

3-807.2 Requirement for Price or Cost Analysis

(a) General. Some form of price or cost analysis is required in connection with every negotiated procurement action. The method and degree of analysis, however, is dependent on the facts surrounding the particular procurement and pricing situation. Cost analysis shall be performed in accordance with (c) below when cost or pricing data is required to be submitted under the conditions described in 3-807.3; however, the extent of the cost analysis should be that necessary to assure reasonableness of the pricing result, taking into consideration the amount of the proposed contract and the cost and time needed to accumulate the necessary data for analysis. Price analysis shall be used in all other instances to determine the reasonableness of the proposed contract price. Price analysis may also be useful in corroborating the overall reasonableness of a proposed price where the determination of reasonableness was developed through cost analysis.

(c) Cost Analysis

(1) Cost analysis is the review and evaluation of a contractor's cost or pricing data (see 3-807.3) and of the judgmental factors applied in projecting from the data to the estimated costs, in order to form an opinion on the degree to which the contractor's proposed costs represent what performance of the contract should cost, assuming reasonable economy and efficiency. It includes the appropriate verification of cost data, the evaluation of specific elements of costs (see 16-206), and the projection of these data to determine the effect on prices of such factors as:

- (i) the necessity for certain costs,
- (ii) the reasonableness of amounts estimated for the necessary costs,
- (iii) allowances for contingencies,
- (iv) the basis used for allocation of overhead costs; and
- (v) the appropriateness of allocations of particular overhead costs to the proposed contract.

NOTE: ASPR 3-807.3 requires the contractor to submit cost or pricing data in compliance with P. L. 87-653.