49.201 General.

(a) A settlement *should* compensate the contractor fairly for the work done and the preparations made for the terminated portions of the contract, including a reasonable allowance for profit. Fair compensation is a matter of judgment and cannot be measured exactly. In a given case, various methods *may* be equally appropriate for arriving at fair compensation. The use of business judgment, as distinguished from strict accounting principles, is the heart of a settlement.

(b) The primary objective is to negotiate a settlement by agreement. The parties *may* agree upon a total amount to be paid the contractor without agreeing on or segregating the particular elements of costs or profit comprising this amount.

(c) Cost and accounting data *may* provide guides, but are not rigid measures, for ascertaining fair compensation. In appropriate cases, costs *may* be estimated, differences compromised, and doubtful questions settled by agreement. Other types of data, criteria, or standards *may* furnish equally reliable guides to fair compensation. The amount of recordkeeping, reporting, and accounting related to the settlement of terminated contracts *should* be kept to a minimum compatible with the reasonable protection of the public interest.

Parent topic: Subpart 49.2 - Additional Principles for Fixed-Price Contracts Terminated for Convenience