

Proposed Price = Cost + Profit (or Fee)

Cost
(Cost Elements)

Profit (or Fee)

Direct Costs *

Indirect Costs **

Direct Material
– Raw Material
– Purchased Parts
– Subcontracts

Overhead (OH)
– Material Handling
– Engineering
– Manufacturing

Direct Labor
– Engineering
– Manufacturing

General & Administrative (G&A)
Expenses

Other Direct Costs (ODCs)
– Travel
– Tooling

Profit
DFARS 215.404–70 to –73
Application of the DoD Weighted Guide-
lines

Fee
DFARS 215.404–74 & –75

* Direct Cost: Any cost that is identified with a particular final cost objective.

** Indirect Cost: Any cost not identified with a single final objective, but identified with two or more final cost objectives.