

## 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.](#)