



OFFICE OF MANAGEMENT AND BUDGET

Office of Federal Procurement Policy

48 CFR Part 9903 and 9904

RIN 0348-AB90

Conformance of Cost Accounting Standards to Generally Accepted Accounting Principles for Cost Accounting Standards 404, 408, 409, and 411

AGENCY: Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Office of Federal Procurement Policy (OFPP), Cost Accounting Standards Board (the Board), is releasing this notice of proposed rulemaking (NPRM) to elicit public comments on proposed changes to the Cost Accounting Standards (CAS) to conform CAS 404, 408, 409, and 411 to Generally Accepted Accounting Principles (GAAP). This notice combines CAS Board Case 2020-01 related to CAS 404 and CAS 411 and CAS Board Case 2021-02 related to CAS 408 and CAS 409 to provide a streamlined and efficient process for expedited completion of rulemaking for these two cases.

DATES: Comments must be in writing and must be received by **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**.

ADDRESSES: Submit comments to the *Federal Rulemaking Portal*:

<https://www.regulations.gov> by searching for “CASB 2025-01”. Select the link “Comment Now” that corresponds with “CASB 2025-01”. Follow the instructions provided on the “Comment Now” screen. Please include your name, company name (if any), and “CASB 2025-01” on your attached document. If your comment cannot be submitted using

<https://www.regulations.gov>, call or email the points of contact in the **FOR FURTHER**

INFORMATION CONTACT section of this document for alternate instructions. Comments

received generally will be posted without change to <https://www.regulations.gov>, including any personal and/or business confidential information provided. Public comments may be submitted as an individual, as an organization, or anonymously (see frequently asked questions at <https://www.regulations.gov/faq>). To confirm receipt of your comment(s), please check <https://www.regulations.gov>, approximately two or three days after submission to verify posting.

Privacy Act Statement: The Board proposes this rule to elicit public views pursuant to 41 U.S.C. 1502. Submission of comments is voluntary. The information will be used to inform sound decision-making. Do not include any information you would not like to be made publicly available. Additionally, the OMB System of Records Notice, OMB Public Input System of Records, OMB/INPUT/01, 88 FR 20913 (available at www.federalregister.gov/documents/2023/04/07/2023-07452/privacy-act-of-1974-system-of-records), includes a list of routine uses associated with the collection of this information.

FOR FURTHER INFORMATION CONTACT: John L. McClung, Manager, Cost Accounting Standards Board (telephone: 202-881-9758; email: john.l.mcclung2@omb.eop.gov).

SUPPLEMENTARY INFORMATION:

I. Background

Section 820 of the 2017 National Defense Authorization Act modified statutory responsibilities of the Board, codified at 41 U.S.C. 1501(c). These changes require the Board to conform CAS to GAAP and minimize the burden on contractors while protecting the interests of the Government. On March 13, 2019, the Board published a staff discussion paper (SDP) (84 FR 9143). The SDP established a global roadmap to help guide its approach to conformance. The roadmap identified seven standards (404, 407, 408, 409, 411, 415, and 416) as most suitable for potential conformance to GAAP. Each of these standards focuses primarily on cost measurement and assignment of costs to accounting periods.

The Board noted that despite the difference in general focus between CAS and GAAP, there has been some convergence over the years as GAAP has evolved to address cost

measurement and assignment of costs to accounting periods. Furthermore, the creation of the Financial Accounting Standards Boards (FASB) and the Accounting Standards Codification (ASC) as the recognized financial accounting and reporting standards for GAAP fosters increased uniformity and consistency. The FASB is recognized by the U.S. Securities and Exchange Commission as the designated accounting standard setter for public companies. FASB standards are recognized as authoritative by many other organizations, including State Boards of Accountancy and the American Institute of Certified Public Accountants (AICPA). The Board has concluded that these developments create opportunities to modify or eliminate overlapping CAS requirements – many of which have remain unchanged for over 50 years -- where GAAP standards under ASC may be applied reasonably as a substitute for CAS to support contract cost and pricing.

The March 2019 SDP also included the Board’s initial assessment of CAS 408 and CAS 409 to conform them, where practicable, to GAAP. Based on the public comments from the SDP, and additional research conducted by the Board, the Board published an advanced notice of proposed rulemaking (ANPRM) (89 FR 53575) on June 27, 2024. The ANPRM noted the Board’s provisional conclusions that CAS 408 could be eliminated in its entirety and the vast majority of CAS 409 could also be eliminated.

On September 18, 2020, the Board published an SDP (85 FR 58399) to solicit views with respect to the Board’s initial assessment of CAS 404 and CAS 411 to conform them, where practicable, to GAAP. Based on the public comments from the SDP, and additional Board research, the Board published an ANPRM (90 FR 5803) on January 17, 2025. The ANPRM noted the Board’s provisional conclusions that the vast majority of CAS 404 could be eliminated and that CAS 411 could be eliminated in its entirety.

In regards to CAS 408 and CAS 411, the Board provisionally concluded that these standards in their entirety have become unnecessary to protect the Government’s interests, which

may be achieved through reliance on GAAP, existing requirements in other CAS Standards, and the Federal Acquisition Regulation (FAR).

In regards to CAS 404 and CAS 409, the Board provisionally concluded that nearly all of the content in these standards has become unnecessary to protect the Government's interests which may be achieved through reliance on GAAP, existing requirements in other CAS Standards and the FAR. Because of the limited amount of content identified for retention, the Board provisionally concluded that moving the retained requirements to another Standard rather than maintaining CAS 404 and CAS 409 with minimal content would best achieve the goal of streamlining CAS.

This NPRM reflects input from the public, as well as research conducted by the Board. Unique CAS requirements were assessed for their necessity in protecting the interests of the Government or if the existing requirements in other CAS Standards or requirements in other relevant regulations may protect the interests of the Government. This NPRM is issued by the Board in accordance with the requirements of 41 U.S.C. 1502.

II. CAS 404 – Capitalization of Tangible Assets

A. Overview and Conclusion

CAS 404 was initially published February 27, 1973, at 38 FR 5318. It requires contractors, for the purposes of cost measurement, to establish and adhere to policies with respect to capitalization of the acquisition costs of tangible assets. CAS 404 also established criteria that the contractor's policies and procedures must satisfy. CAS 404 was modified in 1996 by the addition of CAS 404-50(d) to address issues relating to the treatment of gains or losses attributable to tangible capital assets subsequent to mergers or business combinations by government contractors, along with other relatively modest changes. With the exception of the 1996 additions, CAS 404 has remained static for over 50 years.

As noted in the ANPRM, the comparison of CAS 404 with pertinent GAAP content revealed significant overlap and equivalent requirements with the noted exception of CAS 404-

50(d)., which protects the government from paying duplicative costs when government contractors merge or are acquired. Absent the requirements of CAS 404-50(d)(1) the government would be at risk if an asset was increased in value such that the combined depreciation recognized by the both the acquired company and the acquiring company for government contracts exceeds the historic cost for which the asset was originally purchased for use. For all other requirements in CAS 404 a comparable requirement exists in GAAP that would protect the Government's interests and promote uniformity and consistency. The Board has concluded that reliance on GAAP would materially achieve uniformity and consistency necessary for government contracting. Furthermore, other CAS requirements adequately protect the government's interests. The Board has concluded that the Government's interests are adequately protected by relying on disclosed GAAP practices that are consistently followed and subject to notice of changes and cost recovery as follows: (1) All contractors whether subject to full or modified CAS coverage are subject to CAS 401 and will continue to be required to consistently follow their disclosed or actual cost accounting practices; and (2) They will continue to be bound by the 9903.201-4 CAS contract clauses requiring disclosure and consistency in cost accounting practices regardless of whether a specific standard exists. These contract clauses implement the statutory requirements for disclosure of 41 U.S.C. 1502(f)(1) and protections from payment of increased costs as a result of changes to contractor's cost accounting practices provided by 41 U.S.C. 1502(f)(2).

In summary, the Board has concluded that CAS 404, with the exception of CAS 404-50(d)(1), has become unnecessary to protect the Government's interests, which may be achieved through reliance on GAAP and other CAS Standards. Therefore, the Board is proposing to eliminate CAS 404 and retain the requirements CAS 404-50(d)(1) by relocating them to a new paragraph 9904.406-50(g) instead of maintaining an entire Standard. The new paragraph 9904.406-50(g) will also include the retained requirements from CAS 409 discussed in Section IV. below. The Board seeks comment on such action in this NPRM.

This action would be consistent with the Board's guiding principles for conforming CAS to GAAP because it would eliminate CAS content to minimize the burden on contractors while protecting the interests of the Federal Government. Furthermore, the Board's conclusion on CAS 404 would align with the guiding principles to rely on coverage in GAAP when it would materially achieve uniformity and consistency in cost accounting without bias or prejudice to either party, rely on other CAS Standards which may protect the Government's interests, and eliminate CAS coverage no longer necessary.

The Board has not identified any instance where the elimination of CAS 404, as contemplated, would result in a change to a contractor's disclosed cost accounting practices for government contracts. With the noted exception of CAS 404-50(d), which is being retained, the current CAS requirements are nearly identical to GAAP. The Board expects that contractors would continue to follow their existing practices as they are both compliant with CAS and GAAP. As such, having identified no cost accounting practice changes as a result of this proposed rule any current or future changes related to capitalization of the acquisition costs of tangible assets would be considered unilateral as defined in 9903.201-6(b)(2). The Board is interested in comments on this determination and any instances requiring further consideration by the Board.

B. Summary of Public Comments CAS 404

The Board received two sets of public comments to the ANPRM related to CAS 404 both coming from industry associations.

Comment: Both of the public respondents agreed with the Board's provisional conclusion to eliminate CAS 404. However, they also both would prefer CAS 404-50(d)(1) not be retained. In addition, if retained they believe CAS 418 is not an appropriate location as CAS 404-50(d)(1) does not address allocation of either direct or indirect costs and relates to measurement as asserted by the Board in the ANPRM.

Response: The Board continues to believe the CAS 404-50(d)(1) difference between CAS and

GAAP may create an exposure of unknown materiality and place the Government at risk of paying twice for the same assets. The Board has concluded that the underlying issue relates to the measurement of costs and therefore should be addressed by the Board. However, the Board agrees with the commentors that the location should be adjusted and is proposing to retain the requirements in CAS 404-50(d)(1) but move them to a new section in new paragraph 9904.406-50(g). This proposed action would be consistent with the Board's guiding principles to eliminate content from CAS where GAAP, other CAS Standards or other relevant regulations may protect the interests of the Government. In addition, the Board concluded that moving the retained requirement to another Standard rather than maintaining CAS 404 with minimal content would best achieve the goal of streamlining CAS. The Board is seeking comments on such actions in this NPRM.

III. CAS 408 – Accounting for Costs of Compensated Personal Absence

A. Overview and Conclusion

CAS 408 was initially published September 19, 1974, at 39 FR 33681. The stated purpose of the standard was to improve, and provide uniformity in, the measurement of costs of vacation, sick leave, holiday, and other compensated personal absence for a cost accounting period, and thereby increase the probability that the measured costs are allocated to the proper cost objectives.

The principal need for the promulgation of CAS 408, which has remained nearly unchanged for 50 years, no longer exists. GAAP has been revised significantly with additional content since the original promulgation of CAS 408. Comparison of CAS 408 with pertinent GAAP content revealed significant overlap and nearly completely equivalent requirements. For each requirement in CAS 408, the Board identified that a comparable requirement exists in GAAP that would protect the Government's interests and promote uniformity and consistency.

CAS 408 is nearly duplicative of GAAP. The Board identified only one difference between CAS and GAAP that required further consideration. GAAP requires accrual of

accumulated rights in addition to vested rights in the year earned, unlike CAS which only requires the accrual of entitled (i.e., vested) rights. The Board has concluded that reliance on GAAP would materially achieve the uniformity and consistency necessary for government contracting. Furthermore, as discussed in Section II above, CAS 401 and the 9903.201-4 CAS contract clauses adequately protect the Government's interests by protecting the Government from payment of increased costs as a result of changes to a contractor's accounting practices.

In summary, the Board has concluded that CAS 408 has become unnecessary to protect the Government's interests which may be achieved through reliance on GAAP and other CAS Standards. Therefore, the Board is issuing this proposed rule that would eliminate CAS 408 and seeks comment on such action in this NPRM. This action would be consistent with the Board's guiding principles for conforming CAS to GAAP because it would eliminate CAS content to minimize the burden on contractors while protecting the interests of the Government.

Furthermore, the Board's provisional conclusion on CAS 408 would align with the guiding principles to rely on coverage in GAAP when it would materially achieve uniformity and consistency in cost accounting without bias or prejudice to either party, rely on other CAS Standards which may protect the Government's interests, and eliminate CAS coverage no longer necessary.

The Board recognizes that conformance to GAAP related to CAS 408 may result in accounting practices changes in some cases as GAAP allows assigning the costs to earlier cost accounting periods than CAS 408 currently permits. Because GAAP requires estimates and adjustments for forfeitures, the Board continues to believe these differences would only result in immaterial timing differences. As such, the Board seeks to eliminate the administration burden of the cost impact process and is proposing to exempt these changes from the required cost impact process by the addition of 9903.201-9(b).

B. Summary of Public Comments for CAS 408

The Board received five sets of comments from the public in response to the ANPRM. These comments came from companies, industry associations, professional associations, and individuals.

Comment: Four sets of comments generally agreed with the proposed changes and basis described by the Board in the ANPRM. However, one of those commentors believes the Board should focus more on recommendations of the Section 809 Panel instead of GAAP conformance efforts. The commentor asserted that the Panel's recommendations, such as raising the thresholds for CAS applicability, full CAS compliance, and disclosure requirements would be a more impactful way of reducing CAS administrative burden and promoting competition.

Response: The Board believes CAS-GAAP harmonization, which is statutorily required, and careful consideration of the section 809 Panel's recommendations are both deserving of prioritization, as reflected in the Board's agenda, which was recently published in the Federal Register at 90 FR 29048.

Comment: One commentor generally agreed with the Board's analysis and conclusions that requirements of GAAP and CAS 408 are nearly identical, but does not believe the Board should eliminate CAS standards. They believe the resultant administrative process for GAAP noncompliances identified by the Government would be significantly more complicated, less efficient, and not as equitable.

Response: As noted above and discussed in Section II above, CAS 401 and the 9903.201-4 CAS contract clauses adequately protect the Government's interests by protecting the Government from payment of increased costs as a result of changes to contractor's accounting practices. A contractor must follow their disclosed cost accounting practices and failure to do so would result in a noncompliance with their disclosed practices not GAAP. This would be consistent with the current administrative process for resolving a noncompliance with a disclosed practice. In addition, as noted in the guiding principles for CAS-GAAP conformance efforts (85 FRN 15857) the Board will continue to monitor future changes to GAAP and the FAR to identify

and evaluate their impact to CAS and revise CAS, as necessary, through the rulemaking process. The Board will also monitor future significant disputes related to the elimination of any CAS requirements in conformance to GAAP, evaluate whether the Board should address them through clarifying guidance or the rulemaking process, and take action as necessary.

IV. CAS 409 – Depreciation of Tangible Capital Assets

A. Overview and Conclusion

CAS 409 was initially published Jan. 29, 1975, at 40 FR 4259. The purpose of CAS 409 is to provide criteria and guidance for assigning costs of tangible capital assets to cost accounting periods and for allocating such costs in cost objectives within such periods in an objective and consistent manner. CAS 409 is based on the concept that depreciation costs identified with cost accounting periods and benefiting cost objectives within periods should be a reasonable measure of the expiration of service potential of the tangible assets subject to depreciation. The original preamble to the 1975 rulemaking also noted that depreciation cost was a significant issue at the time, and explained many contractors primarily relied on the Internal Revenue Code (IRC) to measure depreciation costs. The IRC contained accelerated depreciation methods for tax purposes, and the Board viewed this as inequitable and improper cost accounting because the methods did not match the depreciation expense over the useful life of the asset. GAAP now prohibits using the accelerated depreciation methods in the IRC for financial reporting purposes if the amounts do not fall within a reasonable range of the asset's useful life. Thus, one of the principal concerns for the promulgation of CAS 409 no longer exists. In addition, GAAP has added significant content since the initial promulgation of CAS 409, while CAS for the most part has not changed over the last 50 years.

As noted in the ANPRM, the comparison of CAS 409 with pertinent GAAP content revealed significant overlap and nearly completely equivalent requirements with the noted exceptions of CAS 409-50(e)(5), CAS 409-50(j)(1), and CAS 409-50(j)(4). For all other requirements in CAS 409 a comparable requirement exists in GAAP that would protect the

Government's interests and promote uniformity and consistency. The Board has concluded that reliance on GAAP would materially achieve uniformity and consistency necessary for Government contracting. Furthermore, as discussed in detail in Section II above, CAS 401 and the 9903.201-4 CAS contract clauses adequately protect the Government's interests by protecting the Government from payment of increased costs as a result of changes to contractor's accounting practices.

In summary, the Board has concluded that CAS 409, with the exception of CAS 409-50(e)(5), CAS 409-50(j)(1), and CAS 409-50(j)(4) has become unnecessary to protect the Government's interests which may be achieved through reliance on GAAP, and other CAS Standards. CAS 409-50(e)(5) retains the current flexibility of the contracting parties to agree on the estimated service life of individual tangible capital assets where the unique purpose for which the equipment was acquired or other special circumstances warrant a shorter estimated service life. CAS 409-50(j)(1) ensure that gains and losses are properly measured and assigned consistent with the costs of the associated depreciation charged. CAS 409-50(j)(4) protects the government against shifting of gains and losses associated with the disposition of tangible capital assets transferred in other than an arms-length transaction that are subsequently disposed of within 12. Therefore, the Board is issuing this proposed rule that would eliminate CAS 409 and retain the requirements of CAS 409-50(e)(5), CAS 409-50(j)(1), and CAS 409-50(j)(4) by relocating them to a new paragraph 9904.406-50(g) instead of maintaining an entire Standard 409. The new paragraph 9904.406-50(g) will also include the retained requirement from CAS 404 discussed in Section II above. The Board seeks comment on such action in this NPRM.

This action would be consistent with the Board's guiding principles for conforming CAS to GAAP because it would eliminate CAS content to minimize the burden on contractors while protecting the interests of the Government. Furthermore, the Board's conclusion on CAS 409 would align with the guiding principles to rely on coverage in GAAP when it would materially achieve uniformity and consistency in cost accounting without bias or prejudice to either party,

rely on GAAP, and other CAS Standards which may protect the Government's interests, and eliminate CAS coverage no longer necessary.

The Board has not identified any instance where the elimination of CAS 409, as proposed would result in a change to a contractor's disclosed cost accounting practices for government contracts. With the noted exceptions of CAS 409-50(e)(5), CAS 409-50(j)(1), and CAS 409-50(j)(4), which would be retained, the current CAS requirements are nearly identical to GAAP. The Board expects that contractors would continue to follow their existing practices as they are both compliant with CAS and GAAP. As such, having identified no cost accounting practice changes as a result of this proposed rule any current or future changes related to capitalization of the acquisition costs of tangible assets would be considered unilateral as defined in 9903.201-6(b)(2). The Board is interested in comments on this determination, and any instances requiring further consideration by the Board.

B. Summary of Public Comments for CAS 409

The Board received five sets of comments from the public in response to the ANPRM. These comments came from companies, industry associations, professional associations, and individuals.

Comment: Four sets of comments generally agreed with the proposed changes and basis described by the Board in the ANPRM. One commentator generally agreed with the Board's analysis and conclusions that requirements of GAAP and CAS 409 are nearly identical, but does not believe the Board should eliminate CAS standards. They believe the resultant administrative process for GAAP noncompliances identified by the Government would be significantly more complicated, less efficient, and not as equitable.

Response: This substance of this comment was already addressed above, in the discussions of CAS 408.

V. CAS 411 – Accounting for Acquisition Costs of Materials

A. Overview and Conclusion

CAS 411 was initially published on May 5, 1975, at 40 FR 19425. The purpose of CAS 411 is to provide criteria for the accounting for acquisition costs of material, and provisions on the use of inventory costing methods. The majority of the CAS 411 standard has remained static since the initial promulgation. The standard, however, was corrected in 1992 (57 FR 34167) to make clear that it does not cover accounting for the acquisition costs of tangible capital assets nor the accountability for government-furnished materials.

The principal need for the promulgation of CAS 411 no longer exists. As noted in the ANPRM, GAAP has been revised significantly with additional content and changes in requirements since the original promulgation of CAS 411 that has resulted in a significant overlap and nearly completely equivalent requirements between GAAP and CAS.

For requirements in CAS 411, a comparable requirement exists in GAAP, other CAS Standards, and FAR 31.205-26 Material costs that would protect the Government's interests and promote uniformity and consistency. The Board has concluded that reliance on GAAP would materially achieve uniformity and consistency necessary for government contracting. Furthermore, as discussed in Section II above, CAS 401 and the 9903.201-4 CAS contract clauses adequately protect the Government's interests by protecting the Government from payment of increased costs as a result of changes to contractor's accounting practices.

In summary, the Board has concluded that CAS 411 has become unnecessary to protect the Government's interests which may be achieved through reliance on GAAP, other CAS Standards and FAR 31.205-26 Material costs. Therefore, the Board is considering a proposed rule that would eliminate CAS 411 in its entirety. The Board seeks comment on such action in this NPRM.

This action would be consistent with the Board's guiding principles for conforming CAS to GAAP because it would eliminate CAS content to minimize the burden on contractors while protecting the interests of the Government. Furthermore, the Board's conclusion on CAS 411 would align with the guiding principles to rely on coverage in GAAP when it would materially

achieve uniformity and consistency in cost accounting without bias or prejudice to either party, rely on GAAP, and other CAS Standards which may protect the Government's interests, and eliminate CAS coverage no longer necessary.

The Board has not identified any instance where the elimination of CAS 411 would result in a change to a contractor's disclosed cost accounting practices for government contracts. The Board expects that contractors would continue to follow their existing practices as they are both compliant with CAS and GAAP. As such, having identified no cost accounting practice changes as a result of this proposed rule any current or future changes related to capitalization of the acquisition costs of tangible assets would be considered unilateral as defined in 9903.201-6(b)(2). The Board is interested in comments on this determination, and any instances requiring further consideration by the Board.

B. Summary of Public Comments for CAS 411

The Board received two sets of public comments to the ANPRM related to CAS 411 both coming from industry associations. Both of the public respondents generally agreed with the Board's analysis and provisional conclusion to eliminate CAS 411.

VI. Expected Impact of the Rule

The proposed rule is deregulatory in furtherance of 41 U.S.C. 1501(c), which requires the Board ensure that the Cost Accounting Standards used by contractors rely, to the maximum extent practicable, on commercial standards and accounting practices and systems. In addition, 41 U.S.C. 1501(c) requires the Board to conform CAS requirements, where practicable, to GAAP. The proposed rule would eliminate four of the current 19 CAS and retain only the minimal content the Board has identified as needed to protect the Government's interest by moving it to another standard. This would remove 68 of the 72 combined individual requirements contained in these four standards. The proposed rule will result in removal of over 10,000 words of unnecessary regulatory text currently in place in these four standards. Reliance on a contractor's disclosed GAAP practices for CAS purposes significantly reduces the

regulatory footprint associated with CAS and places reliance commercial accounting practices under GAAP consistent with 41 U.S.C. 1501(c). These change if finalized are expected to reduce burden for contractors, external auditors, government auditors, and oversight functions by reducing duplicative compliance requirements.

These changes individually and in conjunction with the Board's ongoing broader CAS-GAAP conformance efforts and modernization of the CAS programmatic requirements are expected to simplify CAS administration and reduce barriers to entry for non-traditional contractors including new mid-size entities who no longer qualify as small businesses. These actions should increase competition in federal contracting, as envisioned by the Senate Armed Services Committee in promoting CAS-GAAP conformance (S. Rept. 114-25 Section 811), "The committee is concerned that the current cost accounting standards favor incumbent defense contractors and limit competition by serving as a barrier to participation by non-traditional, small business, and commercial contractors. To level the competitive playing field to access new sources of innovation it is in the government's interest to adopt more commercial ways of contracting, accounting, and oversight."

The Board is interested in comments on the expected impact of this rule, including any quantified estimates on the cost reductions and savings expected to be achieved by the proposed elimination of CAS 404, 408, 409, and 411.

VII. Regulatory Flexibility Act

CAS Board rules do not impact small entities within the meaning of the Regulatory Flexibility Act 5 U.S.C. 601-612. Contracts and subcontracts with small business concerns are exempted from all CAS requirements.

VIII. Executive Orders 12866, 13563, and 14192

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and

safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is a significant regulatory action under E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is anticipated to be deregulatory action under E.O. 14192 based on the discussion in the “Expected Impact of the Rule” section.

IX. Paperwork Reduction Act

The Paperwork Reduction Act, Public Law 96–511, does not apply to this proposed rule because this rule imposes no paperwork burden on offerors, affected contractors and subcontractors, or members of the public which requires the approval of OMB under 44 U.S.C. 3501, et seq.

List of Subjects in 48 CFR 9903 and 9904

Government procurement, Cost accounting standards.

Mathew Blum,

Acting Administrator,

Office of Federal Procurement Policy,

and Acting Chair, Cost Accounting Standards Board.

For the reasons set forth in the preamble, the Office of Federal Procurement Policy proposes to amend Chapter 99 of Title 48 of the Code of Federal Regulations as set forth below:

PART 9903—CONTRACT COVERAGE

1. The authority citation for part 9903 continues to read as follows:

Authority: Pub. L. 111-350, 124 Stat. 3677, 41 U.S.C. 1502.

Subpart 9903.201 [Amended]

2. In § 9903.201-9, add paragraph (b) to read as follows

§ 9903.201-9 Treatment of certain compliant cost accounting practice changes related to conformance of CAS to GAAP.

* * * * *

(b) Conformance of CAS 408 to GAAP

The contract price and cost adjustment requirements of part 9903 are not applicable to changes directly associated with the conformance of CAS 408 to GAAP. Changes must be disclosed and made during the contractor's fiscal year directly following the effective date of the final rule.

PART 9904 – COST ACCOUNTING STANDARDS

3. The authority citation for part 9904 continues to read as follows:

Authority: Pub. L. 100-679, 102 Stat. 4056, 41 U.S.C. 422.

Subpart 9904.404 — [Removed and Reserved]

4. Remove and reserve subpart 9904.404.

Subpart 9904.406 [Amended]

5. In § 9904.406-50, add paragraph (g) to read as follows:

§ 9904.406-50 Techniques for application

* * * * *

(g) Elimination of CAS 404 and 409 as a result of CAS-GAAP conformance by the Board resulted in the following retained content related to asset accounting and depreciation:

(1) When gains and losses are recognized on disposition of tangible capital assets, the gains or losses shall be considered as adjustments of depreciation costs previously recognized and shall be assigned to the cost accounting period in which disposition occurs. The gain to be recognized for contract costing purposes shall be limited to the difference between the original acquisition cost of the asset and its undepreciated balance.

(2) Gains and losses on disposition of tangible capital assets transferred in other than arm's-length transaction and subsequently disposed of within 12 months from the date of transfer shall be assigned to the transferor.

(3) The capitalized values of tangible capital assets acquired in a business combination shall be assigned to these assets as follows: All the tangible capital assets of the acquired company that during the most recent cost accounting period prior to a business combination generated either depreciation expense or cost of money charges that were allocated to Federal government contracts or subcontracts negotiated on the basis of cost, shall be capitalized by the buyer at the net book value(s) of the asset(s) as reported by the seller at the time of the transaction.

(4) The contracting parties may agree on the estimated service life of individual tangible capital assets where the unique purpose for which the equipment was acquired or other special circumstances warrant a shorter estimated service life and where the shorter life can be reasonably predicted.

Subpart 9904.408 — [Removed and Reserved]

6. Remove and reserve subpart 9904.408.

Subpart 9904.409 — [Removed and Reserved]

7. Remove and reserve subpart 9904.409.

Subpart 9904.411 — [Removed and Reserved]

8. Remove and reserve subpart 9904.411.