

49.305-1 General.

(a) The TCO *shall* determine the adjusted fee to be paid, if any, in the manner provided by the contract. The determination is generally based on a percentage of completion of the contract or of the terminated portion. When this basis is used, factors such as the extent and difficulty of the work performed by the contractor (*e.g.*, planning, scheduling, technical study, engineering work, production and supervision, placing and supervising subcontracts, and work performed by the contractor in (1) stopping performance, (2) settling terminated subcontracts, and (3) disposing of *termination inventory*) *shall* be compared with the total work required by the contract or by the terminated portion. The contractor's adjusted fee *shall* not include an allowance for fee for subcontract effort included in subcontractors' *settlement proposals*.

(b) The ratio of costs incurred to the total estimated cost of performing the contract or the terminated portion is only one factor in computing the percentage of completion. This percentage *may* be either greater or less than that indicated by the ratio of costs incurred, depending upon the evaluation by the TCO of other pertinent factors.

Parent topic: [49.305 Adjustment of fee.](#)