

## 49.002 Applicability.

(a)

(1) This part applies to contracts that provide for termination for the convenience of the Government or for the default of the contractor (see also [12.403](#) and [13.302-4](#)).

(2) This part does not apply to *commercial product* and *commercial service* contracts awarded using part [12](#) procedures. See [12.403](#) for termination policies for contracts for the *acquisition* of *commercial products* and *commercial services*. However, for contracts for the *acquisition* of *commercial products* and *commercial services*, this part provides administrative guidance which *may* be followed unless it is inconsistent with the requirements and procedures in [12.403](#), Termination, and the clause at [52.212-4](#), Contract Terms and Conditions-*Commercial Products* and *Commercial Services*.

(b) Contractors *shall* use this part, unless inappropriate, to settle subcontracts terminated as a result of modification of prime contracts. The *contracting officer shall* use this part as a guide in evaluating settlements of subcontracts terminated for the convenience of a contractor whenever the settlement will be the basis of a proposal for reimbursement from the Government under a cost-reimbursement contract.

(c) The *contracting officer may* use this part in determining an equitable adjustment resulting from a modification under the Changes clause of any contract, except cost-reimbursement contracts.

(d) When action to be taken or authority to be exercised under this part depends upon the "amount" of the *settlement proposal*, that amount *shall* be determined by deducting from the gross settlement proposed the amounts payable for completed articles or work at the contract price and amounts for the settlement of subcontractor *settlement proposals*. Credits for retention or other disposal of *termination inventory* and amounts for advance or partial payments *shall* not be deducted.

**Parent topic:** [Part 49 - Termination of Contracts](#)