

Alternate 1 to Appendix 'J' (J1)

(To be used for all POs and subcontracts subject to full CAS coverage and issued under a Prime Contract having an effective date on or after 29 April 1996 and prior to 24 April 1998.)

PART I: COST ACCOUNTING STANDARDS (APR 1996)
(FAR 52.230-2, Revised to reflect changed parties)

- (a) The provisions of 48 CFR, Part 9903 are incorporated herein by reference and the Seller, in connection with this Purchase Order, shall --
- (1) (CAS-covered Subcontracts Only) By submission of a Disclosure Statement, disclose in writing the Seller's cost accounting practices as required by 48 CFR 9903.202-1 through 9903.202-5, including methods of distinguishing direct costs from indirect costs and the basis used for allocating indirect costs. The practices disclosed for this purchase order shall be the same as the practices currently disclosed and applied on all other contracts and subcontracts being performed by the Seller and which contain a Cost Accounting Standards (CAS) clause. If the Disclosure Statement contains trade secrets and commercial or financial information which is privileged and confidential, the Disclosure Statement shall be submitted directly to the cognizant Administrative Contracting Officer.
 - (2) Follow consistently the Seller's cost accounting practices in accumulating and reporting contract performance cost data concerning this purchase order. If any change in cost accounting practices is made for the purposes of any contract or subcontract subject to CAS requirements, the change must be applied prospectively to this purchase order and the Disclosure Statement must be amended accordingly. If the purchase order price or cost allowance of this purchase order is affected by such changes, adjustment shall be made in accordance with subparagraph (a)(4) or (a)(5) of this clause, as appropriate.
 - (3) Comply with all CAS, including any modifications and interpretations indicated thereto contained in 48 CFR Part 9904, in effect on the date of award of this purchase order or, if the Seller has submitted cost or pricing data, on the date of final agreement on price as shown on the Seller's signed certificate of current cost or pricing data. The Seller shall also comply with any CAS (or modifications to CAS) which hereafter become applicable to a contract or subcontract of the Seller. Such compliance shall be required prospectively from the date of applicability to such contract or subcontract.
 - (4) (i) Agree to an equitable adjustment as provided in the Changes clause of this purchase order if the purchase order cost is affected by a change

which, pursuant to subparagraph (a)(3) of this clause, the Seller is required to make to the Seller's established cost accounting practices.

- (ii) Negotiate with the Contracting Officer to determine the terms and conditions under which a change may be made to a cost accounting practice, other than a change made under other provisions of subparagraph (a)(4) of this clause; provided that no agreement may be made under this provision that will increase costs paid by the United States and/or the Buyer.
- (iii) When the Seller and the Government agree to a change to a cost accounting practice, other than a change under subdivision (a)(4)(i) of this clause, negotiate an equitable adjustment as provided in the=92emernre2

- (1) Established catalog or market prices of commercial items sold in substantial quantities to the general public; or
- (2) Prices set by law or regulation, and except that the requirement shall not apply to negotiated subcontracts otherwise exempt from the requirement to include a CAS clause as specified in 48 CFR 9903.201-1.

PART II: ADMINISTRATION OF COST ACCOUNTING STANDARDS (APR 1996)
(FAR 52.230-6, Revised to reflect changed parties)

For the purpose of administering the Cost Accounting Standards (CAS) requirements under this purchase order, the Seller shall take the steps outlined in paragraphs (a) through (g) of this clause:

- (a) Submit to the cognizant Contracting Officer and the Buyer a description of any cost accounting practice change, the total potential impact of the change on contracts and subcontracts containing a CAS clause, and a general dollar magnitude of the change which identifies the potential shift of costs between

- (i) Within 60 days (or such other date as may be mutually agreed to) after the date of agreement with the initial finding of noncompliance, or
 - (ii) In the event of Seller disagreement with the initial finding of noncompliance, within 60 days of the date the Seller is notified by the cognizant Contracting Officer of the determination of noncompliance.
- (b) After an ACO, or cognizant Federal agency official, determination of materiality, submit a cost impact proposal in the form and manner specified by the Contracting Officer within 60 days (or such other date as may be mutually agreed to) after the date of determination of the adequacy and compliance of a change submitted pursuant to paragraph (a) of this clause. The cost impact proposal shall be in sufficient detail to permit evaluation, determination, and negotiation of the cost impact upon each separate CAS-covered contract and subcontract.
 - (1) Cost impact proposals submitted for changes in cost accounting practices required in accordance with subparagraph (a)(3) and subdivision (a)(4)(i) of the clause at FAR 52.230-2, Cost Accounting Standards; or subparagraph (a)(3) and subdivisions (a)(4)(i) or (a)(4)(iv) of the clause at FAR 52.230-5, Cost Accounting Standards—Educational Institution; shall identify the applicable standard or cost principle and all contracts and subcontracts containing the clauses entitled Cost Accounting Standards or Cost Accounting Standards—Educational Institution, which have an award date before the effective date of that standard or cost principle.
 - (2) Cost impact proposals submitted for any change in cost accounting practices proposed in accordance with subdivisions (a)(4)(ii) or (iii) of the clauses at FAR 52.230-2, Cost Accounting Standards, and FAR 52.230-5, Cost Accounting Standards—Educational Institution; or with subparagraph (a)(3) of the clause at FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices; shall identify all contracts and subcontracts containing the clauses at FAR 52.230-2, Cost Accounting Standards, FAR 52.230-5, Cost Accounting Standards—Educational Institution, and FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices.

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- (g) For subcontracts containing the clauses at FAR 52.230-2 or 52.230-5, require the subcontractor to comply with all Standards in effect on the date of award or of final agreement on price, as shown on the subcontractor's signed Certificate of Current Cost or Pricing Data, whichever is earlier.

PART III: COMMUNICATIONS PROCEDURES AND INDEMNITY

Seller shall communicate and otherwise deal directly with the cognizant Contracting Officer to the extent practicable and permissible as to all matters relating to Cost Accounting Standards. Seller shall provide Buyer with copies of all communications between Seller and the Contracting Officer respecting the clauses of this Appendix "J, Alternate I"; provided, Seller shall not be required to disclose to Buyer such communications containing information which is privileged and confidential to the Seller. Seller agrees to indemnify and hold Buyer harmless to the full extent of any loss, damage, or expense if Buyer is subjected to any liability as the result of a failure of the Seller or its subcontractors to comply with the requirements of Parts I and/or II of this Appendix "J, Alternate I."