

Federal contract acquisition

[Business](#), [Management](#)



Contractors who assume greater cost risk should be compensated proportionately. The higher the cost risk, the higher the cost of the contract (Hearn, 2011).

Contractor's efforts- This factor measures the complexity of the contract work. Contract cost should be high for any contract requiring a high degree of professionalism and managerial skills (Hearn, 2011).

From the contractor's standpoint, cost determination should be guided by the following:

Profitability of the contract-The cost should be able to cater for all direct and indirect costs and general and administrative costs for the contractor and earn them a profit.

Contract cost and profit principles

The aspects of contract costs include contract pricing, cost data, and cost analysis. Cost analysis has the most significant impact on government contracts as it determines the techniques and procedures used by the government in ensuring a fair and reasonable price (Hearn, 2011). The process of cost price analysis is important to government contractors as the government uses these procedures to analyze the pricing information from different offerors.

The best approach for the company to present its profit objectives is to use the structured approach (profit analysis). Through this approach, the company will present all the estimated contract costs and the expected

profit from the contract. The costs include the contractor's effort, direct labor, material acquisition, indirect const and managerial costs (Hearn, 2011).