds in accounting. He was most recently with the public accounting firm of Peat, Marwick, Mitchell and Co., and, as manager in the Dallas office, provided consulting service to Government contractors. Prior to his association with Peat, Marwick, Mitchell, he spent 7 years with audit agencies of the Federal Government. Prior to his Federal service, Mr. Shapiro was Treasurer and Controller of the General Automatic Products Corporation in Baltimore, Maryland. Mr. Shapiro was graduated from the University of Baltimore with a B.S. degree in Accounting. He is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Federal Government Accountants Association, and the National Contract Management Association.

SJOSTEN, Stanley M.

Mr. Sjosten brings to the Cost Accounting Standards Board broad industry experience in Government contract accounting. For many years he was Comptroller of Melpar, Inc. His most recent employment was as a consultant for the M-R Division (formerly Melpar Division) of American Standard, Inc. He also did consultant work for the Aerospace Industries Association of America, Inc., and was employed by the National Security Industrial Association as Project Director of that Association's widely distributed Defense Acquisition Study. While the General Accounting Office (GAO) feasibility study was being developed, he was a member of the Council of Defense and Space Industry Association's task group on Uniform Cost Accounting Standards, established to provide industry viewpoints to GAO. Mr. Sjosten received a B.B.A. degree in Accounting from the University of Minnesota, where he was elected to Beta Gamma Sigma. He is a member of the National Association of Accountants.

STRAITH, Robert S.

Mr. Straith brings to the Board the wide range of experience which he obtained in 14 years of diversified professional management consulting with national firms of CPAs. Prior to entering the consulting profession, Mr. Straith held responsible accounting and controllership positions in the automotive and in the mortgage-banking industry. Mr. Straith has B.B.A. and M.B.A. degrees from the University of Michigan where he was elected to membership in Beta Gamma Sigma and Phi Kappa Phi. Mr. Straith is both a CPA and a Registered Professional Industrial Engineer. He is a member of the American Institute of Industrial Engineers, the California Society of Certified Public Accountants, the American Accounting Association, and the American Institute of Certified Public Accountants where he most recently served as a member of its Committee on Statistical Sampling.

VAN CLEVE, Harry R., Jr.

Mr. Van Cleve brings to the Board exceptional expertise in the field of Government law, including procurement matters. He has had increasingly responsible legal positions with the Department of Defense, the Peace Corps, and the General Services Administration, where he was the General Counsel. Mr. Van Cleve was graduated from the University of Southern California with a B.A. degree, and received an L.L.B. degree from the Harvard Law School. He is a member of Phi Beta Kappa and the State Bar of California and has served for several years as a member of the Board of Advisors of the National Contract Management Association.

YOCUM, Harry F., Jr.

Prior to coming to the Cost Accounting Standards Board, Mr. Yocum was a programmer-analyst for Westinghouse Tele-Computer Systems Corporation at the Atomic Energy Commission. He was responsible for the programming, analysis, maintenance and operation of major systems in the budget and financial areas of operations. Mr. Yocum attended Villanova University and received a B.S. degree in Business Administration from the University of Maryland. He is a member of the Association for Computing Machinery.

APPENDIX B

SUMMARY OF DISCLOSURE STATEMENT RESPONSES

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INTRODUCTION

Responses contained in the Disclosure Statements have been included in a computerized data bank, and the Board believes that publication of statistical information from this data bank will be of interest to organizations and individuals outside the Board. This initial publication of summary tables should be helpful to those who have an interest in the Board's work and should stimulate constructive suggestions on proposed Cost Accounting Standards.

These tables contain summary data on the responses to individual questions in Disclosure Statements received by the Board through March 31, 1974. For the most part, the summary tables are based on responses to multiple-choice questions. For any responses where a contractor submitted explanatory comments on continuation sheets, such explanations per se are not included in the data bank. However, it has been possible to some extent to utilize supplemental information from continuation sheets to provide greater specificity to the coded responses. In particular, this has been done for responses to questions on the subjects of service centers and depreciation of tangible assets. In addition, every explanation of the response "Other" in all questions was reviewed and, where possible, a listed response in the Disclosure Statement was identified as representing the narrative response. In this regard, many respondents checked the block for "Other" and explained their reply in some detail, the explanation indicating that one of the specific choices in the Statement was generally applicable.

Questions that asked for narrative replies, such as a description of classes of materials or names of indirect pools, are not susceptible to meaningful summaries, and thus are excluded from the tables. It should be noted that the principal purpose of the Disclosure Statement is not to provide statistical information. Rather, it is to furnish procurement and audit personnel with a tool to help them understand what cost accounting practices contractors plan to follow and to help assure

consistency in estimating and accounting for the cost of Government contracts. Therefore, contractors made extensive use of narrative explanations in order to describe with the greatest possible precision their accounting practices.

Data identifiable with specific respondents are not included in this Appendix because almost all contractors have requested that their Disclosure Statements be treated as company privileged and confidential, and the Board has determined that in such circumstances the information submitted will not be made available to any organization or individual outside of the Government.

In this initial publication, a number of the tables have been cross-classified by annual total sales and by predominate type of sales to the Government, i.e., manufacturing, research and development, and services. It is recognized that many cost accounting practices may be closely correlated to these factors. Some cost accounting practices, however, notably those dealing with capitalization, pensions and insurance, are frequently prescribed at a corporate headquarters for use by all subordinate organizations and, therefore, are not necessarily related to unit size, industry or extent of Government business. With respect to correlations with sales, the reporting units whose responses are in the tables are segments of large corporations; that is, those with over \$30 million of negotiated prime contracts in the year ended June 30, 1971.

An examination of the tables will disclose that a variety of cost accounting practices are followed by the reporting units. It should not be inferred that this is necessarily undesirable. In the past, contractors have followed the practices they consider most appropriate for given cost accounting situations. In certain of the tables, the items included in the tables are those which received the greatest number of responses. For example, the tables dealing with depreciation list only the asset groups which received the most responses. It should not be assumed that the remaining asset groups listed on the Disclosure Statements received no responses. Finally, the tables

show the practices followed by reporting units of the largest defense contractors. Nothing in the presentation is meant to show that these same practices are followed to the same degree by all defense contractors or that these are the only practices followed by contractors doing business with defense agencies.

Number of Respondents

From the inception of Disclosure Statement reporting in July 1972 through March 1974, Statements were received covering a total of 998 reporting units, of which 739 were operating segments and 259 were headquarters offices at parent company, subsidiary, group and division levels (Table No. 1).

There were 82 parent companies that submitted corporate level Disclosure Statements and 177 additional units with subordinate level home office reports. As indicated in Table No. 1, 12 parent companies submitted reports for one or more operating segments, but did not send a corporate report (Part VIII) to the Board. Thus, the universe of Disclosure Statements for operating units reflects participation by 94 parent companies. Exclusive of the educational and nonprofit institutions, total sales of these parent companies amounted to \$223 billion in 1973. By way of comparison, total sales of all manufacturing corporations in the United States were \$984 billion in 1973.

For the 78 profit-oriented companies that submitted corporate level reports, Disclosure Statement data have been summarized in Table No. 2 by percentage of sales to the Government and annual total sales groups. Only 3 of the 37 corporations with over \$1 billion in total sales were predominantly Government-oriented (more than 50% of total sales to the Government), whereas 6 of the 7 with sales in the \$100 million or under group relied on Government business for most of their sales. In the \$100-\$500 million group, almost half the companies were predominantly Government, and in the \$500 million - \$1 billion category, less than one-third were so oriented.

Composition of Tables

Most of the reporting units were prime contractors. Over half reported that prime contracts constituted better than 90% of their Government sales, and an additional one-fourth reported between 51% - 90% of their Government business as prime contract sales.

Almost half of the reporting units were in the aerospace and electronics industries: 120 (17.7% of all units) supply aircraft and parts to the Government, 26 (3.9%) supply missiles and space vehicles, and 183 (27.1%) supply electronic equipment (Table No. 3). There were 49 contractor-owned units classified as being in the ordnance industry. A sizeable number of units—105 or 15.5% of the total—provided various types of services to the Government, including management, consulting, and architect and engineering services.

For the reasons stated below, it was decided to limit the make-up of the tables to 677 profit-oriented, contractor-owned and contractor-operated reporting units. Of the 677 reporting units, 431 or 63.7%, depended on the Government for more than half their annual sales (Table No. 4). This was highest for aircraft (73.3%), missiles and space (100%) and electronics (72.7%). The tables on the following pages of this report exclude:

Government-owned contractor-operated facilities—Disclosure Statement sections on depreciation and capitalization, and on common company-owned inventory are not applicable. Government sales have not been uniformly reported—sometimes only the fee and sometimes both the cost and fee were reported.

Support service reporting units—The Disclosure Statements were only partially completed by this type of organization.

Educational and not-for-profit institutions—Relatively few educational institutions and not-for-profit organizations were required to submit Disclosure Statements. Included in the count of parent companies are 5 educational and 5 not-for-profit institutions that account for a total of 20 operating unit and home office

reports. The small number of such institutions and the specialized terminology used in completing the Disclosure Statement make it desirable to eliminate these reports from the tables.

The responses to Disclosure Statement Part VI, "Other Costs and Credits," have not been summarized in the tables because of the extensive use of narrative responses by contractors. Responses to Disclosure Statement Part VII, "Deferred Compensation and Insurance Costs," have not been included because many reported plans are identical for the various corporate segments; thus, a summary of the responses to the Part would include a considerable duplication of answers.

The tables show the number of units providing responses to specified items of the Disclosure Statement, and percentage distributions of the responses. Where the item was not applicable to a reporting unit, only the total of applicable units was used as a basis for the distribution. The "100.0%" figure is shown to indicate which unit count provides the base for the distribution. Some Statement items permit the reporting unit to check off more than one response. In such cases, significant combination answers generally are displayed in such a way so as to include a unit only once. However, in some cases, notably the use of indirect pools, units have been counted as many times as contractors indicated the use of different pools. Footnotes to these tables call attention to the duplication in counting.

GENERAL

1. NUMBER OF DISCLOSURE STATEMENTS RECEIVED

Type of Unit	Total	Profit	Non-profit	Educational
All Units – Total	<u>998</u>	<u>978</u>	<u>10</u>	<u>10</u>
Operating Units – Total	<u>739</u>	<u>724</u>	<u>7</u>	<u>8</u>
Contractor-owned-and-operated	696	677	5	4
Intra-company service support	14	14	—	—
Government-owned contractor-operated	39	33	2	4
Home Office – Total	<u>259</u>	<u>254</u>	<u>3</u>	<u>2</u>
Parent company headquarters	82 ^a	78	2	2
Subsidiary, group, or division	177	176	1	—

^aIn addition, there were 12 parent companies that did not submit a home-office report, but did submit one or more Statements for operating units. Of these, 6 were profit organizations, 3 were non-profit organizations and 3 were educational institutions.

2. PROFIT ORIENTED PARENT COMPANIES BY PERCENTAGE OF GOVERNMENT SALES AND ANNUAL TOTAL SALES

Percentage of Government Sales	Total	Annual Total Sales			
		\$100 Million or Less	\$101- \$500 Million	\$501 Million- \$1 Billion	Over \$1 Billion
<u>Number of Units</u>					
All Companies – Total	<u>78</u>	<u>7</u>	<u>21</u>	<u>13</u>	<u>37</u>
Less than 5%	14	1	1	—	12
5% - 10%	5	—	—	1	4
11% - 25%	21	—	2	7	12
26% - 50%	15	—	8	1	6
51% - 80%	15	4	6	2	3
Over 80%	8	2	4	2	—
<u>Percentage Distribution</u>					
All Companies – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Less than 5%	18.0	14.3	4.8	—	32.4
5% - 10%	6.4	—	—	7.7	10.8
11% - 25%	26.9	—	9.5	53.8	32.4
26% - 50%	19.2	—	38.1	7.7	16.3
51% - 80%	19.2	57.1	28.6	15.4	8.1
Over 80%	10.3	28.6	19.0	15.4	--

3. OPERATING UNITS BY CLASS OF GOVERNMENT PRODUCT OR SERVICE

Class of Product or Service	Number of Units	Percent of Total
All Units – Total	<u>677</u>	<u>100.0%</u>
Aircraft and Parts – Total	<u>120</u>	<u>17.7</u>
Air frames	40	5.9
Aircraft engines and parts	41	6.1
Aircraft parts	39	5.7
Missiles and Space Vehicles	<u>26</u>	<u>3.9</u>
Electronics – Total	<u>183</u>	<u>27.1</u>
Electronic computing equipment	22	3.3
Radio, TV, detection equipment	111	16.4
Electronic components and accessories	50	7.4
Ordnance – Total	<u>49</u>	<u>7.2</u>
Ammunition	22	3.2
Explosives	6	0.9
Other	21	3.1
Instruments and Related Products – Total	<u>30</u>	<u>4.4</u>
Engineering, laboratory and research	17	2.5
Photo equipment and supplies	5	0.7
Other	8	1.2
Machinery and Equipment, Except Electrical – Total	<u>47</u>	<u>6.9</u>
Engines and turbines	7	1.0
Motors and generators	12	1.8
Electric measuring and test equipment	6	0.9
Other	22	3.2
Transportation, Except Aircraft – Total	<u>14</u>	<u>2.1</u>
Shipbuilding and repair	8	1.2
Other	6	0.9
Other Manufactures – Total	<u>59</u>	<u>8.7</u>
Rubber and plastic products	11	1.6
Primary metal products	8	1.2
Chemicals, except explosives	13	1.9
Fabricated metal products	18	2.7
Other	9	1.3
Commercial R&D Laboratories	<u>44</u>	<u>6.5</u>
Services and Construction – Total	<u>105</u>	<u>15.5</u>
Business management and consulting services	17	2.5
Architect and engineering	22	3.2
Other	66	9.8

GENERAL
D/S Items 1.3.0,
1.4.0 and 1.6.0

4. OPERATING UNITS BY MAJOR CLASS OF GOVERNMENT PRODUCT OR SERVICE,
PERCENTAGE OF GOVERNMENT SALES, AND ANNUAL TOTAL SALES

Major Product or Service Class and Percentage of Government Sales	Total	Annual Total Sales		
		\$25 Million or Less	\$26-\$100 Million	Over \$100 Million
		Number of Units		
All Units – Total	677	374	194	109
Over 50% Government sales	431	250	113	68
50% or less Government sales	246	124	81	41
Aircraft – Total	120	55	36	29
Over 50% Government sales	88	43	24	21
50% or less Government sales	32	12	12	8
Missiles and Space Vehicles – Total	26	6	9	11
Over 50% Government sales	26	6	9	11
50% or less Government sales	—	—	—	—
Electronics – Total	183	94	52	37
Over 50% Government sales	133	68	40	25
50% or less Government sales	50	26	12	12
Ordnance – Total	49	27	19	3
Over 50% Government sales	31	17	12	2
50% or less Government sales	18	10	7	1
Instruments and Related Products – Total	30	21	8	1
Over 50% Government sales	15	12	3	—
50% or less Government sales	15	9	5	1
Machinery, Excluding Electrical – Total	47	27	17	3
Over 50% Government sales	14	13	1	—
50% or less Government sales	33	14	16	3
Transportation Equipment, Except Aircraft – Total	14	6	4	4
Over 50% Government sales	8	3	1	4
50% or less Government sales	6	3	3	—
Other Manufactures – Total	59	31	18	10
Over 50% Government sales	21	15	5	1
50% or less Government sales	38	16	13	9
Commercial R&D Laboratories – Total	44	34	7	3
Over 50% Government sales	27	24	3	—
50% or less Government sales	17	10	4	3
Other Services and Construction – Total	105	73	24	8
Over 50% Government sales	68	49	15	4
50% or less Government sales	37	24	9	4

(Continued on next page)

GENERAL
D/S Items 1.3.0,
1.4.0 and 1.6.0

Major Product or Service Class and Percentage of Government Sales	Total	Annual Total Sales		
		\$25 Million or Less	\$26-\$100 Million	Over \$100 Million
Percentage Distribution				
All Units – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	63.7	66.8	58.2	62.4
50% or less Government sales	36.3	33.2	41.8	37.6
Aircraft – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	73.3	78.2	66.7	72.4
50% or less Government sales	26.7	21.8	33.3	27.6
Missiles and Space Vehicles – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	100.0	100.0	100.0	100.0
50% or less Government sales	—	—	—	—
Electronics – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	72.7	72.3	76.9	67.6
50% or less Government sales	27.3	27.7	23.1	32.4
Ordnance – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	63.3	63.0	63.2	66.7
50% or less Government sales	36.7	37.0	36.8	33.3
Instruments and Related Products – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	50.0	57.1	37.5	100.0
50% or less Government sales	50.0	42.9	62.5	—
Machinery, Excluding Electrical – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	29.8	48.1	5.9	—
50% or less Government sales	70.2	51.9	94.1	100.0
Transportation Equipment, Except Aircraft – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	57.1	50.0	25.0	100.0
50% or less Government sales	42.9	50.0	75.0	—
Other Manufactures – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	35.6	48.4	27.8	10.0
50% or less Government sales	64.4	51.6	72.2	90.0
Commercial R&D Laboratories – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	61.4	70.6	42.9	—
50% or less Government sales	38.6	29.4	57.1	100.0
Other Services and Construction – Total	100.0%	100.0%	100.0%	100.0%
Over 50% Government sales	64.8	67.1	62.5	50.0
50% or less Government sales	35.2	32.9	37.5	50.0

DIRECT COSTS
D/S Item 2.2.0

5. METHODS OF CHARGING DIRECT MATERIALS TO GOVERNMENT CONTRACTS

Method	Total	Type of Sales to Government		
		Manufac- turing	Research and Development	Services and Construction

Number of Units				
All Units – Total	677	409	134	134
A. Units Charging through Company Inventory – Total	511	368	98	45
Average costs	170	102	45	23
Average costs and another method except standard costs	39	29	10	–
Standard costs	140	130	5	5
Standard costs and another method except average costs	32	30	1	1
Average and standard costs	26	22	4	–
First in first out	56	27	17	12
Last in first out	12	5	4	3
Other	36	23	12	1
B. Units Charging Direct to Contract – Total	601	345	133	123
Actual costs	526	288	124	114
Actual costs and another method except standard costs	26	16	7	3
Standard costs	13	12	–	1
Actual and standard costs	23	19	2	2
Other	13	10	–	3

Percentage Distribution				
A. Units Charging through Company Inventory – Total	100.0%	100.0%	100.0%	100.0%
Average costs	33.3	27.7	45.9	51.1
Average costs and another method except standard costs	7.6	7.9	10.2	–
Standard costs	27.4	35.3	5.1	11.1
Standard costs and another method except average costs	6.3	8.2	1.0	2.2
Average and standard costs	5.1	6.0	4.1	–
First in first out	11.0	7.3	17.4	26.7
Last in first out	2.3	1.4	4.1	6.7
Other	7.0	6.2	12.2	2.2
B. Units Charging Direct to Contract – Total	100.0%	100.0%	100.0%	100.0%
Actual costs	87.5	83.5	93.2	92.8
Actual costs and another method except standard costs	4.3	4.6	5.3	2.4
Standard costs	2.2	3.5	–	.8
Actual and standard costs	3.8	5.5	1.5	1.6
Other	2.2	2.9	–	2.4

6. TIMING OF CHARGES FOR DIRECT MATERIALS TO GOVERNMENT CONTRACTS

Timing of Charges	Total	Method of Charging		
		Through Inventory and Direct to Contract	Direct to Contract Only	Through Inventory Only
<u>Number of Units</u>				
All Units – Total	<u>677^a</u>	<u>448</u>	<u>153</u>	<u>63</u>
Direct Materials Charged When:				
Invoice paid	177	43	127	7
Material issued	51	30	2	19
Invoice paid and material issued	237	227	3	7
Material received	27	18	5	4
Material consumed	31	13	6	12
Invoice paid or material issued (plus another timing method)	63	59	1	3
Other	78	58	9	11
<u>Percentage Distribution</u>				
All Units – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Direct Materials Charged When:				
Invoice paid	26.7	9.6	83.0	11.1
Material issued	7.7	6.7	1.3	30.2
Invoice paid and material issued	35.7	50.7	2.0	11.1
Material received	4.0	4.0	3.2	6.3
Material consumed	4.7	2.9	3.9	19.0
Invoice paid or material issued (plus another timing method)	9.5	13.2	.7	4.8
Other	11.7	12.9	5.9	17.5

^aIncludes 13 units which reported no direct material charges to Government contracts.

DIRECT COSTS
D/S Item 2.5.0

7. METHODS OF CHARGING DIRECT LABOR TO GOVERNMENT CONTRACTS

Method	Total	Type of Sales to Government		
		Manufac- turing	Research and Development	Services and Construction

		<u>Number of Units</u>		
All Units – Total	<u>677</u>	<u>409</u>	<u>134</u>	<u>134</u>
A. Direct Manufacturing Labor – Total	<u>493</u>	<u>387</u>	<u>76</u>	<u>30</u>
Actual (individual) rates	226	150	55	21
Average rates	49	37	8	4
Standard rates	80	76	3	1
Actual and average rates	30	27	2	1
Actual and standard rates	56	53	1	2
Other	52	44	7	1
B. Direct Engineering Labor – Total	<u>504</u>	<u>315</u>	<u>118</u>	<u>71</u>
Actual (individual) rates	335	191	87	57
Average rates	66	48	15	3
Standard rates	26	17	5	4
Actual and average rates	31	23	6	2
Actual and standard rates	6	5	—	1
Other	40	31	5	4
C. Other Direct Labor – Total	<u>419</u>	<u>229</u>	<u>87</u>	<u>103</u>
Actual (individual) rates	282	140	61	81
Average rates	50	30	12	8
Standard rates	13	8	3	2
Actual and average rates	19	13	3	3
Actual and standard rates	13	11	1	1
Other	42	27	7	8
Memorandum:				
No direct manufacturing labor	184	22	58	104
No direct engineering labor	173	94	16	63
No “other” direct labor	258	180	47	31

	<u>Percentage Distribution</u>		
A. Direct Manufacturing Labor – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Actual (individual) rates	45.8	38.7	72.4
Average rates	9.9	9.6	10.5
Standard rates	16.2	19.6	4.0
Actual and average rates	6.1	7.0	2.6
Actual and standard rates	11.4	13.7	1.3
Other	10.6	11.4	9.2

(Continued on next page)

DIRECT COSTS
D/S Item 2.5.0

Method	Total	Type of Sales to Government		
		Manufacturing	Research and Development	Services and Construction
B. Direct Engineering Labor – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Actual (individual) rates	66.5	60.6	73.8	80.3
Average rates	13.1	15.2	12.7	4.3
Standard rates	5.2	5.4	4.2	5.6
Actual and average rates	6.1	7.3	5.1	2.8
Actual and standard rates	1.2	1.6	–	1.4
Other	7.9	9.9	4.2	5.6
C. Other Direct Labor – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Actual (individual) rates	67.3	61.1	70.1	78.6
Average rates	11.9	13.1	13.8	7.8
Standard rates	3.1	3.5	3.4	1.9
Actual and average rates	4.6	5.7	3.4	2.9
Actual and standard rates	3.1	4.8	1.2	1.0
Other	10.0	11.8	8.1	7.8
Memorandum (Percentage of "All Units" which did not report the use of the following classifications of labor):				
Direct manufacturing labor	27.2%	5.4%	43.3%	77.6%
Direct engineering labor	25.6	23.0	11.9	47.0
Other direct labor	38.1	44.0	35.1	23.1

DIRECT COSTS
D/S Items 2.4.1,
2.4.4, 2.6.1 and 2.6.4

8. USE OF STANDARD COSTS

Standard Cost Characteristic	Total	Annual Total Sales			
		\$10 Million or Less	\$11-\$25 Million	\$26-\$100 Million	Over \$100 Million
Number of Units					
A. All Units – Total	677	245	129	194	109
Using standard costs	218	50	41	87	40
Not using standard costs	459	195	88	107	69
Percentage Distribution					
All Units – Total	100.0%	100.0%	100.0%	100.0%	100.0%
Using standard costs	32.2	20.4	31.8	44.8	36.7
Not using standard costs	67.8	79.6	68.2	55.2	63.3
Number of Units					
B. Using Standard Costs for Direct Materials – Total	204	48	38	81	37
With price variance only	77	22	17	26	12
With price and usage variance	127	26	21	55	25
Percentage Distribution					
Using Standard Costs for Direct Materials – Total	100.0%	100.0%	100.0%	100.0%	100.0%
With price variance only	37.7	45.8	44.7	32.1	32.4
With price and usage variance	62.3	54.2	55.3	67.9	67.6
Number of Units					
C. Using Standard Costs for Direct Manufacturing Labor – Total	164	36	34	71	23
With both rate and efficiency variance	144	29	32	61	22
With rate or efficiency variance	20	7	2	10	1
Percentage Distribution					
Using Standard Costs for Direct Manufacturing Labor – Total	100.0%	100.0%	100.0%	100.0%	100.0%
With both rate and efficiency variance	87.8	80.6	94.1	85.9	95.7
With rate or efficiency variance	12.2	19.4	5.9	14.1	4.3
Number of Units					
D. Frequency of Revising Standard Costs for Direct Materials – Total	204	48	38	81	37
As needed but at least annually	113	28	21	45	19
Annually	57	12	13	24	8
Other	34	8	4	12	10

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DIRECT COSTS
D/S Items 2.4.1,
2.4.4, 2.6.1 and 2.6.4

Standard Cost Characteristic	Total	Annual Total Sales			
		\$10 Million or Less	\$11-\$25 Million	\$26-\$100 Million	Over \$100 Million
<u>Percentage Distribution</u>					
Frequency of Revising Standard Costs for Direct Materials – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
As needed but at least annually	55.4	58.3	55.3	55.6	51.4
Annually	27.9	25.0	34.2	29.6	21.6
Other	16.7	16.7	10.5	14.8	27.0
<u>Number of Units</u>					
E. Frequency of Revising Standard Costs for Direct Labor – Total	<u>174</u>	<u>38</u>	<u>37</u>	<u>73</u>	<u>26</u>
As needed but at least annually	94	23	19	39	13
Annually	56	9	14	26	7
Other	24	6	4	8	6
<u>Percentage Distribution</u>					
Frequency of Revising Standard Costs for Direct Labor – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
As needed but at least annually	54.0	60.5	51.4	53.4	50.0
Annually	32.2	23.7	37.8	35.6	26.9
Other	13.8	15.8	10.8	11.0	23.1

DIRECT COSTS
D/S Items 2.4.2,
2.4.3, 2.6.2, and 2.6.3

**9. METHODS OF ACCUMULATING AND DISPOSING OF
VARIANCES FROM STANDARD COSTS**

Method	Direct Materials		Direct Manufacturing Labor	
	Number of Units	Percentage Distribution	Number of Units	Percentage Distribution
A. Accumulating Variance – Total	<u>204</u>	<u>100.0%</u>	<u>164</u>	<u>100.0%</u>
Plantwide	73	35.8	29	17.7
Product	70	34.3	51	31.1
Department	10	4.9	48	29.3
Other or combination of above	51	25.0	36	21.9
B. Disposing of Variance – Total	<u>204</u>	<u>100.0%</u>	<u>164</u>	<u>100.0%</u>
Charged or credited to cost of goods sold	127	62.3	101	61.6
Prorated between inventory and cost of goods sold	22	10.8	19	11.6
Charged or credited to overhead	16	7.8	10	6.1
Other or combination of above	39	19.1	34	20.7

DIRECT COSTS
D/S Item 2.8.0

**10. BASES FOR CHARGING GOVERNMENT CONTRACTS WITH
INTERORGANIZATIONAL TRANSFERS-IN**

Basis	Materials		Services	
	Number of Units	Percentage Distribution	Number of Units	Percentage Distribution
Units Reporting Interorganizational Transfers – Total	<u>603</u>	<u>100.0%</u>	<u>608</u>	<u>100.0%</u>
At Full Cost:				
Excluding transferor's G&A	50	8.3	74	12.2
Including transferor's G&A	50	8.3	67	11.0
Plus markup percentage	31	5.1	30	4.9
Involving combination of above	10	1.7	32	5.3
Involving combination of above plus another basis, except catalog/market price	41	6.8	66	10.9
At Catalog/Market Price	49	8.1	30	4.9
At Catalog/Market Price Plus Another Basis Except Full Cost	19	3.1	11	1.8
At Combination of Full Cost and Catalog/Market Price	220	36.5	153	25.2
At Combination of Full Cost, Catalog/Market Price, and Another Basis	86	14.3	76	12.5
Other Bases	47	7.8	69	11.3
Memorandum:				
All Units – Total	<u>677</u>	<u>100.0%</u>	<u>677</u>	<u>100.0%</u>
Units Reporting	603	89.1	608	89.8
Units not Reporting	74	10.9	69	10.2

DIRECT vs. INDIRECT COSTS
D/S Items 3.2.1,
3.2.2 and 3.2.3

**11. METHODS OF TREATING SPECIFIED
FUNCTIONS, ELEMENTS OF COST AND TRANSACTIONS**

Function, Element of Cost, or Transaction		Method of Treatment for Applicable Units					Not Applicable ^a
		Total	Always Direct	Always Indirect	Sometimes Direct – Sometimes Indirect	Other	
A. Function Applicable to Direct Materials:							
Cash Discounts	– Number	656	265	308	26	57	21
	– Percent	100.0%	40.4	46.9	4.0	8.7	3.1
Freight In	– Number	663	323	213	119	8	14
	– Percent	100.0%	48.7	32.1	18.0	1.2	2.1
Sale of Scrap	– Number	575	101	323	102	49	102
	– Percent	100.0%	17.6	56.2	17.7	8.5	15.1
Sale of Salvage	– Number	535	117	253	114	51	142
	– Percent	100.0%	21.9	47.3	21.3	9.5	21.0
Incoming Material Inspection	– Number	611	224	285	97	5	66
	– Percent	100.0%	36.7	46.6	15.9	0.8	9.7
Inventory Adjustments	– Number	485	155	202	49	79	192
	– Percent	100.0%	32.0	41.6	10.1	16.3	28.4
Purchasing	– Number	648	53	547	40	8	29
	– Percent	100.0%	8.2	84.4	6.2	1.2	4.3
Trade Discounts, Refunds, and Allowances on Purchases	– Number	615	464	57	82	12	62
	– Percent	100.0%	75.4	9.3	13.3	2.0	9.2
B. Function Applicable to Direct Labor:							
Health Insurance	– Number	673	75	574	15	9	4
	– Percent	100.0%	11.2	85.3	2.2	1.3	0.6
Holiday Differential	– Number	656	254	350	37	15	21
	– Percent	100.0%	38.7	53.4	5.6	2.3	3.1
Overtime Premium Pay	– Number	673	306	269	86	12	4
	– Percent	100.0%	45.4	40.0	12.8	1.8	0.6
Pension Costs	– Number	641	68	549	16	8	36
	– Percent	100.0%	10.6	85.6	2.5	1.3	5.3

^aEach percentage in this column is based on the total of 677 units in the universe.

(Continued on next page)

DIRECT vs. INDIRECT COSTS
D/S Items 3.2.1,
3.2.2 and 3.2.3

Function, Element of Cost, or Transaction	Method of Treatment for Applicable Units					Not Applicable ^a
	Total	Always Direct	Always Indirect	Sometimes Direct – Sometimes Indirect	Other	
Shift Premium Pay – Number	673	306	269	86	12	4
– Percent	100.0%	45.4	40.0	12.8	1.8	0.6
Training – Number	641	114	360	160	7	36
– Percent	100.0%	17.8	56.2	24.9	1.1	5.3
Travel – Number	663	265	135	257	6	14
– Percent	100.0%	40.0	20.3	38.8	0.9	2.1
Vacation Pay – Number	673	85	547	30	11	4
– Percent	100.0%	12.6	81.3	4.5	1.6	0.6
C. Miscellaneous						
Design Engineering – Number	606	367	83	150	6	71
– Percent	100.0%	60.6	13.7	24.7	1.0	10.5
Drafting – Number	608	361	86	156	5	69
– Percent	100.0%	59.4	14.1	25.7	0.8	10.2
Computer Operations – Number	535	44	211	256	24	142
– Percent	100.0%	8.2	39.4	47.9	4.5	21.0
Contract Administration – Number	606	29	485	82	10	71
– Percent	100.0%	4.8	80.0	13.5	1.7	10.5
Freight Out – Number	566	299	157	67	43	111
– Percent	100.0%	52.8	27.8	11.8	7.6	16.4
Line Inspection – Number	563	422	86	51	4	114
– Percent	100.0%	74.9	15.3	9.1	0.7	16.8
Packaging and Preservation – Number	593	262	111	203	17	84
– Percent	100.0%	44.2	18.7	34.2	2.9	12.4
Reproduction Costs – Number	534	333	84	88	29	143
– Percent	100.0%	62.4	15.7	16.5	5.4	21.1
Production Shop Supervision – Number	543	98	355	88	2	134
– Percent	100.0%	18.0	65.4	16.2	0.4	19.8
Professional (Consultant) Services – Number	649	73	140	432	4	28
– Percent	100.0%	11.2	21.6	66.6	0.6	4.1

^aEach percentage in this column is based on the total of 677 units in the universe.

(Continued on next page)

DIRECT vs. INDIRECT COSTS
D/S Items 3.2.1,
3.2.2 and 3.2.3

Function, Element of Cost, or Transaction	Method of Treatment for Applicable Units					Not Applicable ^a
	Total	Always Direct	Always Indirect	Sometimes Direct – Sometimes Indirect	Other	
Purchased Direct Labor (On Site)						
– Number	571	499	7	47	18	106
– Percent	100.0%	87.4	1.2	8.2	3.2	15.7
Purchased Direct Labor (Off Site)						
– Number	566	513	6	33	14	111
– Percent	100.0%	90.6	1.1	5.8	2.5	16.4
Rearrangement Costs						
– Number	620	34	435	144	7	57
– Percent	100.0%	5.5	70.2	23.2	1.1	8.4
Rework Costs						
– Number	581	438	75	48	20	96
– Percent	100.0%	75.4	12.9	8.3	3.4	14.2
Royalties						
– Number	427	198	113	75	41	250
– Percent	100.0%	46.4	26.4	17.6	9.6	36.9
Scrap Work						
– Number	517	362	108	37	10	160
– Percent	100.0%	70.0	20.9	7.2	1.9	23.6
Special Test Equipment						
– Number	574	450	22	60	42	103
– Percent	100.0%	78.4	3.8	10.5	7.3	15.2
Special Tooling						
– Number	570	454	15	62	39	107
– Percent	100.0%	79.7	2.6	10.9	6.8	15.8
Subcontract Costs						
– Number	619	471	12	114	22	58
– Percent	100.0%	76.1	1.9	18.4	3.6	8.6
Warranty Costs						
– Number	451	250	116	29	56	226
– Percent	100.0%	55.5	25.7	6.4	12.4	33.4

^aEach percentage in this column is based on the total of 677 units in the universe.

INDIRECT COSTS
D/S Item 4.1.0

12. USE OF OVERHEAD POOLS BY ANNUAL TOTAL SALES

Type of Overhead Pool		Annual Total Sales of Units with Overhead Pools					Not Using Specified Overhead Pool ^a
		Total	\$10 Million or Less	\$11-\$25 Million	\$26-\$100 Million	Over \$100 Million	
All Units ^b	– Number	677	245	129	194	109	–
	– Percent	100.0%	100.0%	100.0%	100.0%	100.0%	–
Single Plant-wide Pool	– Number	131	87	18	20	6	546
	– Percent	19.4	35.5	13.9	10.3	5.5	80.6
Manufacturing	– Number	277	57	52	100	68	400
	– Percent	40.9	23.3	40.3	51.5	62.4	59.1
Engineering	– Number	323	75	65	106	77	354
	– Percent	47.7	30.6	50.4	54.6	70.6	52.3
Manufacturing and Engineering	– Number	59	19	12	19	9	618
	– Percent	8.7	7.8	9.3	9.8	8.3	91.3
Tooling	– Number	30	5	4	11	10	647
	– Percent	4.4	2.0	3.1	5.7	9.2	95.6
Off-Site	– Number	66	12	8	25	21	611
	– Percent	9.7	4.9	6.2	12.9	19.3	90.3
Field Service	– Number	114	23	20	47	24	563
	– Percent	16.8	9.4	15.5	24.2	22.0	83.2
Material Handling	– Number	146	32	32	54	28	531
	– Percent	21.6	13.1	24.8	27.8	25.7	78.4
Departmental/Shop	– Number	65	18	12	22	13	612
	– Percent	9.6	7.3	9.3	11.3	11.9	90.4
Subcontract Administration	– Number	11	3	1	2	5	666
	– Percent	1.6	1.2	0.8	1.0	4.6	98.4
Use and Occupancy	– Number	53	18	10	12	13	624
	– Percent	7.8	7.3	7.8	6.2	11.9	92.2
Quality Control	– Number	61	19	7	23	12	616
	– Percent	9.0	7.8	5.4	11.9	11.0	91.0
Fringe Benefits	– Number	95	26	16	31	22	582
	– Percent	14.0	10.6	12.4	16.0	20.2	86.0
Other Pools	– Number	293	65	52	101	75	384
	– Percent	43.3	26.5	40.3	52.1	68.8	56.7

^aEach percentage in this column is based on the total of 677 units in the universe.

^bFigures for "All Units" are not the sum of the details below because many units reported use of more than one pool.

INDIRECT COSTS
D/S Item 4.1.0

13. ALLOCATION BASES FOR OVERHEAD POOLS

Type of Overhead Pool	Total	Allocation Base		
		Direct Labor Dollars	Direct Labor Hours	Other
<u>Number of Units</u>				
Single Plant-wide Pool	131	92	15	24
Manufacturing	277	191	48	38
Engineering	323	226	57	40
Manufacturing and Engineering	59	51	6	2
Tooling	30	11	4	15
Off-Site	66	48	8	10
Field Service	114	82	10	22
Material Handling	146	8	4	134 ^a
Departmental/Shop	65	34	15	16
Subcontract Administration	11	2	—	9
Use and Occupancy	53	2	1	50 ^b
Quality Control	61	31	9	21
Fringe Benefits	95	19	11	65 ^c
<u>Percentage Distribution</u>				
Single Plant-wide Pool	100.0%	70.2	11.5	18.3
Manufacturing	100.0%	69.0	17.3	13.7
Engineering	100.0%	70.0	17.6	12.4
Manufacturing and Engineering	100.0%	86.4	10.2	3.4
Tooling	100.0%	36.7	13.3	50.0
Off-Site	100.0%	72.7	12.1	15.2
Field Service	100.0%	71.9	8.8	19.3
Material Handling	100.0%	5.5	2.7	91.8 ^a
Departmental/Shop	100.0%	52.3	23.1	24.6
Subcontract Administration	100.0%	18.2	—	81.8
Use and Occupancy	100.0%	3.8	1.9	94.3 ^b
Quality Control	100.0%	50.8	14.8	34.4
Fringe Benefits	100.0%	20.0	11.6	68.4 ^c

^aIncludes 101 units (69.2%) with direct material cost as the allocation base.

^bIncludes 41 units (77.4%) with square feet as the allocation base.

^cIncludes 51 units (53.7%) with payroll dollars as the allocation base.

INDIRECT COSTS
D/S Item 4.2.0

14. USE OF G&A POOLS BY ANNUAL TOTAL SALES

Type of G&A Pool		Annual Total Sales of Units with G&A Pools					Not Using Specified G&A Pool ^a
		Total	\$10 Million or Less	\$11-\$25 Million	\$26-\$100 Million	Over \$100 Million	
All Units ^b	– Number	677	245	129	194	109	–
	– Percent	100.0%	100.0%	100.0%	100.0%	100.0%	–
Single G&A Pool Only	– Number	309	131	57	81	40	368
	– Percent	45.6	53.5	44.2	41.8	36.7	54.4
More than one Pool:							
G&A	– Number	186	50	37	68	31	491
	– Percent	27.5	20.4	28.7	35.1	28.4	72.5
Commercial G&A	– Number	23	8	8	4	3	654
	– Percent	3.4	3.3	6.2	2.1	2.8	96.6
Government G&A	– Number	28	10	8	6	4	649
	– Percent	4.1	4.1	6.2	3.1	3.7	95.9
Selling and Marketing Expense	– Number	71	25	13	23	10	606
	– Percent	10.5	10.2	10.1	11.9	9.2	89.5
Independent R&D Costs	– Number	89	31	17	27	14	588
	– Percent	13.1	12.7	13.2	13.9	12.8	86.9
Bidding and Proposal Costs	– Number	59	23	9	17	10	618
	– Percent	8.7	9.4	7.0	8.8	9.2	91.3
IR&D and B&P Costs	– Number	23	3	7	9	4	654
	– Percent	3.4	1.2	5.4	4.6	3.7	96.6
Spares Administration	– Number	8	–	2	1	5	669
	– Percent	1.2	–	1.6	0.5	4.6	98.8
Corporate (Home Office) Expense	– Number	134	52	29	36	17	543
	– Percent	19.8	21.2	22.5	18.6	15.6	80.2
Other Pools	– Number	117	35	28	28	26	560
	– Percent	17.3	14.3	21.7	14.4	23.9	82.7

^aEach percentage in this column is based on the total of 677 units in the universe.

^bFigures for “All Units” are not the sum of the details below because many units reported use of more than one pool.

INDIRECT COSTS
D/S Item 4.2.0

15. ALLOCATION BASES FOR G&A POOLS

Type of G&A Pool	Total	Allocation Base		
		Cost Input	Cost of Sales	Other
<u>Number of Units</u>				
Single G&A Pool Only	309	161	82	66
G&A Pool (plus one or more other pools)	186	58	54	74
Commercial G&A	23	6	4	13
Government G&A	28	12	4	12
Selling and Marketing Expense	71	19	18	34
Independent R&D Costs (IR&D)	89	18	35	36
Bidding and Proposal Costs (B&P)	59	14	14	31 ^a
IR&D and B&P Costs	23	6	5	12
Spares Administration	8	2	2	4
Corporate (Home Office) Expense	134	20	39	75 ^b
<u>Percentage Distribution</u>				
Single G&A Pool Only	100.0%	52.1	26.5	21.4
G&A Pool (plus one or more other pools)	100.0%	31.2	29.0	39.8
Commercial G&A	100.0%	26.1	17.4	56.5
Government G&A	100.0%	42.9	14.2	42.9
Selling and Marketing Expense	100.0%	26.8	25.3	47.9
Independent R&D Costs (IR&D)	100.0%	20.2	39.3	40.5
Bidding and Proposal Costs (B&P)	100.0%	23.7	23.7	52.6 ^a
IR&D and B&P Costs	100.0%	26.1	21.7	52.2
Spares Administration	100.0%	25.0	25.0	50.0
Corporate (Home Office) Expense	100.0%	14.9	29.1	56.0 ^b

^aIncludes 10 units (17.0%) with direct labor dollars as the allocation base.

^bIncludes 15 units (11.2%) with sales, 11 units (8.2%) with total cost incurred, and 11 units (8.2%) with direct labor dollars as allocation bases.

INDIRECT COSTS
D/S Item 4.3.0

16. USE OF SERVICE CENTERS BY ANNUAL TOTAL SALES

Type of Service Center		Total	Annual Total Sales			
			\$10 Million or Less	\$11-\$25 Million	\$26-\$100 Million	Over \$100 Million
All Units ^a	– Number	677	245	129	194	109
	– Percent	100.0%	100.0%	100.0%	100.0%	100.0%
Scientific Computer Operations	– Number	207	46	30	70	61
	– Percent	30.6	18.8	23.3	36.1	56.0
Business Data Processing	– Number	271	51	55	102	63
	– Percent	40.0	20.8	42.6	52.6	57.8
Photographic Services	– Number	146	26	24	51	45
	– Percent	21.6	10.6	18.6	26.3	41.3
Reproduction Services	– Number	236	51	39	86	60
	– Percent	34.9	20.8	30.2	44.3	55.0
Art Services	– Number	126	26	19	46	35
	– Percent	18.6	10.6	14.7	23.7	32.1
Technical Typing Services	– Number	106	25	19	37	25
	– Percent	15.7	10.2	14.7	19.1	22.9
Communication Services	– Number	198	38	36	73	51
	– Percent	29.2	15.5	27.9	37.6	46.8
Facility Services	– Number	291	66	56	102	67
	– Percent	43.0	26.9	43.4	52.6	61.5
Auto Pool Services	– Number	95	16	12	34	33
	– Percent	14.0	6.5	9.3	17.5	30.3
Company Aircraft Services	– Number	47	4	4	16	23
	– Percent	6.9	1.6	3.1	8.2	21.1
Wind Tunnels	– Number	9	1	–	–	8
	– Percent	1.3	0.4	–	–	7.3
Personnel and/or Industrial Relations	– Number	107	19	17	44	27
	– Percent	15.8	7.8	13.2	22.7	24.8
Material Handling and/or Procurement	– Number	83	23	13	25	22
	– Percent	12.3	9.4	10.1	12.9	20.2
Accounting and Payroll Services	– Number	67	8	13	29	17
	– Percent	9.9	3.3	10.1	14.9	15.6
Security Services	– Number	52	9	8	22	13
	– Percent	7.7	3.7	6.2	11.3	11.9

^aFigures for "All Units" are not the sum of the details below because many units reported use of more than one center.

(Continued on next page)

INDIRECT COSTS
D/S Item 4.3.0

Type of Service Center		Total	Annual Total Sales			
			\$10 Million or Less	\$11-\$25 Million	\$26-\$100 Million	Over \$100 Million
Fringe Benefits	– Number	29	7	6	8	8
	– Percent	4.3	2.9	4.7	4.1	7.3
Quality Control	– Number	35	3	5	17	10
	– Percent	5.2	1.2	3.9	8.8	9.2
Other Service Centers	– Number	104	25	17	38	24
	– Percent	15.4	10.2	13.2	19.6	22.0

INDIRECT COSTS
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17. ALLOCATION BASES FOR SERVICE CENTERS

Type of Service Center	Total	Allocation Base			
		Usage	Direct Labor	Total Cost	Other
<u>Number of Units</u>					
Scientific Computer Operations	207	142	20	8	37
Business Data Processing	271	152	25	29	65
Photographic Services	146	75	33	9	29
Reproduction Services	236	113	42	23	58
Art Services	126	53	31	12	30
Technical Typing Services	106	46	31	7	22
Communication Services	198	90	23	15	70
Facility Services	291	56	41	6	188 ^a
Auto Pool Services	95	30	16	12	37
Company Aircraft Services	47	29	1	8	9
Wind Tunnels	9	3	2	—	4
Personnel and/or Industrial Relations	107	6	8	2	91 ^b
Material Handling and/or Procurement	83	18	12	—	53 ^c
Accounting and Payroll Services	67	13	10	5	39 ^d
Security Services	52	3	1	—	48 ^e
Fringe Benefits	29	—	2	—	27 ^f
Quality Control	35	6	10	1	18
<u>Percentage Distribution</u>					
Scientific Computer Operations	100.0%	68.6	9.7	3.8	17.9
Business Data Processing	100.0%	56.1	9.2	10.7	24.0
Photographic Services	100.0%	51.4	22.6	6.2	19.8
Reproduction Services	100.0%	47.9	17.8	9.7	24.6
Art Services	100.0%	42.1	24.6	9.5	23.8
Technical Typing Services	100.0%	43.4	29.3	6.6	20.7
Communication Services	100.0%	45.4	11.6	7.6	35.4
Facility Services	100.0%	19.2	14.1	2.1	64.6 ^a
Auto Pool Services	100.0%	31.6	16.8	12.6	39.0
Company Aircraft Services	100.0%	61.7	2.1	17.0	19.2
Wind Tunnels	100.0%	33.3	22.2	—	44.5
Personnel and/or Industrial Relations	100.0%	5.6	7.5	1.9	85.0 ^b
Material Handling and/or Procurement	100.0%	21.7	14.5	—	63.8 ^c
Accounting and Payroll Services	100.0%	19.4	14.9	7.5	58.2 ^d
Security Services	100.0%	5.8	1.9	—	92.3 ^e
Fringe Benefits	100.0%	—	6.9	—	93.1 ^f
Quality Control	100.0%	17.1	28.6	2.9	51.4

^aIncludes 106 units (36.4%) with square feet as allocation base.

^bIncludes 67 units (62.6%) with headcount as allocation base.

^cIncludes 10 units (12.1%) with direct material cost and 6 units (7.2%) with headcount as allocation bases.

^dIncludes 17 units (25.4%) with headcount as allocation base.

^eIncludes 17 units (32.7%) with headcount and 9 units (17.3%) with square feet as allocation bases.

^fIncludes 14 units (48.3%) with total payroll as allocation base.

INDIRECT COSTS
D/S Item 4.3.0

**18. METHODS OF CHARGING SERVICE CENTER COSTS TO GOVERNMENT CONTRACTS
AND USE OF PREDETERMINED BILLING RATES**

Type of Service Center	All Units Reporting	Government Contracts Charged			Use of Predetermined Billing Rates ^a	
		Direct or Through Indirect Pool		Through Indirect Pool Only	Number of Units	Percent of All Units
		Number of Units	Percent of All Units			
Scientific Computer Operations	207	181	87.4%	26	118	57.0%
Business Data Processing	271	150	55.4	121	127	46.9
Photographic Services	146	115	78.8	31	61	41.8
Reproduction Services	236	153	64.8	83	98	41.5
Art Services	126	95	75.4	31	41	32.5
Technical Typing Services	106	90	84.9	16	26	24.5
Communication Services	198	53	26.8	145	40	20.2
Facility Services	291	115	39.5	176	77	26.5
Auto Pool Services	95	27	28.4	68	32	33.7
Company Aircraft Services	47	23	48.9	24	22	46.8
Wind Tunnels	9	6	66.7	3	2	22.2
Personnel and/or Industrial Relations	107	11	10.3	96	18	16.8
Material Handling and/or Procurement	83	9	10.8	74	17	20.5
Accounting and Payroll Services	67	5	7.5	62	12	17.9
Security Services	52	7	13.5	45	6	11.5
Fringe Benefits	29	8	27.6	21	8	27.6
Quality Control	35	10	28.6	25	5	14.3

^aThere were 297 units which reported the use of predetermined billing rates. Variances from actual costs were treated by these units as follows: 85 prorated costs to users; 163 charged or credited variances to an indirect cost pool; 17 used both of these methods depending on the service center involved; and 32 reported using "other" methods.

INDIRECT COSTS
D/S Item 4.7.0

19. APPLICATION OF OVERHEAD OR G&A RATES TO
SPECIFIED TRANSACTIONS OR COSTS

Transaction or Cost		Total	Overhead or G&A Applied at			Overhead or G&A Not Applied
			Full Rate	Less Than Full Rate	Combination of Both	
Subcontract Costs	– Number	593	434	10	63	86
	– Percent	100.0%	73.2	1.7	10.6	14.5
Purchased Labor	– Number	570	443	17	51	59
	– Percent	100.0%	77.7	3.0	8.9	10.4
Government Furnished Materials	– Number	511	16	12	5	478
	– Percent	100.0%	3.1	2.3	1.0	93.6
Interorganizational Transfers In	– Number	606	346	15	112	133
	– Percent	100.0%	57.1	2.5	18.5	21.9
Interorganizational Transfers Out	– Number	592	390	37	139	26
	– Percent	100.0%	65.9	6.2	23.5	4.4
Self-Constructed Depreciable Assets	– Number	537	170	145	44	178
	– Percent	100.0%	31.7	27.0	8.2	33.1
Labor to Install Assets	– Number	550	169	133	31	217
	– Percent	100.0%	30.7	24.2	5.6	39.5
Off-Site Work	– Number	435	322	38	57	18
	– Percent	100.0%	74.0	8.8	13.1	4.1
Other Transactions or Costs with Less than Full Rate	– Number	154	–	154	–	–
	– Percent	100.0%	–	100.0	–	–

CAPITALIZATION AND
DEPRECIATION
D/S Item 5.1.0

20. DEPRECIATION METHODS FOR SPECIFIED GROUPS OF ASSETS

Depreciation Method	Buildings	Leasehold Improve- ments	Machinery and Equipment	Furniture and Fixtures	Autos and Trucks
<u>Number of Units</u>					
Asset Group Applicable – Total	<u>535</u>	<u>587</u>	<u>635</u>	<u>646</u>	<u>597</u>
Straight-line	188	450	205	220	258
Declining balance	63	19	89	95	81
Sum-of-the-years digits	69	9	96	94	43
Straight-line and declining balance	58	34	60	56	58
Straight-line and sum-of-the-years digits	60	15	83	76	53
Declining balance and sum-of-the- years digits	11	7	25	27	37
Straight-line, declining balance, and sum-of-the-years digits	64	25	51	52	44
Other	22	28	26	26	23
<u>Percentage Distribution</u>					
Asset Group Applicable – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Straight-line	35.1	76.7	32.3	34.1	43.2
Declining balance	11.8	3.2	14.0	14.7	13.6
Sum-of-the-years digits	12.9	1.5	15.1	14.5	7.2
Straight-line and declining balance	10.8	5.8	9.5	8.7	9.7
Straight-line and sum-of-the-years digits	11.2	2.6	13.1	11.8	8.9
Declining balance and sum-of-the- years digits	2.1	1.2	3.9	4.2	6.2
Straight-line, declining balance, and sum-of-the-years digits	12.0	4.2	8.0	8.0	7.4
Other	4.1	4.8	4.1	4.0	3.8
Memorandum:					
Asset group not applicable:					
Number	142	90	42	31	80
Percent of all units	21.0	13.3	6.2	4.6	11.8

CAPITALIZATION AND
DEPRECIATION
D/S Item 5.1.0

21. BASES FOR DETERMINING USEFUL LIFE OF SPECIFIED GROUPS OF ASSETS

Basis	Buildings	Leasehold Improve- ments	Machinery and Equipment	Furniture and Fixtures	Autos and Trucks
<u>Number of Units</u>					
Asset Group Applicable – Total	<u>535</u>	<u>587</u>	<u>635</u>	<u>646</u>	<u>597</u>
U.S. Treasury guideline lives	170	46	239	257	226
Replacement experience	169	28	186	199	186
Engineering estimate	82	7	65	54	54
Term of lease	—	408	—	—	—
U.S. Treasury guideline lives and replacement experience	18	3	26	26	21
Other	96	95	119	110	110
<u>Percentage Distribution</u>					
Asset Group Applicable – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
U.S. Treasury guideline lives	31.8	7.8	37.6	39.8	37.9
Replacement experience	31.6	4.8	29.3	30.8	31.2
Engineering estimate	15.3	1.2	10.2	8.4	9.0
Term of lease	—	69.5	—	—	—
U.S. Treasury guideline lives and replacement experience	3.4	0.5	4.1	4.0	3.5
Other	17.9	16.2	18.8	17.0	18.4

CAPITALIZATION AND
DEPRECIATION
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**22. APPLICATION OF DEPRECIATION METHODS TO PROPERTY
UNITS OF SPECIFIED GROUPS OF ASSETS**

Application	Buildings	Leasehold Improve- ments	Machinery and Equipment	Furniture and Fixtures	Autos and Trucks
<u>Number of Units</u>					
Asset Group Applicable – Total	535	587	635	646	597
Individual units accounted for separately	399	382	337	306	398
Applied to groups with similar lives	94	157	150	179	142
Applied to groups with varying lives	19	18	48	46	30
Other or more than one	23	30	100	115	27
<u>Percentage Distribution</u>					
Asset Group Applicable – Total	100.0%	100.0%	100.0%	100.0%	100.0%
Individual units accounted for separately	74.6	65.1	53.1	47.4	66.7
Applied to groups with similar lives	17.6	26.7	23.6	27.7	23.8
Applied to groups with varying lives	3.5	3.1	7.6	7.1	5.0
Other or more than one	4.3	5.1	15.7	17.8	4.5

CAPITALIZATION AND
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**23. DEDUCTION OF RESIDUAL VALUE FROM TOTAL COST
OF DEPRECIABLE ASSETS**

Treatment of Residual Value	Buildings	Leasehold Improve- ments	Machinery and Equipment	Furniture and Fixtures	Autos and Trucks
<u>Number of Units</u>					
Asset Group Applicable – Total	<u>535</u>	<u>587</u>	<u>635</u>	<u>646</u>	<u>597</u>
Deducted	31	33	52	53	68
Covered by depreciation method	38	13	64	71	58
Not deducted	404	499	451	475	394
Other or more than one	62	42	68	47	77
<u>Percentage Distribution</u>					
Asset Group Applicable – Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Deducted	5.8	5.6	8.2	8.2	11.4
Covered by depreciation method	7.1	2.2	10.1	11.0	9.7
Not deducted	75.5	85.0	71.0	73.5	66.0
Other or more than one	11.6	7.2	10.7	7.3	12.9

**CAPITALIZATION AND
DEPRECIATION**
D/S Items 5.2.0, 5.4.0,
and 5.5.0

**24. COST ACCOUNTING DEPRECIATION PRACTICES COMPARED WITH
FINANCIAL ACCOUNTING AND INCOME TAX PRACTICES**

Practice	Number of Units Reporting	Same Practice	
		Number of Units	Percent of Total
A. Financial Accounting:			
Depreciation Methods	664	633	95.3%
Useful Lives	664	634	95.5
Property Units	663	654	98.6
Residual Values	657	648	98.6
B. Income Tax:			
Depreciation Methods	661	280	42.4
Useful Lives	662	338	51.1
Property Units	661	500	75.6
Residual Values	653	515	78.9

**25. TREATMENT OF GAINS AND LOSSES ON DISPOSITION
OF DEPRECIABLE PROPERTY**

Treatment	Number of Units	Percent
Units Reporting	665 ^a	a
Recorded in same overhead and G&A pools as depreciation charges	265	39.9%
Credited or charged to other income or expense accounts	419	63.0
Taken into consideration in the depreciation cost basis of new item where trade-in is involved	286	43.0
Not accounted for separately, but reflected in depreciation reserve account	138	20.8
Other methods	69	10.4

^aDetail will not add to the total units reporting because each unit was counted as many times as it reported methods used. Thus, for example, a unit reporting a combination of three methods was counted three times.

**26. TREATMENT OF SPECIFIED COSTS INCURRED IN THE
ACQUISITION OF CAPITAL ASSETS**

Item of Cost	Number of Units Reporting	Capitalizing Cost		Item Expensed (Number)	May Be Capitalized or Expensed (Number)
		Number of Units	Percent of Total		
Freight-in	669	541	80.9%	66	62
Installation Costs	669	561	83.9	30	78
Sales Taxes	666	326	48.9	240	100
Excise Taxes	666	574	86.2	78	14
Architect-Engineer Fees	666	556	83.5	21	89
Overhauls (Extraordinary Repairs)	668	362	54.1	167	139
Major Modifications or Betterments	667	594	89.1	13	60