



Northrop Grumman Corporation
2980 Fairview Park Drive
Falls Church, Virginia 22042-4511

February 10, 2016

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

Subject: File Reference No. 2015-340

Dear Mr. Golden:

We appreciate the opportunity to comment on the exposure draft *Government Assistance*. Northrop Grumman is a leading global security company with annual sales of \$24 billion and approximately 65,000 employees.

While we are generally supportive of the Board's projects to improve and standardize accounting and disclosure in areas where there is significant diversity in practice, we do not support making such changes if the costs of providing consistency outweigh the respective benefits. In our view, the nature of the expanded disclosure requirements in this exposure draft will significantly increase costs for preparers without providing commensurate benefits to financial statement users.

With regard to cost, we believe implementing the processes and controls necessary to identify and track government assistance agreements, especially those required to estimate "the amounts received but not directly recorded in the financial statements," is significant. We expect that for most companies, the requirements proposed in the exposure draft would require a substantial investment to design procedures and IT systems to capture this information in an auditable manner.

As for the benefits obtained, we believe material changes in cash flows or expectations of changes in future cash flows - whether related to government assistance or any other contractual arrangements - should already be disclosed by public companies in their SEC filings when describing the risks and uncertainties in the business. As such, we do not believe the incremental disclosures required by the exposure draft provide significant value to users in evaluating a company's financial results or future risks and opportunities.

Beyond the basic cost/benefit issues we have expressed above, we also have concerns with the exposure draft from a business standpoint. In our view, disclosure of the specific terms and conditions for government assistance (or any other agreements) could put companies at a competitive disadvantage when bidding and negotiating contracts. Additionally, in many cases, due to confidentiality restrictions in government assistance agreements, companies could be precluded from providing the required disclosure, or perhaps even being limited in the types of government assistance they may obtain in the future.

If the Board decides to proceed with the exposure draft in substantially the same form as it is currently written, we agree that any required disclosures should be limited to legally enforceable (or discretionary) agreements where the government is not solely a customer. However, the definition of what is considered to be discretionary requires additional clarification. In certain jurisdictions, discretionary incentives are awarded to a large number of companies without differentiation and the proposed guidance is not sufficient to distinguish between the various agreements. We also believe that a scope exception should be provided to agreements where the disclosures required by the exposure draft are legally prohibited. Finally, in our view, the requirements should only be applied to new agreements after the effective date of the exposure draft. Although retrospective application to agreements in existence at the effective date would result in a higher degree of consistency, we believe retrospective application would be cost prohibitive and potentially create challenges for agreements negotiated without contemplation of the expanded disclosure requirements.

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

Respectfully,

A handwritten signature in blue ink that reads "Michael Hardesty". The signature is written in a cursive, flowing style.

Michael Hardesty
Corporate Vice President, Controller and Chief Accounting Officer