TRUTH IN NEGOTIATION

CASE EXAMPLES

Background

On January 3, 1965, the Albert Scurloc Corporation quoted a price of $1,000,000 to the Government for 100 navigation radars. This included quotations for proposed subcontracts with Tyler-Bachman, Inc. (for antennas at a price of $150,000) and with Sigmund Gerber Company (for scopes at a price of $65,000).

On February 15, 1965, a firm fixed price of $955,000 was agreed on and a Certificate of Current Cost or Pricing Data furnished.

On March 15, 1965, Scurloc Corporation signed the contract which was executed by the Government on March 20, 1965.

Exercise 1

On April 15, 1965, Scurloc Corporation negotiated a firm fixed price subcontract with Tyler-Bachman, Inc., for $135,000 based on certified cost and pricing data. The subcontract contained the Price Reduction for Defective Cost and Pricing Data and Audit and Records clauses.

Upon later audit, the data Tyler-Bachman, Inc., submitted was found to contain an error of $10,000 due to the use of incorrect forecast rates resulting in a price reduction of $11,000 in the price of that subcontract.

> Discuss Scurloc Corporation obligations under its prime contract and the effect on its profits of the reductions of $15,000 due to subcontract negotiation and $11,000 due to adjustment of the subcontract for defective data.

Exercise 2

On February 25th, Scurloc Corporation negotiated a firm fixed price subcontract with Sigmund Gerber Company for $60,000.

> Discuss Scurloc Corporation obligations and the effect on its profits of the reduction of $5,000 due to negotiation of the price of this subcontract.