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

Re: Exposure Draft: Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance

Dear Mr. Golden:

Raytheon appreciates the opportunity to comment on the proposed Accounting Standards Update *Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance* (the “Exposure Draft or “ED”). Raytheon Company, with 2015 sales of \$23 billion and 61,000 employees worldwide, is a technology and innovation leader specializing in defense, civil government and cybersecurity solutions. With a history of innovation spanning 94 years, Raytheon provides state-of-the-art electronics, mission systems integration, capabilities in C5I (command, control, communications, computing, cyber and intelligence), sensing, effects and mission support services. We are a major supplier to the U.S. Government and are committed to strong corporate governance, including transparent disclosure and accountability to our stockholders. We seek to provide the highest levels of financial reporting for the benefit of our investors in the U.S. market and across the globe. Raytheon is headquartered in Waltham, Mass.

Our comments relate solely to Questions 1, 3, 5, 6, 9, and 12 in the Exposure Draft.

Question 1: Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government? Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included in or excluded from the scope of the amendments in this proposed Update? Explain why.

If the FASB finalizes these proposals, we do strongly support limiting the scope of the amendments to exclude transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer. We think this information would not be meaningful to users because there is no direct assistance being offered in these scenarios, therefore, the cost and effort of collecting this information would outweigh the benefit of the disclosures, if any. We recommend that the scope exception be broadened to exclude arrangements where the government may not be explicitly acting as a customer, but will benefit from the agreement in the future through a customer contract. For example, the U.S. Government provides technology grants under the Defense Production Act Title III Program (“DPA Title III Program”). The DPA Title III Program has a stated mission to “create assured, affordable, and commercially viable production capabilities and capacities for items essential for national defense.”¹ Technology grants awarded under the DPA Title III Program are not typically accounted for as customer contracts. However, the government is indirectly providing financial incentives to make investments in production capabilities and resources that they will benefit from through customer contracts that include the technology, including lower costs on contracts that include that technology.

Question 3: Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.

We agree that the scope of the standard should exclude income tax arrangements because the disclosure requirements in Topic 740, *Income Taxes* already requires disclosure of rate reductions due to tax credits in foreign jurisdictions and material benefits that would change expected statutory rate in the tax rate reconciliation. This information can help readers understand the ratio of earnings from foreign jurisdictions as compared to domestic earnings.

Question 5: Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?

We currently do not have the information available to comply with the proposed disclosure requirements. Specifically, these requirements will be difficult to operationalize because we do not have systems to track and measure only the benefits received from the government. If agreements are material to ongoing operations, disclosures would include both the benefits received as well as expenses incurred. Therefore, we will need to establish new systems, processes, and internal controls in order to collect this information. Additionally, we do not have systems to track auditable information related to the disclosure of “the amount of government assistance received

¹ http://www.dpatitle3.com/dpa_db/index.php

but not recognized directly in the financial statements”. If the FASB decides to finalize these proposals we believe the scope of the standard should be clarified as we recommended in our response to Question 1, in order to lower the costs of implementation and increase the operability and auditability.

Question 6: Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.

We are already required to disclose material risk factors, expectations regarding future performance, and other information that would assist financial statement users in projecting future cash flows. We do not agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item. As discussed in our response to Question 5, we believe that it would be impracticable to track and measure the amounts received from government assistance programs because benefits received but not recorded do not have an associated cash flow impact to the company.

Question 9: The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?

In order to limit the cost of implementation we support requiring interim disclosures about government assistance only when a material change has occurred since the most recent annual period.

Question 12: How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

We recommend the standard not be effective for at least one year from issuance because we currently do not collect this information and will need time to develop and deploy systems, processes, and internal controls associated with collecting this information.

Conclusion

We appreciate your consideration of our views. If you should have any questions, please feel free to contact me at 781-522-5833.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Wood". The signature is written in a cursive style and is placed on a light gray, dotted rectangular background.

Michael J. Wood

Vice President, Controller and Chief Accounting Officer