June 29, 2015

Mr. Russell G. Golden
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Subject: File Reference No. 2015-250

Dear Mr. Golden:

We appreciate the opportunity to comment on the exposure draft Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing (the “Exposure Draft”), and we commend the Financial Accounting Standards Board (the “Board”) on your continued efforts to evaluate and refine the Standard. Northrop Grumman is a leading global security company with annual sales of $24 billion and approximately 65,000 employees. We provide products, systems and solutions in unmanned systems; cyber; command, control, communications and computers, intelligence, surveillance, and reconnaissance; strike aircraft; and logistics and modernization to government and commercial customers worldwide.

As communicated in our prior comment letter, we have spent considerable time and resources evaluating, interpreting, and applying the guidance in Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09” or the “Standard”), to a number of our customer contracts. We believe the additional clarity and practical examples the Board provided in the Exposure Draft will assist us in our implementation and ongoing assessments under the Standard.

We agree with the Board’s proposed revisions to the guidance related to the nature of an entity’s overall promise in a contract. Example 10 Case B, Significant Integration Services (Multiple Items), helps clarify the board’s intention regarding whether a promise is to transfer separate goods or services or to transfer a combined item or items to which the promised goods or services are inputs. This clarification should enhance the operability of the Standard by better aligning the determination of performance obligations with the overall promised goods or services.
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We appreciate and support the Board’s clarification that an entity is not required to identify promised goods or services that are immaterial in the context of the contract, as this should result in a more efficient and effective application of the Standard. We also support the Board’s proposals related to shipping and handling costs.

Please contact me if you have any questions or if you would like to discuss these comments.

Respectfully,

[Signature]

Michael A. Hardesty
Corporate Vice President,
Controller & Chief Accounting Officer