

FORVIS



CAS: The Series – *Episode 11 Disclosure Statements*

A 12-part webinar series on the Cost Accounting Standards

Your Instructor



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Layout of the Series

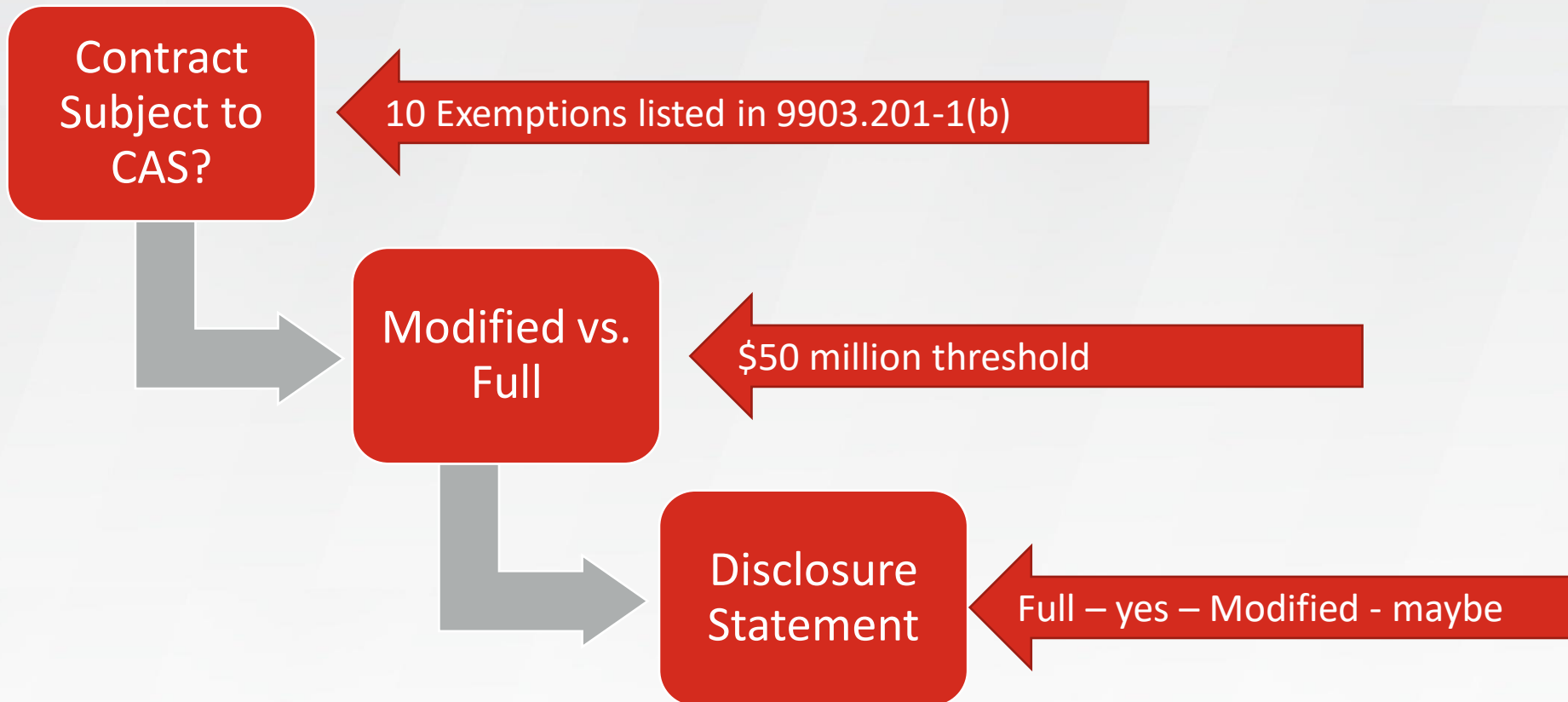
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CAS in a minute!

- Contracts are subject to CAS – not contractors!



Layout of CAS the Series

- Pilot Episode – 90-minute webinar to kick off the series
- Individual 90-minute episodes:
 - Episode 1 – CAS Clauses, Exemptions and Full/Modified CAS
 - Episode 2 – Cost Accounting Practice Changes & Administration
 - Episode 3 – CAS 401, 402, 405 & 406
 - Episode 4 – Compensation – CAS 408, 412, 413 & 415
 - Episode 5 – Direct and Indirect Costs – CAS 418
 - Episode 6 – Home office allocations – CAS 403

Layout of CAS the Series

- Episode 7 – G&A and B&P/IR&D – CAS 410 & 420
- Episode 8 – COM and Standard Costs – CAS 407, 414 & 417
- Episode 9 – Assets & Material – CAS 404, 409 & 411
- Episode 10 – Insurance and CAS 419 – CAS 416 and the mystery of CAS 419
- **Episode 11 – Disclosure Statements**
- Episode 12 – CAS Administration – Roles of DCMA & DCAA

The Cost Accounting Standards

- BASIC Standards
 - CAS 401: Consistency
 - CAS 402: Direct v. Indirect Costs
 - CAS 405: Unallowable Costs
 - CAS 406: Cost Accounting Period
- The Cost Allocation Standards
 - CAS 407: Standard Costs
 - CAS 414: Cost of Money
 - CAS 410: General & Administrative
 - CAS 403: Home Office expenses
 - CAS 418: Direct & Indirect
 - CAS 420: B&P and IR&D
- Asset Accounting Standards
 - CAS 404: Capitalization
 - CAS 409: Depreciation
 - CAS 417: Self Constructed Assets
- Compensation Standards
 - CAS 408: Compensated Assets
 - CAS 412 & 413: Pensions
 - CAS 415: Deferred Compensation
- Other Standards
 - CAS 411: Material Costs
 - CAS 416: Insurance Costs

Agenda – Disclosure Statements

- What is a Disclosure Statement?
- Home Office vs. Segment Disclosure Statement
- When do you need to File?
- Disclosure Statement Overview
- Disclosure Statement – Detailed Walkthrough

Polling Question #1

Have you worked closely with a Disclosure Statement before?

1. Yes
2. No
3. Not Applicable



Disclosure Statements

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What is a Disclosure Statement?

- Cost Accounting Standards Board (CASB) Disclosure Statement
 - Form DS-1 for commercial organizations
 - Form DS-2 for educational institutions
- It provides “disclosure” of your chosen CAS-compliant cost accounting practices
- Those cost accounting practices are used to:
 - Measure costs,
 - Accumulate and allocate allowable indirect costs to contracts, and
 - Assign allowable direct costs to contracts
- Requires compliant practice elections and written descriptions

What is a Disclosure Statement?

- Multiple Disclosure Statements may be required for organizational entities (e.g., divisions, levels) that allocate or transfer costs to a segment with one or more CAS-covered contracts
- Once your compliant (i.e., permissible) cost accounting practices are disclosed, you must follow them
- You may change your practices from one permissible practice to another, but it will likely cost you (Episode 16 – CAS Administration)
- Initial Disclosure Statements and revisions are subject to audit
 - Adequacy
 - Compliance

Polling Question #2

Contractors may change their disclosed cost accounting practices from one compliant practice to another without the government's approval.

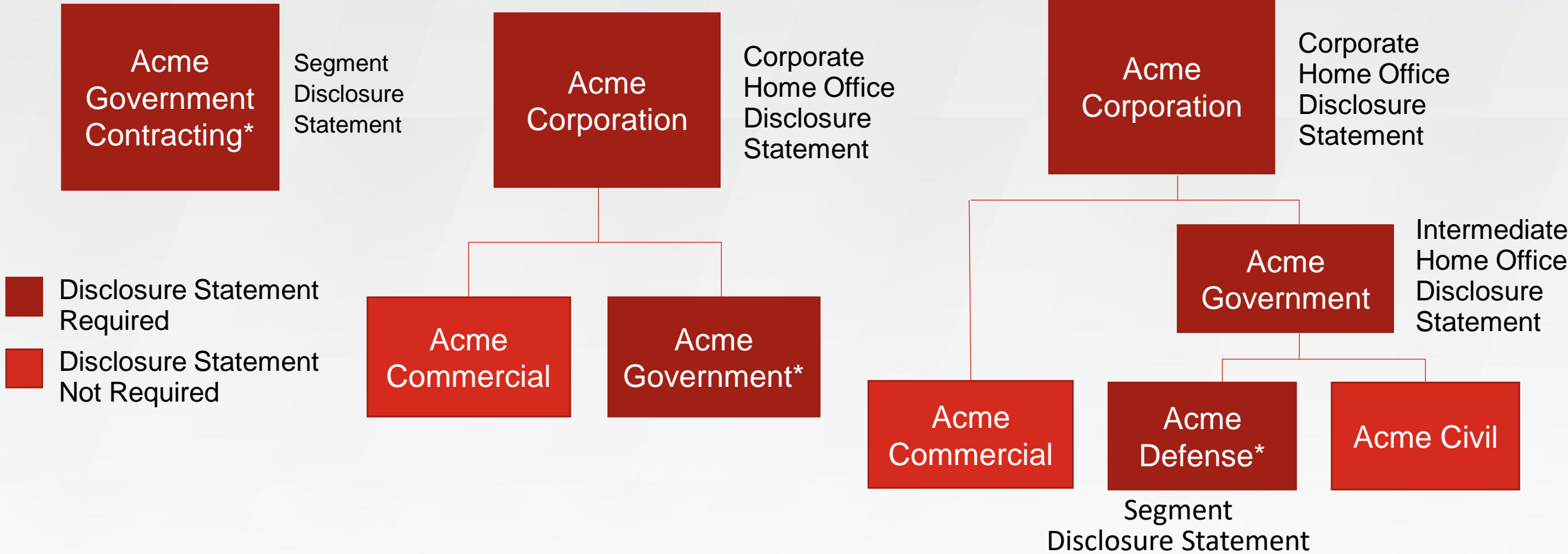
1. True
2. False



Home Office vs. Segment Disclosure Statement

- Organizations with CAS-covered contracts may require one or more Disclosure Statements depending upon organizational management structure, and inter-divisional transfers
- A segment Disclosure Statement is required for each cost accounting segment that:
 - Has been awarded a fully CAS-covered contract, or
 - Has its cost in excess of \$2M included in another segment's CAS-covered contract and:
 - + It is not otherwise exempt from CAS compliance, or
 - + In the most recently completed cost accounting period the segment's CAS-covered awards are less than 30 percent of total segment sales for the period and less than \$10 million

Home Office vs. Segment Disclosure Statement – Example Disclosure Statement requirements



*CAS-covered contracts

When Do You Need To File?

- Before award of first CAS-covered contract or subcontract if valued at over \$50M
 - Often required with proposal, although you may get forbearance if requested
- If a company which, together with its segments, received net awards of contracts and subcontracts subject to CAS totaling \$50M or more in its most recent fiscal year, it must submit a Disclosure Statement before award of its first CAS-covered contract in the immediately following fiscal year
 - If the first CAS-covered contract is received within 90 days of the start of the next fiscal year, the contractor is not required to file until the end of 90 days

Polling Question #3

The following entities need to have Disclosure Statements if allocating or transferring costs to a CAS-covered contract:

- Home Office(s)
- Other divisions if above specified thresholds
- Both of the above



Disclosure Statement - Overview

- The Disclosure Statement Template is divided into the following sections:
 - General Instructions
 - Cover Sheet And Certification
 - Part I - General Information
 - Part II - Direct Costs
 - Part III - Direct Vs. Indirect Costs
 - Part IV - Indirect Costs
 - Part V - Depreciation And Capitalization Practices
 - Part VI - Other Costs And Credits
 - Part VII - Deferred Compensation And Insurance Cost
 - Part VIII - Home Office Expenses

Positioning for future sessions . . .

December 21st – 2:00 Eastern . . .

Final Episode!

Episode 12 – CAS Administration – Roles of DCMA & DCAA

Government Contracting

Last Chance for Some Questions

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