

**Annex 10.5: Cost Notification 01 - TPC Royalty Amount for Cost Rate Negotiations
(2004-05-14)**

Background

Technology Partnership Canada (TPC) has contributed sums per TPC Project Agreements which carry provisions for the possible repayment of these contributions per Royalty repayment terms in these accords.

In most cases, these royalty repayment terms are tied to the sale of the potential product/project that TPC contributed the funds for. The term and repayment percentage varies per the understanding.

Issue

In the agreements that were reviewed, the royalty payments to TPC to be made by the firm, in most instances, exceed the original contribution amount providing that the project has viable sales of the development project.

The annual rate negotiation with a firm will be faced with a potential royalty repayment cost in the overhead rate calculation in the year that the repayment is required and made to TPC.

Cost Recovery Position For Annual Rate Negotiation Negotiations

For annual rate negotiation purposes, the recovery amount allowed on Crown contracts shall be limited to the original TPC contribution per the agreement. The amount in excess of the original contribution shall be considered a separate element outside the rate negotiations and will not be an allowable contract cost.

The amount of the recovery shall be determined by the original TPC agreement. For contributions that are product specific, a product development recovery rate will be established. For non-product specific agreements, the recovery will be made through a General and Administrative Overhead and shall be recovered over a reasonable amount of time.

References

[Treasury Board Accounting Standard 3.2](#) - Transfer Payments (Grants and Contributions)

Contract Cost Principles [1031-2](#), of the *Standard Acquisition Clauses and Conditions* Manual

[Annex 10.1.0](#): Reasons for the Non-applicability of Certain Cost when Utilizing Contract Cost Principles 1031-2.

[Annex 10.1.7](#): Research and Development Expenses - Number -07

[Annex 10.1.12](#): Company Funded Costs - Number - 12

CICA 3290 Contingencies