

# 31.205-25 Manufacturing and production engineering costs.

(a) The *costs* of manufacturing and production engineering effort as described in (1) through (4) of this paragraph are all allowable:

(1) Developing and deploying new or improved materials, systems, processes, methods, equipment, tools and techniques that are or are expected to be used in producing *products* or services;

(2) Developing and deploying pilot production lines;

(3) Improving current production functions, such as plant layout, production scheduling and control, methods and *job* analysis, equipment capabilities and capacities, *inspection* techniques, and tooling analysis (including tooling design and application improvements); and

(4) Material and manufacturing producibility analysis for production suitability and to optimize manufacturing processes, methods, and techniques.

(b) This cost principle does not cover-

(1) Basic and *applied research* effort (as defined in [31.205-18\(a\)](#)) related to new technology, materials, systems, processes, methods, equipment, tools and techniques. Such technical effort is governed by [31.205-18](#), *Independent research and development* and bid and *proposal costs*; and

(2) *Development* effort for manufacturing or production materials, systems, processes, methods, equipment, tools, and techniques that are intended for sale is also governed by [31.205-18](#).

(c) Where manufacturing or production *development costs* are capitalized or required to be capitalized under the contractor's capitalization policies, allowable cost will be determined in accordance with the requirements of [31.205-11](#), *Depreciation*.

**Parent topic:** [31.205 Selected costs](#).