

## **Characteristics of Fixed price agreements and Cost-reimbursable agreements**

Projects under fixed price agreements:

- are similar to purchase orders where a work product is delivered, ie, container of chemicals or a computer.
- are routine in nature
- have a well defined statement of work
- are where the outcome is relatively certain.
- have a failure rate of next to zero
- are where the University bears the risk that a routine project does not come within the "costs" and the University has to cover those costs.
- normally short-term in nature (< 1yr.)
- costs are normally known

Projects under cost reimbursable agreements:

- are not routine in nature but are for research and development.
- are normally for basic research where the outcome is not known and the researcher simply wants to discover an answer whether in the Sponsor's favor or not. This is especially true when IP is involved because we are never sure if something will come out of it or not.
- are simply providing the results of the research associated with the statement of work and not delivering a work product (ie a widget) which is a very important issue.
- are where the University does not bear the risk but is simply funded to find an answer.
- normally longer term in nature
- costs are not normally known