

COST ANALYSIS

DATE: Date

TO: Name, PSEMC Contracts
Pacific Scientific EMC

FROM: Name, Supply Chain
Pacific Scientific EMC

Program: Program Name

Supplier: Supplier Name

System: Program System

INTRODUCTION

In response to Customer Reference Request for Proposal (RFP) No. Customer Proposal Identification-Description, PAC-SCI Proposal Customer Proposal Number, Supplier Name, located in Supplier location (city, state) has submitted a Firm Fixed Price (FFP) Proposal Supplier proposal number and revision number (Attachment(s) ?), dated Date in response to PSEMC RFQ ID# Quote Number for Quantity deliverables each Options reference (e.g. Option 1 for 90) Description of Purchase PSEMC P/N Part Number(s) and Revision level in support PSEMC Proposal # Customer Proposal Number Program reference (e.g. THAAD Lot #) requirements. The quantities of deliverable will be determined by customer assignment. The total amount proposed \$Value FFP includes profit in the amount of \$Value.

TOTAL COST SUMMARY

Cost Element	Proposed	Recommended	Delta
Total Cost	5,000,000.00	4,000,000.00	-1,000,000.00
FCCM	28,000.00	27,000.00	-1,000.00
Profit	600,000.00	540,000.00	-60,000.00
Rounding	YES	YES	YES
TOTAL PRICE	5,628,000.00	4,567,000.00	-1,061,000.00

FCCM – Facilities Capital Cost of Money

PSEMC finds the difference between the proposed and recommended total price is due to questioned material and labor escalation, material overage %, and a reduction in profit to Percentage%.

VALIDITY PERIOD

The Supplier Name quote submitted Date is valid to Date.

PERIOD OF PERFORMANCE

The proposed period of performance is from date of contract award Date (Month & Year) with anticipated deliveries commencing in Date (Month & Year) thru Date (Month & Year).

DELIVERY SCHEDULE

Hardware deliveries will be Quantity units per week until all Product Description are delivered.

COST HISTORY

Supplier Name has provided recent production "actual cost" on materials and labor from Date (Month, Day, Year) thru Date (Month, Day, Year).

PROCUREMENT HISTORY

Supplier Name has provided procurement history awarded to subtier suppliers supporting previous deliverables supplied to PSEMC of Description of Purchase on previous contract awards, and most recently submitted and summarized in Program reference (e.g. THAAD Lot #) proposal Supplier Quote # Supplier proposal number and revision number dated Date (Month, Day, Year) in support of Quantity each Product Description.

ACCOUNTING SYSTEM

Supplier Name has is in place, agreed guidelines with local DCAA on its accounting system.

DIRECT MATERIAL

	Proposed Amount	Recommended Amount
Direct Material	90,000.00	90,100.00
Material Overage Percentage%	58,000.00	40,000.00
Material Escalation Percentage% thru 2014	7,000.00	3,500.00
TOTAL MATERIALS	155,000.00	133,600.00

Proposed / Recommended

Material dollars proposed in Supplier Name Proposal, Supplier proposal number and revision number (RFQ# PSEMC Quote Number) Program reference Program (Attachment A?), with the Bill

of Material provided by Supplier Name are determined by PSEMC to be consistent with the qualified design of the Description of Purchase flight hardware, previously delivered to PSEMC and current proposals. The \$Value unit cost compares favorably to the Date (e.g. June 20, 2013) BOM based on Quantity units. Approximately Percentage% of the increase is accounted for by specialty materials purchased components such as the description of components impacting cost. Increased quantities also have resulted in other cost reductions.

Material overage rates (attrition costs) of Percentage% are a variable multiplier based on recent production run rates and deliverables, intended to compensate for yield and scrap during production build. PSEMC recommends an overage rate reduction to Percentage% based on projected improvements resulting from increased volume and lean activities. PSEMC recommends direct material overage dollars of \$Value versus proposed \$Value, a reduction of (\$Value).

Material is escalated Percentage%, PSEMC recommends Percentage% escalation factor over the period of performance based on Global Insight (Quarter and Year (e.g. 3Q2013)) Computer & Electronic components. PSEMC recommends direct material escalation dollars of \$Value versus proposed \$Value, a reduction of (\$Value).

There will be no sub-tier suppliers providing materials over \$150,000 threshold that require Supplier Name to request Price Analysis and Technical Evaluation.

DIRECT LABOR HOURS

The proposed and recommended direct labor hours and amounts are as follows:

Labor hours Quantity(ies) Units, PSEMC p/n PSEMC Part Number Rev Rev Level, Supplier Name
p/n Supplier Part Number

Labor Category	Proposed Unit labor hours	Proposed Total labor hours	Recommended Unit labor hours	Recommended Total labor hours	Delta Difference
Manufacturing					
Fiber Optic Production	0.00	0.00	0.00	0.00	0.00
Fiber Optic Mfg Eng	0.00	0.00	0.00	0.00	0.00
Central R&D Salary	0.00	0.00	0.00	0.00	0.00
Quality Control - Hrly	0.00	0.00	0.00	0.00	0.00
Quality Control - Salary	0.00	0.00	0.00	0.00	0.00



Program Management	0.00	0.00	0.00	0.00	0.00
Total Mfg	0.00	0.00	0.00	0.00	0.00
Engineering A	0.00	0.00	0.00	0.00	0.00
Engineering B	0.00	0.00	0.00	0.00	0.00
Total Eng	0.00	0.00	0.00	0.00	0.00
Total Labor hours – Quantity(ies) deliverable	0.00	0.00	0.00	0.00	0.00

The detailed direct labor hours, rates, and amounts by each skill within each cost center for calendar year Year thru Year are shown in Supplier Name Proposal Quote # Supplier proposal number and revision number for the Program reference (e.g. THAAD Lot #) Program (Attachment(s)?),

Hours

The proposed direct labor hours are based on functional group estimates to accomplish each task as required by PSEMC. These hours are consistent with PSEMC’s Engineering Technical Evaluation Date (Month, Day, Year). Based on Supplier Name external and reported internal yields (approximately Percentage% external), appear to be a fair and reasonable basis of estimate. No adjustments are recommended. *(or rationale for adjustment)*

Direct Labor Rates

Proposed direct labor rates are average rates by labor category. The direct labor hours are priced using Fiscal Year (e.g. FY2013) dollars. All direct labor was escalated Percentage%, PSEMC recommends Percentage% escalation factor for both cost pools based on Global Insight (Quarter-Year (e.g. 3Q2013)) Metric Reference (e.g. Aerospace Products & Parts Manufacturing). PSEMC recommends direct manufacturing labor dollars of \$Value versus proposed \$Value, a reduction of (\$Value). PSEMC recommends direct engineering labor dollars of \$Value versus proposed \$Value, a reduction of (\$Value).

	Proposed Amount	Recommended Amount
Direct Manufacturing Labor	750,000.00	720,000.00
Direct Engineering Labor	120,000.00	116,000.00
TOTAL LABOR Dollars	870,000.00	836,000.00

INDIRECT RATES

The proposed and recommended Overhead and G&A bases and rates:

Category	Proposed			Recommended		
	Base	Rate	Amount	Base	Rate	Amount
Material Burden	150,000.00	15.00%	22,500.00	130,000.00	14.50%	18,850.00
Engineering Burden	120,000.00	180.00%	216,000.00	115,000.00	175.00%	201,250.00
Manufacturing Burden	750,000.00	260.00%	1,950,000.00	720,000.00	250.00%	1,800,000.00
Gen. & Admin	3,000,000.00	14.00%	420,000.00	3,000,000.00	13.00%	390,000.00

The proposed indirect rates are the supplier's current bidding rates for Fiscal Year (e.g. FY2013) to Fiscal Year (e.g. FY2013) Actuals (Date (Month, Day, Year) through Date (Month, Day, Year)). Indirect rates are based on 12 month YTD actuals and are consistent with prior proposal submissions. No adjustments are recommended reductions as the indirect rates appear to be fair and reasonable. The indirect cost adjustments reflect the reductions in material and labor dollars discussed above.

OTHER DIRECT COSTS (ODC)

N/A

FACILITY COST OF CAPITAL (FCCM)

	Proposed	Recommended
FCCM	28,000.00	27,000.00

The proposed FCCM is \$Value. PSEMC recommends \$Value based on labor reductions above.

PROFIT

	Proposed			Recommended		
	Base	Rate	Amount	Base	Rate	Amount
Profit	3,600,000.00	15%	540,000.00	3,500,000.00	14%	490,000.00

Proposed

The proposed profit is Percentage% of total proposed cost excluding FCCM based on corporate budget. PSEMC proposes a profit rate of Percentage% of total cost recommended, excluding FCCM based on risk assumed in contract type.

CONCLUSION & QUALIFICATION

The following Conclusion and Qualifications are submitted by PSEMC for acceptance by Customer for Cost Analysis with noted and recommended changes to Supplier Proposal, Supplier proposal number and revision number Program reference (e.g. THAAD Lot #) (Attachment(s)?). Based on the above information, PSEMC recommends a \$Value unit price based on PSEMC's Technical Evaluation and costs analysis.

Prepared by: Input Name
 Input Title
Pacific Scientific Energetic Materials Company