

16.205-3 Limitations.

This contract type shall not be used unless-

- (a) Negotiations have established that-
 - (1) The conditions for use of a firm-fixed-price contract are not present (see [16.202-2](#)); and
 - (2) A fixed-price incentive contract would not be more appropriate;
- (b) The contractor's accounting system is adequate for price redetermination;
- (c) The prospective pricing periods can be made to conform with operation of the contractor's accounting system; and
- (d) There is reasonable assurance that price redetermination actions will take place promptly at the specified times.

Parent topic: [16.205 Fixed-price contracts with prospective price redetermination.](#)