

## 16.205-2 Application.

A fixed-price contract with prospective price redetermination *may* be used in *acquisitions* of quantity production or services for which it is possible to negotiate a fair and reasonable firm fixed price for an initial period, but not for subsequent periods of contract performance.

(a) The initial period *should* be the longest period for which it is possible to negotiate a fair and reasonable firm fixed price. Each subsequent *pricing* period *should* be at least 12 months.

(b) The contract *may* provide for a ceiling price based on evaluation of the uncertainties involved in performance and their possible cost impact. This ceiling price *should* provide for assumption of a reasonable proportion of the risk by the contractor and, once established, *may* be adjusted only by operation of *contract clauses* providing for equitable adjustment or other revision of the contract price under stated circumstances.

**Parent topic:** [16.205 Fixed-price contracts with prospective price redetermination.](#)