31.205–48 Research and development costs.

Research and development, as used in this subsection, means the type of technical effort described in 31.205–18 but sponsored by a grant or required in the performance of a contract. When costs are incurred in excess of either the price of a contract or amount of a grant for research and development effort, the excess is unallowable under any other Government contract.

[65 FR 46072, July 26, 2000, as amended at 68 FR 28092, May 22, 2003]

31.205–49 Goodwill.

Goodwill, an unidentifiable intangible asset, originates under the purchase method of accounting for a business combination when the price paid by the acquiring company exceeds the sum of the identifiable individual assets acquired less liabilities assumed, based upon their fair values. The excess is commonly referred to as goodwill. Goodwill may arise from the acquisition of a company as a whole or a portion thereof. Any costs for amortization, expensing, write-off, or write-down of goodwill (however represented) are unallowable.

[49 FR 26743, June 29, 1984]

31.205–50 [Reserved]

31.205–51 Costs of alcoholic beverages.

Costs of alcoholic beverages are unallowable.

[51 FR 12302, Apr. 9, 1986]

31.205–52 Asset valuations resulting from business combinations.

(a) For tangible capital assets, when the purchase method of accounting for a business combination is used, whether or not the contract or subcontract is subject to CAS, the allowable depreciation and cost of money shall be based on the capitalized asset values measured and assigned in accordance with 48 CFR 9904.404–50(d), if allocable, reasonable, and not otherwise unallowable.

(b) For intangible capital assets, when the purchase method of accounting for a business combination is used, allowable amortization and cost of money shall be limited to the total of...
the amounts that would have been al-
lowed had the combination not taken
place.
[63 FR 9068, Feb. 23, 1998]

**Subpart 31.3—Contracts With
Educational Institutions**

31.301 Purpose.
This subpart provides the principles for
determining the cost of research and
development, training, and other
work performed by educational institu-
tions under contracts with the Govern-
ment.

31.302 General.
Office of Management and Budget
(OMB) Circular No. A–21, Cost Prin-
ciples for Educational Institutions, re-
vised, provides principles for deter-
mining the costs applicable to research
and development, training, and other
work performed by educational institu-
tions under contracts with the Govern-
ment.

31.303 Requirements.
(a) Contracts that refer to this sub-
part 31.3 for determining allowable
costs under contracts with educational
institutions shall be deemed to refer to,
and shall have the allowable costs deter-
mined by the contracting officer in accord-
ance with, the revision of OMB Circular
A–21 in effect on the date of the contract.
(b) Agencies are not expected to
place additional restrictions on indi-
vidual items of cost.

**Subparts 31.4–31.5 [Reserved]**

**Subpart 31.6—Contracts With
State, Local, and Federally
Recognized Indian Tribal Gov-
ernments**

31.601 Purpose.
This subpart provides the principles for
determining allowable cost of con-
tracts and subcontracts with State,
local, and federally recognized Indian
tribal governments.

31.602 General.
Office of Management and Budget
(OMB) Circular No. A–87, Cost Prin-
ciples for State and Local Govern-
ments, Revised, sets forth the prin-
ciples for determining the allowable
costs of contracts and subcontracts
with State, local, and federally recog-
nized Indian tribal governments. These
principles are for cost determination
and are not intended to identify the circumstances or dictate the extent of Federal and State or local participa-
tion in financing a particular contract.

31.603 Requirements.
(a) Contracts that refer to this sub-
part 31.6 for determining allowable
costs under contracts with State, local
and Indian tribal governments shall be
deemed to refer to, and shall have the
allowability of costs determined by the
contracting officer in accordance with,
the revision of OMB Circular A–87
which is in effect on the date of the
contract.
(b) Agencies are not expected to
place additional restrictions on indi-
vidual items of cost. However, under 10
U.S.C. 2324(e) and 41 U.S.C. 256(e), the
following costs are unallowable:
(1) Costs of entertainment, including
amusement, diversion, and social ac-
tivities, and any costs directly associ-
ated with such costs (such as tickets to
shows or sports events, meals, lodging,
rentals, transportation, and gratu-
ties).
(2) Costs incurred to influence (di-
rectly or indirectly) legislative action
on any matter pending before Congress,
a State legislature, or a legislative
body of a political subdivision of a
State.
(3) Costs incurred in defense of any
civil or criminal fraud proceeding or
similar proceeding (including filing of
any false certification) brought by the
United States where the contractor is
found liable or has pleaded *nolo con
tendere* to a charge of fraud or simi-
lar proceeding (including filing of a
false certification).
(4) Payments of fines and penalties
resulting from violations of, or failure
to comply with, Federal, state, local,
or foreign laws and regulations, except
when incurred as a result of compli-
ance with specific terms and conditions.