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22 October 2010

Financial Accounting Standards Board  
Technical Director  
File Reference No. 1820-100

We appreciate the opportunity to comment on the exposure draft of the Proposed Accounting Standards Update – Revenue from Contracts with Customers (“Proposed ASU”).

Air Products and Chemicals, Inc (“Air Products”) serves customers in industrial, energy, technology, and healthcare markets worldwide with a unique portfolio of atmospheric gases, process and specialty gases, performance materials, and equipment and services. In fiscal 2009, Air Products had annual revenues of \$8.3 billion and operations in over 40 countries.

Our Equipment and Energy segment designs and manufactures cryogenic and gas processing equipment for air separation, hydrocarbon recovery and purification, natural gas liquefaction (LNG) and helium distribution. Equipment is sold worldwide to customers in a variety of industries. Revenues from equipment sale contracts are recorded primarily using the percentage-of-completion method, based on labor hours incurred to date compared with total estimated labor hours.

We support the objective of developing a single revenue recognition model that reduces the amount of industry specific standards and the inconsistencies within those standards. We do not, however, believe that the sole indication that a performance obligation has been achieved, in order to recognize revenue, should be based on the transfer of control of an asset. Enforceable contractual rights, which reflect the underlying economics of the transaction, as opposed to transfer of control of assets, should dictate the recognition of revenue for long-term construction contracts. We also believe financial statement users have a good understanding of the current earnings process approach to revenue recognition. Additionally, we believe the proposed disclosures will be burdensome and costly to prepare and will not increase transparency or produce financial statements that are more understandable for users.

The definition of a contract in the exposure draft emphasizes that a contract exists when an agreement between two or more parties creates enforceable obligations between those parties. We believe that the enforceable contractual rights of the parties should be evaluated for purposes of determining appropriate revenue recognition. We believe that the proposed model does not give proper consideration to reflecting contractual rights, but rather focuses on customer control of the asset (e.g., via physical possession), which does not reflect the legal and economic results of the enforceable contract.

The following example documents the manner in which the proposed standard distorts the economic substance of a long-term contract and could potentially result in providing misleading information to the investment community. Our equipment sales contracts are structured to include enforceable contractual rights that require us to design and construct equipment that is engineered to meet the customer's unique requirements. We receive non-refundable progress payments from our customers, directly related to the costs incurred to fulfill our contractual obligations. However, the customer may not have the right to take physical control of the work in progress, title and/or risk of loss may not transfer until physical delivery, and the customer may not terminate for convenience at any time and receive an asset in exchange. Therefore, we believe the appropriate accounting is to recognize revenue related to the continuous fulfillment of the customers' contractual rights which is evidenced through guaranteed consideration throughout the term of construction (e.g., receipt of nonrefundable milestone payments and contract termination provisions). Using the transfer of control as the ultimate indicator that revenue should be recognized would not appropriately account for our contract revenue and therefore, our financial statements would not reflect the economic substance of our equipment sales contracts. We believe that revenue recognition over the construction period is appropriate due to the fact that revenue is being earned over time, as the contract performance is executed. The transfer of control of the asset during the construction period should not be required. We believe that this example is representative of when the percentage of completion method of accounting is appropriate and is a practical example that should be provided within the proposed standard.

We do not object conceptually to a contract-centered asset and liability focus in an effort to help more precisely define, while remaining consistent with, an earnings process approach. However, we do not see any value added with the change in focus. Preparers and users of financial statements have a good understanding of the existing guidance under the earnings process approach and the guidance has enabled us to appropriately evaluate transactions for revenue recognition (i.e., persuasive evidence of arrangement, fixed or determinable fee, delivery or performance occurred, collectability reasonably assured). The earnings process approach focuses on the enforceable contractual rights (e.g., the customer's right to require performance, the supplier's right to bill and collect) and we do not believe the proposed change in focus provides additional value to financial statement users.

We also believe the disclosure requirements proposed in this standard will be burdensome and costly to prepare and will not enhance transparency or the financial statement users' understanding of the earnings process. We believe the current disclosures, including the current backlog disclosure, are well understood and provide financial statement users with information needed to understand the earnings process.

We believe that convergence between United States generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS) is an important objective. While we agree with the objective of reducing industry-specific standards and exceptions, this should not prohibit providing fairly specific guidance for substantially different transaction types, without being overly prescriptive or

necessarily industry specific. We also firmly believe that where an enforceable contractual arrangement exists, it should govern the accounting for the transaction. Principle-based guidelines are needed that result in revenue recognition consistent with the substance and economics of the arrangement and that reflect the associated enforceable contractual rights.

We appreciate the opportunity to provide comments on the exposure draft for the proposed accounting standards update related to revenue recognition for contracts with customers and would be pleased to discuss our views further with you.

Respectfully,

A handwritten signature in black ink, appearing to read "P. Huck", written in a cursive style.

Paul E. Huck  
Sr. Vice President and  
Chief Financial Officer