PGI 216.403-2 Fixed-price incentive (successive targets) contracts.

The formula specified in FAR 16.403-2(a)(1)(iii) does not apply for the life of the contract. It is used to fix the firm target profit for the contract. To provide an incentive consistent with the circumstances, the formula should reflect the relative risk involved in establishing an incentive arrangement where cost and pricing information were not sufficient to permit the negotiation of firm targets at the outset.

Parent topic: PGI 216.403 Fixed-price incentive contracts.