

FOREWORD

THE FAA CONTRACT PRICING HANDBOOK

The FAA Contract Pricing Handbook provides a stand alone guide for anyone in need of a reference for pricing. Although it provides a complete reference for the pricing analyst, it also provides guidance to contracts, program and financial analysts who use or must understand pricing. This document conforms to both the spirit and the letter of the FAA Acquisition Management System (FAA AMS).

The Handbook is written to ensure its content is equally applicable to all FAA pricing activities and organizations. This establishes a common basis for analysis regardless of assignment or job position, thus facilitating communication, teaming, standardization, consistency, and mobility within the FAA's pricing community. The Handbook is divided into an introduction and four parts, each of which are described below.

- Introduction: The introduction includes key definitions and perspectives required to understand pricing. It also discusses how cost analysis and price analysis fit into the pricing process and how the AMS addresses these areas.
- Part I - The Pricing Discipline: This part includes four over view chapters which provide a general perspective on pricing and its role in systems acquisition. It also establishes a foundation of general pricing terminology, methodology, techniques, and approaches. The details of the pricing discipline are developed in the chapters that comprise Parts II, III and IV.
- Part II - Price Analysis: Part II commences a detailed amplification of the material on price analysis contained in Part I. Chapters 5 and 6 offer the analyst a rigorous discussion of price analysis and price data.
- Part III - Details of Cost Analysis: This section addresses specific aspects and applications of Cost Analysis. Chapters 7-12 discuss each of the individual cost elements (direct labor, material, other direct costs, indirect costs, facilities capital cost of money, and profit/fee.)
- Part IV - Special Subjects: This final section provides overview Chapters 13-17 on cost principles, cost accounting standards, quantitative analysis techniques, equitable adjustments, and termination.