contracts for FMS not wholly paid for from funds made available on a non-repayable basis is limited to the contract’s allocable share of the contractor’s total IR&D/B&P expenditures. In pricing contracts for such FMS—
(1) Use the best estimate of reasonable costs in forward pricing; and
(2) Use actual expenditures, to the extent that they are reasonable, in determining final cost.
(d) Under paragraph (e)(1)(A) of Section 21 of the Arms Export Control Act (22 U.S.C. 2761), the United States must charge for administrative services to recover the estimated cost of administration of sales made under the Army Export Control Act.
(e) The limitations in 231.205–1 on allowability of costs associated with leasing Government equipment do not apply to FMS contracts.

225.7303–5 Acquisitions wholly paid for from nonrepayable funds.
(a) In accordance with 22 U.S.C. 2762(d), price FMS wholly paid for from funds made available on a non-repayable basis on the same costing basis with regard to profit, overhead, IR&D/B&P, and other costing elements as is applicable to acquisitions of like items purchased by DoD for its own use.
(b) Direct costs associated with meeting a foreign customer’s additional or unique requirements are allowable under such contracts. Indirect burden rates applicable to such direct costs are permitted at the same rates applicable to acquisitions of like items purchased by DoD for its own use.
(c) A U.S. defense contractor may not recover costs incurred for offset agreements with a foreign government or international organization if the LOA is financed with funds made available on a non-repayable basis.

225.7304 FMS customer involvement.
(a) FMS customers may request that a defense article or defense service be obtained from a particular contractor.