Generally, the pricing of most business contracts is based on either 'fixed-price' or 'cost-plus'.

### Fixed-Price

A fixed-price contract involves a specified amount of payment that is independent on the amount of resources or time expended in performing the contract. Stated simply, a fixed-price contract is a contract in which the required final price is the price originally set without variance. The payment required is as per the final price agreed at the outset of the contract. Fixed-price contracts work when costs are well known in advance.

### Cost-Plus

A cost-plus contract, also known as a cost reimbursement contract, is intended to include the costs of performing the contract plus a specified profit (usually a percentage). A cost-plus contract arrangement is often used with government contracts to put cost over-run risks on the buyer (government). This is especially common for contracts involving innovative projects with untested or undeveloped technologies such as new military equipment where an estimate failure may lead to costs greatly exceeding the financial capacity of the contractor.