



Cost Accounting Standards (CAS) Compliance Guide

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Cost Accounting Standards (CAS) Compliance Guide: 2026 Update Notice

Date: April 2026

To: Readers & Federal Contractors Downloading This Guide

From: Bill Walter, Managing Director, Consulting

Subject: Important 2026 Updates Affecting CAS Thresholds & Related Requirements

Thank you for downloading our [Cost Accounting Standards \(CAS\) Compliance Guide](#). This guide was designed to be a practical resource for understanding CAS coverage, exemptions, disclosure considerations, and common administration themes.

Since the guide's publication, Congress enacted the *National Defense Authorization Act for Fiscal Year 2026* (FY 2026 NDAA),¹ and the Cost Accounting Standards Board (CASB) has issued related proposed rules attempting to streamline CAS requirements. Together, these developments are intended to reduce compliance burden while maintaining key pricing integrity controls.

What Has Changed (High Level)

A. FY 2026 NDAA – Major Threshold Increases

The FY 2026 NDAA, enacted on December 18, 2025, includes provisions that will disconnect CAS thresholds from certified cost or pricing data thresholds. Under the NDAA, the CASB is required to increase the threshold for CAS coverage to \$35 million, with contracts exceeding \$100 million being subject to full CAS coverage, effective June 30, 2026.

B. CASB Rulemaking Activities

The CASB is conforming CAS to U.S. GAAP primarily to help reduce the regulatory burden on government contractors, reduce compliance costs, and align with statutory requirements from the 2017 NDAA. This effort is aimed at eliminating redundant, antiquated, or contradictory rules—such as those regarding revenue recognition (ASC 606) and lease accounting—by leveraging modern commercial accounting standards that companies already use, thereby lowering barriers to entry for new contractors.

On March 20, 2026, the CASB issued a Notice of Proposed Rulemaking (NPRM) titled “Increase of Monetary Thresholds and Other Matters Related to Cost Accounting Standards Program Requirements” through the Federal Register.² This NPRM addresses the 2026 NDAA threshold increases, eliminates the “trigger contract” exemption, increases the threshold for requiring a Disclosure Statement to \$100 million, and provides proposed guidance for determining when indefinite delivery (IDIQ) type contracts are subject to CAS requirements.

The CASB has issued proposed and final rules and staff discussion papers addressing steps to conform CAS to U.S. GAAP. This has resulted in some NPRMs that identify specific CAS that can be eliminated or revised to help reduce the compliance burden on contractors. As of the date of this note, the open CAS/U.S. GAAP Conformance Actions include:

- CAS 407 (Use of Standard Costs for Direct Material & Direct Labor): An NPRM was published on March 20, 2026 to conform CAS 407 to U.S. GAAP. The proposal seeks to eliminate 12 of the 16 individual requirements in CAS 407, retaining only minimal content to protect the government's interest. Comments are due April 20, 2026.

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- CAS 404, 408, 409, & 411: On September 11, 2025, the CASB published an NPRM proposing to eliminate or substantially revise the following:
 - CAS 404 (Capitalization of Tangible Assets): Proposed to be largely eliminated, except for specific provisions on business combinations, allowing reliance on U.S. GAAP capitalization policies.
 - CAS 408 (Compensated Personal Absence): Proposed for elimination in favor of U.S. GAAP, recognizing that U.S. GAAP accrual for accumulated rights satisfies the government's need.
 - CAS 409 (Depreciation of Tangible Capital Assets): Proposed for elimination, relying on U.S. GAAP for service lives and depreciation methods, while potentially moving specific involuntary conversion rules to CAS 418.
 - CAS 411 (Acquisition Costs of Material): Proposed for full elimination due to high overlap with U.S. GAAP.
- CAS 415 (Deferred Compensation) & CAS 416 (Insurance Costs): Identified as priorities for ongoing review in staff discussion papers regarding cost measurement and assignment.
- CAS 403 & Lease Accounting: A final rule was published on September 11, 2025, that conforms CAS to U.S. GAAP for operating revenue (removing "operating" to align with U.S. GAAP revenue definitions) and lease accounting, exempting these changes from cost impact adjustments.

Why We're Flagging This for Readers

The guide remains a helpful overview of CAS fundamentals and enduring compliance concepts. However, readers should treat threshold-based statements, e.g., contract thresholds, trigger concepts, full versus modified coverage thresholds, and disclosure statement triggers, as subject to change based on NDAA implementation and updates to CAS, Federal Acquisition Regulation (FAR), and Defense Federal Acquisition Regulation Supplement (DFARS).

If you would like help assessing how these changes may affect your upcoming bids, subcontract flowdowns, disclosure statement posture, or CAS administration approach, our [Government Contracting consulting team](#) is happy to support you.

This communication is provided for informational purposes and is not legal advice.

¹"S.1071 - National Defense Authorization Act for Fiscal Year 2026," [congress.gov](https://www.congress.gov), December 18, 2025.

²"Increase of Monetary Thresholds and Other Matters Related to Cost Accounting Standards Program Requirements," [federalregister.gov](https://www.federalregister.gov), March 20, 2026.

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Cost Accounting Standards (CAS) Compliance Guide

Purpose & Evolution of the Cost Accounting Standards

Before the Cost Accounting Standards (CAS), the government would get proposals from various contractors in response to a request for proposal (RFP). Contracting officers (COs) complained it was difficult to evaluate many proposals because the cost accounting practices used by contractors from one proposal to the next were inconsistent and cost estimates were vastly different. Government oversight officials also were concerned with the misallocation of costs to their contracts. In addition, the government found it difficult to compare negotiated cost estimates with the actual costs of performance.

In the mid-60s, defense contractors were under significant scrutiny and accusations of profiteering were all over the media. Admiral Hyman Rickover testified in congressional hearings that “the lack of uniform accounting is the most serious deficiency in government procurement today.” In 1968, Congress directed the General Accounting Office (GAO)¹ to undertake a study to determine the feasibility of applying uniform cost accounting standards in all negotiated prime contract and subcontract defense procurements of \$100,000 or more.

After the GAO issued its report, Congress passed Public Law 91-379, creating CAS. The CAS would be the responsibility of a new CAS board (the CASB), which over the next decade before being disbanded in 1980, would promulgate CAS clauses for negotiated contracts, administrative requirements, 15 exemptions, 19 cost accounting standards, and a disclosure statement. A few years later, Congress passed Public Law 100-679, reinstating the five-member CASB that is responsible for updates and new CAS-related activities.

Cost Accounting Standards (CAS)

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The purpose of CAS is straightforward—to provide guidelines to improve cost accounting and properly assign cost to negotiated defense contracts. CAS is intended to help ensure uniformity and consistency in the:

- Measurement of cost
- Assignment of a cost to an accounting period
- Allocation of a cost to contracts

While CAS is intended to promote consistency and uniformity of cost accounting practices, if properly implemented, the CAS also can be used to facilitate administration, negotiation, and settlement of contracts.

The complete CAS can be found at [acquisition.gov](https://www.acquisition.gov).

Difference Between CAS & FAR Cost Principles

CAS specifically addresses cost measurement, assignment, and allocability. If a contractor or subcontractor is performing under a contract subject to CAS requirements, the CAS guidance must be followed. However, for the many contracts² not subject to the requirements of CAS, the Federal Acquisition Regulation (FAR) cost principles contained at Part 31.2 provide guidance. While both CAS and FAR provide measurement, assignment, and allocability guidance, only FAR provides guidance on cost allowability, which is a concept unique to federal contracts. Only allowable costs are paid by the government—and all allowability guidance is contained in FAR 31.2.

If there is a conflict between CAS and FAR, CAS will govern.

In addition, a contract—not the contractor—is subject to CAS, which means a company may be performing on dozens of contracts, but only a few may be subject to CAS requirements. In fact, many large contractors do not have any CAS-covered contracts. Many contractors interpret CAS as applicable to all contracts of a business unit due to expectations for consistency in cost accounting practices that charge and allocate costs to both CAS and non-CAS covered contracts; however, CAS administration challenges enhance the importance of contractors' ability to distinguish between contracts subject to CAS and those that are not.

Finally, CAS coverage applicable to a contract is determined at the time of the award. Any changes to the contract will not change its CAS coverage. If exempt at the time of award, the contract is exempt from CAS forever—even if the government modifies the contract. Once CAS is assigned, it will stay for the duration of the contract.

Cost Accounting Standards (CAS) Compliance Guide

CAS Exemptions & Administration

CAS administration is quite burdensome, which is why some companies choose not to work with the federal government. Companies with CAS-covered contracts often have compliance teams on staff to help ensure cost accounting practices are applied consistently across the enterprise.

Determining CAS requirements is a three-part test as illustrated in Figure 1:

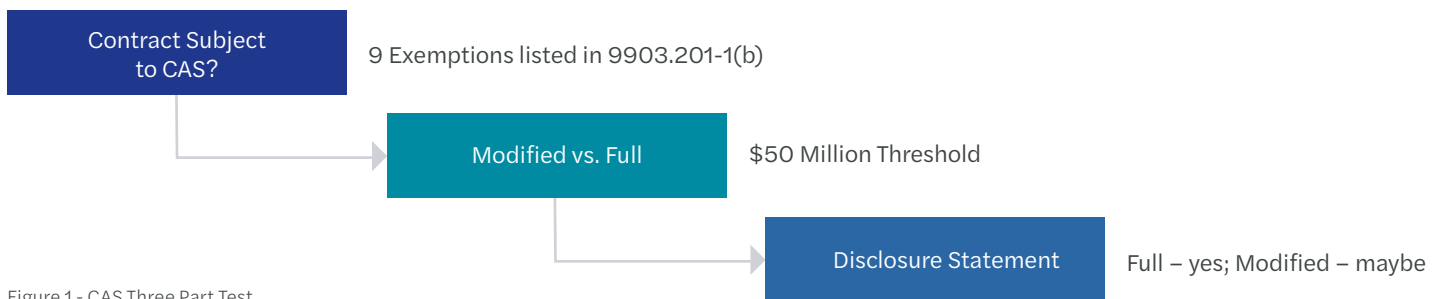


Figure 1 - CAS Three Part Test

1. Determine if the contract overall is exempt from CAS compliance requirements.

CAS, at 48 CFR 9903.201-1(b) currently provides nine exemptions. If any of these exemptions are applicable to your contract, then CAS does not apply:

- a. Sealed bid
- b. Negotiated and amount less than the Truth in Negotiation Act (TINA) Threshold³
- c. Awarded to a small business
- d. Foreign concerns – CAS 401 and CAS 402 only
- e. Price is set by law or regulation
- f. Commercial goods or services
- g. Trigger contract – \$7,500,000
- h. NATO PHM Ship program
- i. Fixed-price with adequate price competition without submission of certified cost or pricing data

While these exemptions seem simple and straightforward, there are interpretations regarding whether an exemption truly applies to a contract. A contract administration best practice is to document the exemption and also negotiate the CAS clauses out of the contract before award. This often overlooked step in the final stages of awarding a contract can create significant issues after contract award.

The rules provide that the CASB can waive all CAS requirements upon the request of an agency head, but this is not common. However, if the contract is under \$15 million, the head of an executive agency may waive CAS if they make a written determination the contractor segment is primarily involved in commercial items and has no other CAS-covered work.

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2. Types of CAS Coverage: Full vs. Modified Coverage

If your contract is not exempt from CAS requirements, then the second test is to determine the type of coverage—Full vs. Modified.

If the negotiated value of your contract is greater than \$50 million and your contract is not exempt, then you have Full CAS coverage on the contract. If the awarded value is less than \$50 million but your company received more than \$50 million in CAS-covered awards last year, you have Full CAS on the contract. If your contract is subject to Full CAS coverage, you must submit a CASB Disclosure Statement to your Administrative Contracting Officer (ACO).⁴

If you don't exceed the \$50 million threshold, you may apply Modified CAS coverage to the contract. Modified CAS is not a simpler or streamlined version of CAS. Administering the CAS requirements is equally applicable to both Full and Modified CAS coverage. Ensuring compliance with CAS administration requirements—notification of changes to cost accounting practices, additional audits, disclosure statements, etc.—is crucial, even for Modified contracts.

CAS coverage is determined on a contract-by-contract basis. Once the level of CAS coverage is determined, it does not change over the life of the contract, even if future modifications make the contract value exceed the \$50 million threshold.

Full Coverage

- FAR 52.230-2, Cost Accounting Standards
- Prepare and submit a Disclosure Statement
- Consistently follow cost accounting practices in accumulating and reporting contract cost data
 - Comply with all Standards:
 - In effect on the date of award of this contract (or if certified cost or pricing data applies, the date of final agreement on price)
 - Any new Standards that become applicable
- Agree to an equitable adjustment if the contract cost is affected by a required change to a cost accounting practice
- Agree to an adjustment if the failure to comply with an applicable Standard, or to follow any cost accounting practice, results in increased costs paid to include interest
- Permit government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause
- Flowdown to subcontracts when applicable

Modified Coverage

- FAR 52.230-3, Disclosure and Consistency of Cost Accounting Practices
- Comply with the four “basic” Standards – CAS 401, 402, 405, and 406
- Prepare and submit a Disclosure Statement if required (see discussion in next section)
- Consistently follow cost accounting practices
- A change:
 - May be proposed and the parties may agree to a change
 - If desirable, agree to negotiate an equitable adjustment with no increased costs
- Agree to an adjustment if the failure to comply with an applicable Standard, or to follow any cost accounting practice, that results in increased costs paid by the U.S. to include interest
- Permit government to examine and make copies of any documents, papers, or records relating to compliance with the requirements of this clause
- Flowdown to subcontracts when applicable

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The primary difference between Full and Modified coverage is the number of applicable Standards that must be complied with, noted below. Modified coverage requires a contractor to comply with the four “basic” Standards. Full coverage required compliance with all 19 Standards currently in place and the promise to comply with any other Standards promulgated by the CASB.

Cost Accounting Practices

CAS is all about consistency in cost accounting practices, defined as processes or procedures used to:

- Assign a cost to a cost accounting period
- Measure a cost
- Allocate a cost to a final cost objective

The initial adoption of a cost accounting practice or practices for the first time is not a change to a cost accounting practice. In the same vein, the partial or total elimination of a cost or the cost of a function also is not a change in cost accounting practice.

CAS also includes guidance stating that revising a cost accounting practice that was previously immaterial is not a change. In determining materiality, CAS provides six criteria for consideration:

1. Absolute dollar amount involved
2. The amount of contract cost compared with the amount under consideration
3. The relationship between a cost item and a cost objective
4. The impact on government funding
5. The cumulative effect of individually immaterial items
6. The administrative cost of processing the contract price adjustment

Frequently, there are disagreements between the government and contractors on what is and is not a cost accounting practice change. As with other areas of CAS, a plethora of guidance and interpretations provides great insight that must be read and understood when complying with CAS.

Knowing what qualifies as a cost accounting change is extremely important in CAS administration as this can adjust contract prices. If a contractor with a contract covered by CAS makes a change to a cost accounting practice, you will face a flurry of activity due to CAS administration requirements. If you make a change, under CAS guidance, you need to give the government a 60-day advance notice that you are making the change and provide a general dollar magnitude of the impact on your representative CAS-covered contracts.

Although not required by CAS, an ACO will likely require a contractor to provide a detailed cost impact of the change to all CAS-covered contracts. A voluntary change to a cost accounting practice is just one of the reasons an ACO will potentially adjust contract prices of CAS-covered contracts.

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Contract Price Adjustments Under CAS

CAS provides for three types of adjustments to contract prices:

- 1. Equitable adjustment under the changes clause for required and desirable changes.** If an update to CAS, such as a new or updated Standard, requires a change to a cost accounting practice, there would be an equitable adjustment to covered contracts. If a contractor wants to make a change, the ACO can determine if the resultant change is “desirable.” In general, a desirable change results in no increased costs to the government.
- 2. An adjustment of contract price or cost allowance to recover increased cost paid for a non-compliant cost accounting practice.** If a contractor uses a non-compliant cost accounting practice, the contractor agrees to adjust contract prices downward. If the cost impact results in an increase in costs to the government, there would be no price adjustment. Increased costs to the government are not allowed for non-compliant practices, so adjustments, if required, will be downward in general.
- 3. A negotiated agreement that may not result in increased cost paid for unilateral changes.** A contractor can make a cost accounting practice change at any time. If that change results in costs to CAS-covered contracts being reduced, that is a desirable change in general. However, if a contractor wants to change a cost accounting practice and costs allocated to CAS-covered contracts would increase, there will be no adjustment to the contract price. The government will not pay increased costs as a result.

The Cost Accounting Standards

In March 1973, the CASB published guidance that Cost Accounting Standards were statements formally issued by the CASB that:

- Enunciate a principle or principles to be followed,
- Establish practices to be applied, or
- Specify criteria to be employed in selecting from alternative principles and practices in estimating, accumulating, and reporting costs of contracts subject to the rules of the Board.

“A Cost Accounting Standard may be stated in terms as general or as specific as the Cost Accounting Standards Board considers necessary to accomplish its purpose. With respect to Cost Accounting Standards, the Board’s primary goal is to issue clearly stated Cost Accounting Standards to achieve (1) an increased degree of uniformity in accounting practices among Government contractors and (2) consistency in accounting treatment of costs by individual Government contractors. Increased uniformity and consistency in accounting are desirable to the extent they improve understanding and communication, reduce the incidence of disputes and disagreements, and facilitate equitable contract settlements.”⁵

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The CASB used a deliberative process to promulgate each Cost Accounting Standard. The process begins with research and field visits and input from professional associations. Next, the board prepares a preliminary draft and coordinates with both government and industry organizations for comment. After receiving comments, the CASB issues a proposed CAS in the Federal Register. After consideration of comments received and continued research, the CASB issues another notice in the Federal Register that becomes a final Cost Accounting Standard with the full force and effect of law in 60 days unless Congress objects.

The Board's Research Process

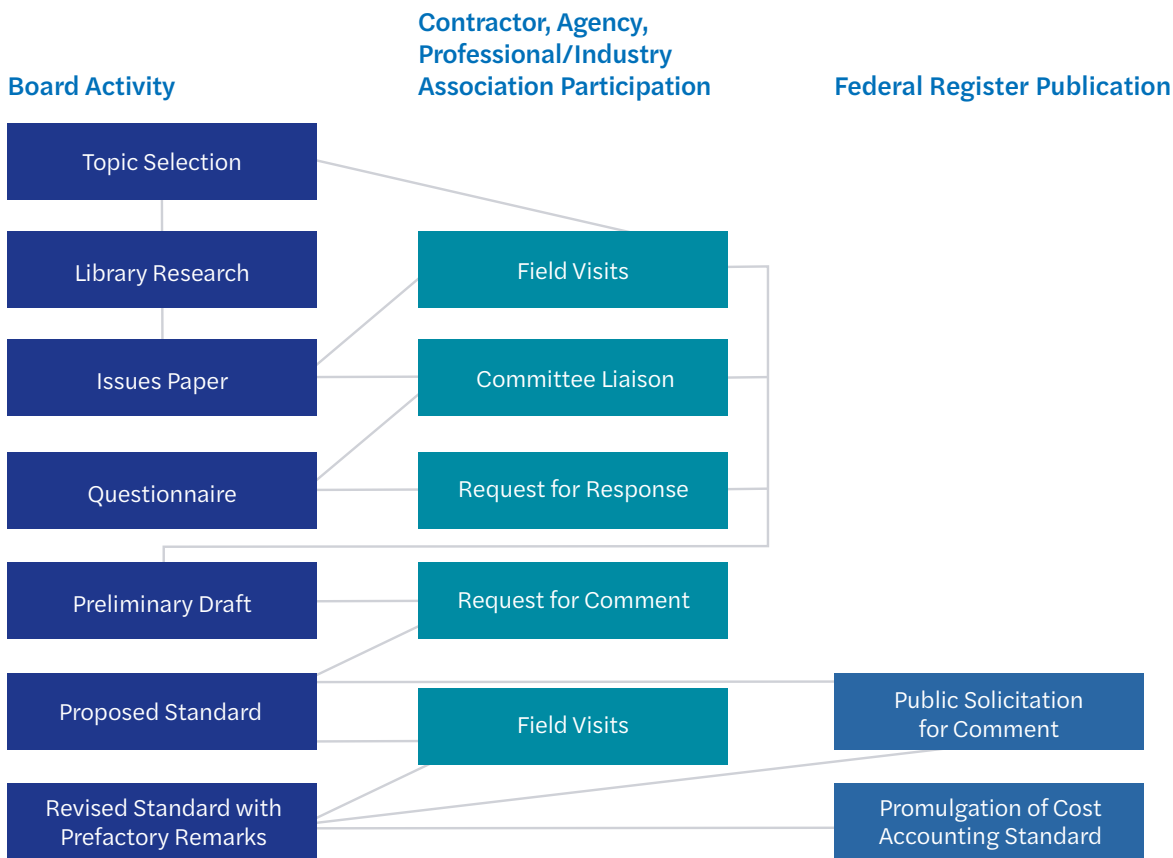


Figure 2 - CASB Research Process
Source: "Progress Report to the Congress," (17) gao.gov

Cost Accounting Standards (CAS)

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Each standard is promulgated using a consistent format to facilitate administration and compliance. The structure includes consistent section numbering:

- **20 – Purpose** – reason and goals for standard
- **30 – Definitions** – key terms repeated in multiple standards – master listing is located in 48CFR9903.301
- **40 – Fundamental Requirement** – broad principles or practices to be applied
- **50 – Techniques for Application** – criteria for selection of practices to comply with fundamental requirement or alternative procedures
- **60 – Illustrations** – examples of compliant and noncompliant practices
- **61 – Interpretation** – interpretations of the standard issued by the CASB – CAS 401, 402, 403, and 406 currently have interpretations
- **62 – Exemptions** – the CASB has issued exemption for certain types of entities under CAS 408, 409, 410, 414, 418, and 420
- **63 – Effective Date** – identifies that date a covered contractor must comply with the requirements of the standards
- **64 – Transition Method** – the pension standards, CAS 412 and 413, include a section addressing the transition method to comply with the version of the standards prior to the March 30, 1995 revisions

While the CASB has promulgated 19 different Cost Accounting Standards to date, contracts subject to Modified coverage must comply with only four of the Standards:

CAS 401

Consistency in Estimating, Accumulating, & Reporting Cost

CAS 402

Consistency in Allocating Costs Incurred for the Same Purpose

CAS 405

Accounting for Unallowable Cost

CAS 406

Cost Accounting Period

CAS 401 and 402, issued in 1972, require contractors to use cost accounting practices consistent from one cost accounting period to the next and between contracts as well. This lack of consistency was one of the major concerns expressed at the congressional hearings that led to the creation of the CAS.

In 1993, the CASB revised the definition of Modified coverage to include CAS 405 and 406. CAS 405 was added because the Board felt accounting for unallowable costs was so fundamental that any contractor working on cost-based contracts should be able to comply with this requirement. CAS 406 was added because the requirement of a 12-month cost accounting period is so basic, and the Standard also prohibits the use of inappropriate or inconsistent cost accounting periods “in order to minimize indirect costs.”⁶

For contracts subject to Full CAS coverage, these sections describe the 15 additional standards requiring compliance.

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The next Standards group addresses cost allocations to final cost objectives (speaking in general – contracts):

CAS 403

Allocation of Home Office Expenses to Segments

CAS 407

Use of Standard Costs for Direct Material & Direct Labor

CAS 410

Allocation of Business Unit General & Administrative Expenses to Final Cost Objectives

CAS 414

Cost of Money as an Element of the Cost of Facilities Capital

CAS 418

Allocation of Direct & Indirect Costs

CAS 420

Accounting for Independent Research & Development Costs & Bid & Proposal Costs

CAS 403 – Allocation of Home Office Expenses to Segments

For companies that are a part of a hierarchical organization, CAS 403 provides guidance on how to allocate higher level costs down to the entities allocating costs to CAS covered contracts. This Standard also describes when residual home office expenses must be allocated using the Three-Factor formula.

CAS 407 – Use of Standard Costs for Direct Material & Direct Labor

The use of standard costing is more common among manufacturers than service providers. If a company uses standard costs, variance from standard costs is generated. This Standard requires the practices regarding setting and revising standards, use of standards, and the disposition of variances be in writing and consistently followed.

CAS 410 – Allocation of Business Unit General & Administrative Expenses to Final Cost Objectives

Everything you wanted to know about business unit general and administrative (G&A) costs is included in CAS 410. This Standard describes the types of costs a company should include in its G&A expense pool. The CASB provides that there are only three acceptable allocation bases for G&A expenses—Single Element, Value-Added, and Total Cost Input. The CASB made it clear there is no preference among these bases. The cost input base selected should be the one representing the total activity of a business unit. The Standard provides for a special allocation if the use of an acceptable cost input base results in significantly more or less benefit from G&A expenses.

CAS 414 – Cost of Money as an Element of the Cost of Facilities Capital

Cost of money goes by several names—COM, facilities capital cost of money (FCCM), Ficcum, etc. The calculation and application of cost of money is established and determined by the requirements spelled out in CAS 414. Even FAR 31.205-10 states that cost of money is measured, assigned, and allocated in accordance with CAS 414.

CAS 418 – Allocation of Direct & Indirect Costs

CAS 418 requires a contractor to have a written statement of accounting policies and practices for classifying costs as direct or indirect. These written statements must be consistently applied. Pools of indirect cost should be logically grouped and allocated to cost objectives in reasonable proportion to the beneficial or causal relationship to contracts, e.g., in an indirect cost pool containing costs related to supervision and management of direct labor, the pool should be allocated over a direct labor base. This Standard also provides guidance on allocating costs of services centers. However, the Standard is not applicable to costs covered by other CAS, e.g., G&A expenses covered under CAS 410.

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CAS 420 – Accounting for Independent Research & Development Costs & Bid & Proposal Costs

CAS 420 provides guidance on the accumulation and allocation of independent research and development (IR&D) and bid and proposal (B&P) costs. The Standard requires a contractor subject to CAS 420 must accumulate these costs by individual project, although the cost of smaller projects may be grouped into a single project. The direct costs of these projects receive their share of allocated indirect costs and then are allocated over the same cost input base used to allocate G&A expenses. It is important to note only direct costs should be accumulated at the project level. Indirect costs, such as overhead, will be allocated to the direct costs in accordance with the CAS 418 statement of accounting policies. This Standard can be quite complex to implement, which is why the CASB provides a contractor with two complete fiscal years before the Standard becomes applicable for the first time.

Remaining Cost Accounting Standards

To summarize the remaining Standards, for the purposes of this guide, we have grouped them into the following:

Asset Accounting

Accounting for the cost of tangible assets through capitalization and depreciation is governed by CAS 404, Capitalization of Tangible Assets, and CAS 409, Depreciation of Tangible Capital Assets. These Standards also require accounting practices be in writing and establish the rules to determine which assets should be capitalized (CAS 404) and how to depreciate the assets (CAS 409). CAS 417, Cost of Money as an Element of the Cost of Capital Assets Under Construction, was the last standard promulgated by the original CASB. CAS 417 was a natural outgrowth of CAS 414 and adds an imputed cost of money to the capitalized cost of acquisition for assets being constructed for a contractor's own use.

Compensation Accounting

CAS 408, Accounting for Compensated Personal Absence, requires a contractor to assign the cost of a compensated personal absence to the period in which the employee earns the entitlement. At the time this CAS was promulgated in 1974, there were no specific generally accepted accounting practices (GAAP) in place to ensure these costs were charged consistently to a cost accounting period. In 1980, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards No. 43, Accounting for Compensated Absences, which aligns with CAS 408. In 2019, the CASB issued a Staff Discussion Paper, inviting public comment on the conformance of CAS 408, and several other standards, to GAAP. As the current CASB works through its agenda, it is possible this standard and others could be eliminated as GAAP has evolved considerably since the 1970s.

Pension costs are governed by CAS 412, Composition and Measurement of Pension Cost, and CAS 413, Adjustment and Allocation of Pension Cost. For companies with defined benefit pension plans, these standards provide significant guidance on the measurement, allocation, and assignment of pension costs to contracts. For companies with defined contribution plans, the costs are much easier to measure and assign, in great part due to other regulations.

CAS 415, Accounting for the Cost of Deferred Compensation, covers the cost of deferred compensation except for those costs covered by CAS 408, CAS 412, and CAS 413. Deferred compensation is an award made by an employer to compensate an employee in a future cost accounting period for services provided in a cost accounting period prior to the receipt of compensation by the employee. This definition does not include year-end accruals for salaries, wages, or bonuses to be paid within a reasonable period of time after the end of a cost accounting period.

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Other Costs

When accounting for the cost of materials used in production, CAS 411, Accounting for Acquisition Costs of Material, requires written policies and procedures. In general, GAAP requirements for inventory valuation are acceptable under CAS 411.

Accounting for insurance costs can be challenging. CAS 416, Accounting for Insurance Costs, provides guidance on both purchased insurance and self-insurance costs. When establishing this standard, the board determined the rule was necessary to address many inconsistencies identified in a 1962 Air Force review and a 1969 DCAA study of insurance procedures of 34 defense contractors.

CAS Disclosure Statement

A Disclosure Statement is a written description of the “chosen” cost accounting practices a contractor uses for its CAS covered contracts. The CASB has issued two separate versions of the Disclosure Statement. The DS-1 form is for commercial organizations and DS-2 is for educational institutions (described in the next section).

The DS-1 contains ten different 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 & Capitalization Practices
- Part VI – Other Costs & Credits
- Part VII – Deferred Compensation & Insurance Cost
- Part VIII – Home Office Expenses

A single company or segment may need only to complete Parts I through VII to describe their cost accounting practices. Part VII is used when CAS 403 applies, and the company needs to describe the cost accounting practices used to allocate home office expenses to segment. A company with multiple home offices at the division and corporate level may need to complete multiple Part VIII's to describe each entity that incurs and allocates costs to the segment.

Not everyone is required to complete and submit a Disclosure Statement. Completed Disclosure Statements are required:

If performing on a contract subject to Full coverage, complete and submit a Disclosure Statement before award

If a segment received over \$50 million of CAS covered awards in the prior year (but no single award over \$50 million), then a completed Disclosure Statement must be filed within the first 90 days of the current cost accounting period

For each segment that costs are included in the total price of any CAS covered contract exceed the TINA threshold unless the segment's effort is covered by an exemption or if the preceding cost accounting period, the segment's covered awards are less than 30% of sales and less than \$10 million

For each home office allocating costs to one or more disclosing segments performing on a CAS-covered contract

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For foreign concerns in Canada, Germany, and the United Kingdom, the use of their government's form is an acceptable alternative to the DS-1.

Disclosure Statements must be current and followed consistently. Disclosure Statements may be revised at any time and revisions may be proposed by either the contractor or the government. Instructions on making changes to a submitted Disclosure Statement are included in the General Instructions section of the template.

If a Disclosure Statement contains trade secrets and commercial or financial information, which is privileged and confidential, notify the contracting officer and the document shall be protected and not released outside the government.

Completed Disclosure Statements are required to be submitted to the cognizant ACO and the cognizant federal auditor. Once submitted, a contractor should expect to receive visits from the oversight team to verify:

1. Adequacy Determination – ensuring the Disclosure Statement adequately describes the contractor's cost accounting practices.
2. Compliance Determination – ensuring those practices comply with the applicable CAS.

Subcontractors can submit a completed Disclosure Statement to the prime contractor, ACO, or cognizant agency. As a reminder, for the prime contractors that are subject to modified or full CAS covered contracts, you want to make sure that your subcontractors also follow suit and submit a Disclosure Statement, as applicable.

CAS for Colleges & Universities

The CASB initially provided exemptions for educational institutions from the complex requirements and scrutiny of the CAS. On November 8, 1994, the CASB issued a final rule extending CAS coverage to universities engaged in contracting with the federal government.

CAS 501

Consistency in estimating, accumulating, and reporting costs by educational institutions

CAS 502

Consistency in allocating costs incurred for the same purpose by educational institutions

CAS 505

Accounting for unallowable costs— educational institutions

CAS 506

Cost accounting period— educational institutions

If a college or university is performing on a contract that is not exempt from CAS requirements, the institution will be subject to the requirements of four standards:

Although these standards are consistent with the 400 series counterpart, the 500 series of CAS is written specifically for educational institutions.

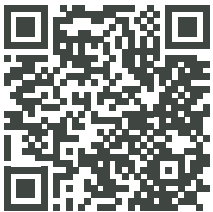
Regarding Disclosure Statements, educational institutions have comparable requirements; however, the threshold is \$25 million in CAS-covered awards. The DS-2 document contains seven parts compared to the eight parts contained in the commercial template.

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How Forvis Mazars Can Help Contractors With CAS Compliance

We have summarized nearly 70 years of history and thousands of pages of regulations, interpretations, and guidance into this condensed guide to provide you with an overview of CAS compliance. Even when condensed, we understand how challenging these intricate regulations can be to follow. The government contracting consulting team at Forvis Mazars can help contractors navigate these complex rules.

Over the years, we have learned that contractors who rely on a knowledgeable and experienced firm that delivers strategy-aligned services seem to experience fewer audit and compliance challenges, spend less on remediation issues, and improve cost recovery on their programs. Addressing compliance up front helps you make informed business decisions and avoid changes during an audit when a significant contract award is on the line.



If you would like further information or have questions about these matters, please contact a professional at Forvis Mazars or visit us at forvismazars.us.

¹In 2004, GAO's legal name changed from the General Accounting Office to the Government Accountability Office to reflect the agency's expanding role in a growing federal government.

²When applicable, CAS can apply to both prime contracts and potentially to subcontracts. In this article, we use the term "contracts" to include both prime contracts and subcontracts.

³Currently at \$2,000,000. Also, through Positive Law codification—the name TINA has been changed to Truthful Cost or Pricing Data—the rules are the same, only the name has changed.

⁴The CAS Clause at FAR 52.230-6 refers to a Cognizant Federal Agency Official (CFAO) to administer CAS requirements. In this article, we use the term "ACO" in lieu of CFAO.

⁵[Progress Report to the Congress](https://www.gao.gov), "gao.gov, August 15, 1973

⁶[Federal Register, Vol. 58, No.12](https://www.federalregister.gov), "federalregister.gov, January 4, 1993



Contact

Bill Walter

Managing Director

703.970.0509

bill.walter@us.forvismazars.com

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