

## 49.204 Deductions.

From the amount payable to the contractor under a settlement, the TCO *shall* deduct-

- (a) The agreed price for any part of the *termination inventory* purchased or retained by the contractor, and the proceeds from any materials sold that have not been paid or credited to the Government;
- (b) The fair value, as determined by the TCO, of any part of the *termination inventory* that, before transfer of title to the Government or to a buyer under [part 45](#), is lost or so damaged as to become undeliverable (normal spoilage is excepted, as is inventory for which the Government has expressly assumed the risk of loss); and
- (c) Any other amounts as appropriate in the particular case.

**Parent topic:** [Subpart 49.2 - Additional Principles for Fixed-Price Contracts Terminated for Convenience](#)