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March 12, 2012

Leslie F. Seidman, Chairman Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Subject: File Reference No. 2011-230

Dear Ms. Seidman:

Raytheon Company appreciates the opportunity to review and comment on the Exposure Draft entitled, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers, Revision of Exposure Draft Issued June 24, 2010* (the "Exposure Draft" or "ED"), issued by the Financial Accounting Standards Board ("FASB" or the "Board"). Raytheon Company, with 2011 sales of \$25 billion, is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. With a history of innovation spanning 90 years, Raytheon provides state-of-the-art electronics, mission systems integration and other capabilities in the areas of sensing, effects, and command, control, communications and intelligence systems, as well as a broad range of mission support services. With headquarters in Waltham, Mass., Raytheon employs 71,000 people worldwide.

We are a major supplier to the U.S. Government and are committed to strong corporate governance, including accountability to our stockholders and transparent disclosure. 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. Accordingly, we continue to have a significant interest in the Board's project underlying the Exposure Draft.

In our industry, we enter into arrangements with customers to provide highly customized and complex engineering, design and manufacturing services over extended periods. These arrangements are usually with an individual customer (principally the U.S. Government) and are generally priced based on estimated costs plus a reasonable margin for the risks we assume in the contracts. Our industry is specialized and we believe that our contracts embody various complexities, such as: incentive / award fees; change orders; options / additions; combining and segmenting; claims; and penalties. In addition to arrangements with our U.S. Government customers, we also enter into direct foreign sales arrangements with international governments that involve economic and regulatory considerations similar to those with our U.S. Government customers. The existing revenue recognition model for such contracts under Accounting Standards Codification (ASC) 605-35, *Revenue Recognition, Construction-Type and Production-Type Contracts* (ASC 605-35), is well established and understood by investors in our industry, as it is aligned with how our contracts are bid, negotiated and managed. Nevertheless, we support the objective of the project to create a single model for all industries.

We thank the Board for considering many of the concerns we expressed in our previous comment letters on the revenue recognition project. We also thank the Board for its efforts and the efforts of the FASB Project Staff to discuss and understand our issues and suggestions for modifying / clarifying the proposed standard to provide a useful replacement for ASC 605-35 in our industry. We believe the Board has made significant progress in making the model useful for long-term contractors and their investors. Specifically, we strongly support the decisions made by the Board in re-deliberations regarding the following areas that we expressed concern about in our previous letters:

- Clarification of segmentation / defining performance obligations;
- · Guidance on contract costs; and
- Performance obligations satisfied over time.

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We have two remaining key areas of comment that we believe the Board should consider related to disclosure and transition. In addition, we have suggested minor improvements in a few areas that are intended to ensure that future interpretations of the model are consistent with what we believe the Board's views are regarding accounting for long-term construction / production-type contracts and that applying the model results in decision-useful information for investors.

Two remaining key areas of comment- (Disclosure and transition)

Disclosure

We support the disclosure objective and understand that the disclosure requirements are not intended to represent a checklist. However, we are concerned that the proposed disclosures in the ED are too prescriptive for application to a topic as broad as revenue recognition and may be interpreted as a checklist. Although detailed disclosure requirements may be effective in other areas of the financial statements (e.g., fair value, pensions), we believe that revenue is too unique to an entity's operations (and that operations greatly differ across entities) for prescriptive quantitative disclosures to be effective (versus the fair value of a financial instrument or details of a pension plan, which are in many ways neutral to the underlying entity).

We also believe that prescribing detailed quantitative disclosures may obscure a user's understanding of an entity's financial statements if management does not currently collect or use the required information to analyze business operations / performance. In contrast, we believe providing a principles—based disclosure framework will result in entities considering information that is most important to their circumstances / industries and focusing on the best way to present that information rather than fulfilling checklist requirements. We believe that providing preparers with the flexibility to include information where appropriate in the context of their discussions of results or in the notes to their financial statements preserves managements' views and drives the greatest value to financial statement users.

Moreover, there is a building consensus in the financial community that current financial reporting suffers from disclosure "overload," as evidenced by the following:

- "The bottom-line risk with information overload is that investors will have so much information available to them that they will sometimes be unable to distinguish what is important from what is not...lronically, if investors are overloaded, more disclosure actually can result in less transparency and worse decisions." Troy A. Paredes, U.S. Securities and Exchange Commission ("SEC") Commissioner speech on October 27, 2011 at the Twelfth Annual A.A. Sommer, Jr. Lecture on Corporate Securities and Financial Law
- "...The FASB and SEC should take various incremental procedures in consideration of cost-benefits analysis as a part of developing proposals for new accounting standards. In particular, the FASB should consider any new disclosure requirements from the context of the overall current disclosure environment rather than considering disclosure from the perspective of each individual topic as it is addressed in standards setting. This macro disclosure consideration, together with more rigorous cost-benefit analysis and field testing of disclosures should be considered prospectively and retrospectively." A KPMG & Financial Executives Research Foundation recommendation from the study, "Disclosure overload and complexity; hidden in plain sight."
- "Increasing the effectiveness of disclosures will require decisions by the Board in each standard-setting project about a range of possible disclosure sets that could be customized by

¹ Paredes, Troy A. "SEC Commissioner speech at the Twelfth Annual A.A. Sommer, Jr. Lecture on Corporate Securities and Financial Law." sec.gov. SEC. 27 Oct. 2011. 6 Feb 2012 http://www.sec.gov/news/speech/2011/spch102711tap.htm.

² "Disclosure overload and complexity: hidden in plain sight" KPMG and FERF survey and report, 2011.

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each reporting entity to focus on information that is important to its own circumstances." – Summary of FASB decisions reached to date on the Disclosure Framework project.

We believe the prescriptive disclosures in the proposed standard will exacerbate the issue of information overload. For these reasons and considering the cost-benefit of providing the level of disclosure in the ED, we believe the Board should reconsider the requirements that follow.

Reconciliation of contract balances and onerous performance obligations

We understand that some people may find this information useful, but we do not think the benefit to investors and other financial statement users will outweigh the cost to provide it. We already disclose some of the requested information in our Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") or in the notes to our consolidated financial statements (e.g., current period effect from amounts allocated to past performance and contracts in process reconciliation) without the added cost of doing the requested reconciliation.

In addition, when satisfying a performance obligation over time, it is difficult to determine when amounts transfer from contract assets to "accounts receivable," and we do not believe there is value in making this distinction. As such, we do not believe that the standard should prescribe presentation of contract assets separately from receivables. We currently present both billed and unbilled receivables together on the face of our consolidated balance sheet as "contracts in process" and provide a reconciliation of the "contracts in process" line item in the notes to our consolidated financial statements. We believe this is the most meaningful presentation, as the vast majority of our contracts represent performance obligations satisfied over time and the only difference between our billed and unbilled receivables is the timing of the payments. However, we recognize that the difference between billed and unbilled receivables for other industries primarily relates to complete satisfaction of a performance obligation and thus we acknowledge that separate presentation may be meaningful in those instances. As such, we request that the proposed standard allow entities to present contract assets and receivables in a way that provides the most decision-useful information to their investors and other financial statement users, as long as they provide related disclosures to reconcile those amounts and explain their presentation.

Remaining performance obligations

It is our understanding that financial statement users have requested this information, as they believe it will elicit predictive, forward-looking detail regarding revenue recognition. We do not believe predictive information should be included within the financial statements given their purpose is to report on historical events and not to provide speculative information about the timing of future events. Moreover, given the uncertainties surrounding future events, we feel this disclosure will fail to achieve the level of predictability that it is intended to provide. We also note that the data to be included in the proposed disclosure is subject to exceptions, which will further limit its predictive value and will cause variation from backlog amounts currently disclosed by public companies in MD&A (as required by the SEC). This inconsistency may confuse financial statement users. Inclusion of this information in the notes to the financial statements versus in MD&A also excludes it from the safe harbor protections regarding forward-looking statements afforded by the Private Securities Regulation Reform Act and related SEC regulations. If the Board decides to retain this disclosure, we request that the one-year practical expedient be optional, as it will create an operational challenge for a long-term contractor to determine if each contract (at its outset) will exceed the twelve-month cut-off. Further, we believe that this one-year practical expedient is arbitrary, which will limit its usefulness.

Additionally, we recommend the Board consider its decisions reached to date in relation to the disclosure framework project (as noted above, focus on disclosure principles, rather than prescriptive requirements). As part of this disclosure framework, we believe that the Board needs to develop a set of characteristics for information that should be required in interim reports. If the Board retains the currently proposed interim disclosure requirements in the final standard, we recommend foregoing the requirement to include the tabular reconciliations in interim periods if an entity does not have material

³ "Decisions Reached at Last Meeting (August 24, 2011) and Summary of Decisions Reached to Date" FASB Disclosure Framework Project Update. FASB n.d. 6 Feb 2012.

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changes from its most recent annual disclosures in its SEC Form 10-K. We believe that information currently included in the interim financial statements, such as revenues and cash flows and supporting MD&A, makes it possible for a user to assess significant changes from the prior fiscal year. Alternatively, if the Board retains detailed quantitative disclosure requirements, we request relief from applying the disclosure requirements retrospectively (consistent with our overall recommendation to allow modified prospective application, discussed below in further detail), as it will take significant process and system changes to capture the majority of this information.

Transition

If an entity's accounting under the new model will differ significantly from its current practice, we believe that retrospective application could be impractical and cost-prohibitive, particularly considering entities' information technology ("IT") roadmaps and budget constraints. For example, we generally plan and fund our capital requirements for significant IT-related projects (e.g., new modules with new or expanded capacity) over a five-year period. Due to funding constraints, we generally cannot enact adjustments to our capital plan for approximately two years, which would make it impractical to make changes in a timeframe that would allow for the live capture of comparative disclosure information, and collecting this information manually would increase costs in the interim. Therefore, we believe any transition plan should take into account the capital requirements and the necessary funding for significant IT-related projects that is available under entities' annual operating plans.

Additionally, we believe the Board should consider the potential effects that retrospective application could have apart from restating revenue. For example, if the Board were to issue the final standard in early 2013, with an effective date for periods beginning on or after December 15, 2015, many entities would be required to provide disclosures under SEC Staff Accounting Bulletin No. 74 (Topic 11:M), Disclosure of the Impact that Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period, as early as 2014. This would require an immediate impact analysis, likely at increased cost with little incremental benefit to investors prior to the period of actual restatement. Retrospective application could also burden entities' tax and statutory financial reporting requirements, potentially requiring restatement of information that will not provide investors with an enhanced comparative perspective on results.

To resolve these issues, we believe the proposed standard should provide application guidance that considers when retrospective treatment may be impractical. We recognize the importance of providing comparative information in order for financial statement users to understand entities' results. Therefore, we also recommend that the Board allow preparers to choose between the retrospective and modified prospective transition methods according to what best fits their circumstances, while also providing investors and other financial statement users with sufficient comparative data. Further, we propose that entities be able to apply a modified prospective transition method by converting all revenue-generating contracts to the new standard on a single date forward, with accompanying disclosure of their best estimate of the comparative period impact. For example, if the only significant difference for an entity under the new standard will be the impact on revenue recognition associated with the ability to estimate variable consideration for contracts previously accounted for under ASC 605-10-S99, Revenue Recognition, SEC Materials, the entity could disclose this difference to investors and provide an estimate of the impact on previous years. We believe this approach would provide investors with sufficient decision-useful quantitative and qualitative information about the effect(s) of adopting the standard on an entity's results, without the financial and process burdens to preparers associated with providing full retrospective presentation (i.e., accompanying audits of restated results; revised statutory financial reports).

Moreover, we believe allowing an entity the option to apply the proposed standard on a modified prospective basis could work effectively because the Board has done so historically with other major standards, such as Statement of Financial Accounting Standard No. 123 (Revised 2004), *Share-Based Payment*, and, most recently, Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition* (Topic 605): *Multiple-Deliverable Revenue Arrangements*, and ASU No. 2009-14, *Software* (Topic 985): *Certain Revenue Arrangements that Include Software Elements*. For example, one Fortune 100 entity elected to apply both ASU No. 2009-13 and ASU No. 2009-14 retrospectively, while another Fortune 100 entity elected to apply them prospectively to new contracts and provided disclosure that quantified the impact of adoption.Alternatively, an entity could illustrate the comparative impact of

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adopting the new standard by disclosing what prospective amounts would be under its old revenue model. In either case, providing entities with the option to apply a modified prospective transition approach would significantly reduce costs for SEC filers, who, if required to adopt retrospectively, would be required to restate five years of audited information in their Selected Financial Data disclosures under Part II, Item 6 of SEC Form 10-K.

Other areas where we think the model could be clarified / improved:

Measuring progress

Waste / inefficiency costs

We agree conceptually with excluding inefficiencies from an input measure, however, we believe there may be application challenges associated with the proposed requirements. For instance, it is unclear how one determines if a cost represents waste or inefficiency when the concept of rework is priced into a company's bids across a portfolio of contracts with the knowledge that rework will vary from contract to contract. Additionally, it is unclear at what point prior to a performance obligation becoming onerous that costs would be considered waste (i.e., on a contract with an initial expected 10% margin, does one consider costs waste when margin degrades to 8% or 5% or 2%)?

We often bid an estimate of rework into our contracts and view rework as a normal cost of providing highly complex, specialized and cutting-edge deliverables; therefore, we would not view changes in estimate related to varying degrees of trial and error efforts (which are a normal course of business in performing our contracts) as "waste." These costs result from the realization of risks that were possible (but not considered highly likely) at the inception of a contract, which we currently include in contract cost estimates and that affect the overall profitability of the contract (e.g., rework, work-arounds, re-design costs and similar items). As rework and trial and error is inherent to the process of delivering highly complex solutions, our ultimate successes would not be possible without the benefit of knowledge gained from our efforts in these areas. Separately expensing these rework costs would distort contract margins over the remaining periods of performance and disassociate the economics from the accounting for the underlying transactions.

For example, under existing U.S. Generally Accepted Accounting Principles, if actual rework costs exceeded the initial estimated amount for a contract with an expected margin rate of 10%, one would include these incremental costs in the estimate-to-complete and reduce the contract margin rate. However, if a contractor were to treat these rework costs as "wasted" costs, the proposed standard might be interpreted to imply that the contractor would expense the rework costs and still report a 10% gross margin on the overall contract going forward. This appears to skew reported results in a manner that does not reflect the economic substance of contracts with customers and renders any assessment of future performance less predictive. In addition, this approach may present application challenges, as increased cost estimates are often identified after the initially incurred effort (i.e., initial performance of effort in one guarter is later determined in another quarter to be insufficient and many of these increases historically relate to estimated future profit and related costs). Excluding these costs from contract margin rates as "waste" could result in variability in reporting practices and reduce the comparability of information between similar companies in our industry. For example, consider a contract with a 10% margin at bid that, in a subsequent period, experiences a 2% increase in costs related to expected rework. If one interprets the proposed standard as requiring an entity to expense the rework costs separately, the accounting would not reflect actual economic performance of 8%, but would instead reflect an artificially high gross margin over the remaining period of performance. The same scenario under current guidance would result in an 8% margin on the entire contract, as one would record the adjustment via the cumulative catch-up method in the period of the change in estimate. We believe that current practice provides a more timely and accurate depiction to investors of the current economic performance on the contract, as well as a better projection of future performance.

For these reasons, we suggest this concept be eliminated, as we believe that many of the costs intended to be captured by paragraph 45 of the ED will cause a performance obligation to become

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onerous and therefore require immediate recognition. The requirement to record an onerous liability is operationally easier to apply than determining at what point rework was not contemplated in the pricing of a contract.

However, if the Board decides to retain the guidance in ED paragraph 45, we suggest the following revisions:

A shortcoming of input methods is that there may not be a direct relationship between the entity's inputs and the transfer of control of goods or services to the customer because of inefficiencies in the entity's performance or other factors. Hence, when using an input method, an entity shall exclude the effects of any inputs that do not depict the transfer of control of goods or services to the customer (for example, the costs related to excess / idle capacity or similar costs that provide no utility to contract performance, or infrequent / non-recurring costs such as those related to work stoppages, natural disasters, or other force majeure incidents not anticipated in the normal course of business / reflected in pricing across an entity's portfolio of contracts of wasted materials, labor, or other resources to fulfill the contract that were not reflected in the price of the contract).

We believe these revisions would increase operability for preparers in our industry by clarifying that certain costs associated with delivering highly complex solutions are considered in how we bid and manage our contracts and ensure that we continue to report results in a manner that reflects the economic substance of our transactions.

Uninstalled materials

We note that the Board has not provided guidance on margin within the framework of the proposed model, despite the fact it will supersede current guidance that addresses margin (including ASC 605-35). As such, we believe providing guidance on margin in the limited context of uninstalled materials is inconsistent with the model's framework that bases revenue recognition on control.

As a U.S. Government contractor, we are entitled to margin on all of our costs and in the event of a termination-for-convenience, our customer would owe us reasonable profit in addition to our costs regardless of the type of costs (e.g., internal labor, subcontractor costs, installed materials, uninstalled materials, etc.). As a result, providing margin guidance in this limited circumstance could cause the standard to be interpreted in such a way that creates misalignment between the underlying economics of and accounting for transactions. Further, to suggest that different efforts within a single performance obligation should be measured using different attribution models and that those efforts have inherently distinct prices / margins appears to undermine the conclusion that a single performance obligation is appropriate.

Given the above, we recommend eliminating this section of the proposed model, as the prescriptive nature of applying a zero-percent margin to certain costs is inconsistent and, in many cases, will yield an interpretation that does not align with the economics of the underlying transactions. We believe the issue the Board is trying to address is mitigated by the guidance on constraining revenue. Specifically, if an entity is not entitled to margin on certain effort, then it would be inappropriate to recognize revenue in excess of what the entity is entitled to (in this case, in excess of cost). We believe instances of revenue being equal to cost would be rare in practice, as there is likely a margin associated with the service of material procurement.

Determining the transaction price and constraining revenue

Constraining revenue

We believe the two-step process for (1) determining the transaction price, and (2) constraining revenue, could create operational complexity. Therefore, we suggest simplifying the model by creating a single step of "constraining transaction price," defined as "fixed payments plus variable payments that an entity can reasonably estimate." This could also simplify the contract modification section of the model. For example, the contract modification guidance only cross-references to estimation of transaction price, and not to the guidance on constraining revenue. We

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believe the guidance in the constraining revenue section related to predictive experience is very useful in determining whether an entity has an "expectation" that the price of a modification will be approved. As such, we believe once scope is approved, the price of a contract modification should be addressed entirely by the existing transaction price measurement guidance rather than through use of the concept of "expectation" that is unique to contract modifications.

Contract modifications and claims

Accounting for claims under long-term construction / production-type arrangements involves unique considerations that we believe require clarification under the quidance in the proposed standard. Generally, contracts in our industry contain specific terms that provide a recovery mechanism for claims, therefore, any relief to a contractor under a claim results in a contract modification that may affect contract scope and / or price. Thus, one could interpret the guidance in paragraph 21 of the ED to require a contractor to account for such a modification as a separate contract. However, as contemplated by paragraph 31 of ASC 605-35-25, a contractor may have sufficient predictive experience to conclude that collection of a claim is reasonably assured based on probable legal entitlement in relation to its own performance and / or the actions / non-actions of the customer under the contract terms. For example, a contract may have a clause that provides for remedies to a contractor related to delays out of the contractor's control (e.g., weather-related delays). In these instances, while the parties may not have agreed upon damages (schedule relief and / or monetary relief related to cost increases that result directly from the weather-related issues), the contractor can objectively evaluate the probability of its legal entitlement under the applicable contract clause and reasonably estimate the related claim amount. We believe this distinction is important, as we do not think the Board intends for the proposed guidance to preclude a contractor from recognizing the probable estimated increase to transaction price related to a contractually founded claim simply because the customer will fund the increased transaction price via a formal contract modification. Therefore, we request that the Board consider clarifying the guidance in the proposed standard to prescribe that an entity should account for claims where a probable, reliably estimable right to additional contract revenue exists in accordance with the guidance on variable consideration.

Time value of money

We agree conceptually with the application of a time value of money principle if a contract includes a material financing component. However, we suggest the Board clarify that the time value of money principle should contemplate the economic intent of the parties to a particular contract and exclude transactions whose customary payment terms are intended not as a financing mechanism, but to provide a protective contractual right (i.e., distinguishing between advances and deferred payments). For example, we do not believe that the guidance in the proposed standard clearly excludes a non-refundable security deposit from consideration as a financing mechanism, when generally the intent of such an advance payment is to mitigate loss should the customer cancel a contract. While we acknowledge that the Board appears to contemplate the intent of the parties to a contract in paragraph BC147 of the ED by recognizing that there may be instances where timing of payment is driven primarily by something other than financing, we believe this concept should be given more prominence in the proposed standard. Therefore, we suggest adding an indicator to paragraph 59 to address the distinction between an advance that is intended as a protective contractual right and deferred payment terms that are intended to provide financing to a customer, as follows:

- 59. In assessing whether a financing component is significant to a contract, an entity shall consider various factors including, but not limited to, the following:
- (a) The expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services, taking into consideration the intent of the parties to the contract (e.g., requiring an advance payment from a customer as a protective right; a customer withholding an amount of consideration to assure that an entity will satisfactorily complete its contract obligations)
- (b) Whether the amount of consideration would differ substantially if the customer paid in cash promptly in accordance with typical credit terms in the industry and jurisdiction

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(c) The interest rate in the contract and prevailing interest rates in the relevant market.

Onerous performance obligations

We understand that the Board's focus with this test is to ensure timely reporting of losses from contracts with customers. However, we do not believe this is best achieved by testing at the performance obligation level if it was anticipated that some performance obligations would be satisfied at a loss. For example, in determining the overall price of a particular contract, a seller may accept (and even expect) a loss on some performance obligations within that contract because that loss will be offset by other profitable performance obligations within that same contract. From an economic standpoint, the seller usually accepts this situation only because these performance obligations are being negotiated and performed together under a single contract. We believe it would be more useful to investors to understand when, at the contract level, due to cost overruns or unanticipated production issues, a contract has fallen into an overall loss position, or when a contract in total was bid at a loss from inception. This would truly represent an adverse change in circumstances for which a liability should be recorded and the change in circumstances should be disclosed in the financial statements. Therefore, we recommend that the onerous test be performed at the contract level.

Alternatively, we suggest providing a principles-based framework based on the overall economics of the business arrangement to determine at what level it makes sense to perform the onerous test. Such a framework could provide guidelines to allow an entity to make a qualitative assessment based on specific criteria (e.g., the performance obligation is sold at a loss normally). To facilitate consistency, the Board could outline various economic indicators that an entity should use in its qualitative determination of the level at which it makes the most sense to perform the onerous test and consistently apply that judgment to all similar arrangements.

Warranty

The proposed standard does not provide clear guidance as to when it would be appropriate to recognize costs associated with a warranty on a contract where a performance obligation is satisfied over time and progress is measured using an input method. In these instances, we view warranty costs consistent with any other costs to fulfill contractual obligations, as promulgated under current guidance (i.e., paragraph 17 of International Accounting Standard (IAS) 11, Construction Contracts, and Section 3.3.1 of the AICPA Federal Government Contractors Guide). We believe the guidance in the proposed model could result in an interpretation that is consistent with this existing guidance, as typically a warranty on a long-term construction / production-type contract is linked inextricably to the contractor's ability to meet the specifications of the contract and a cost accrual at delivery approach is thus counterintuitive when a performance obligation is satisfied over time and progress is accounted for using an input measure. Therefore, we have the following suggested alternatives that we believe will ease application of the proposed guidance across industries.

- Expand the warranty guidance in the proposed standard to clarify that when a performance obligation is satisfied over time, it may be appropriate for entities to treat warranty as a contract cost that drives revenue, with disclosure of their policy elections (consistent with the accounting outlined by the Board in the 2010 ED).
- Require an assessment of whether a warranty is "distinct" (as defined in paragraph 28 of the ED); if it is not "distinct," then it should be included as a contract cost. As noted above, a warranty in the long-term construction / production-type contracting industry generally is not separable (i.e., distinct) from the build because it is a representation to the fact that the contractor performed to specifications. In these instances, we believe the warranty should be accounted for with the performance obligation as a contract cost similar to the accounting outlined in paragraph IG14 of the ED. Accounting for warranty costs separately does not align with the economics of the arrangement, as the warranty representation is intertwined with the customized deliverable (i.e., performance / risk on the build element cannot be separated from the ultimate costs of fulfilling the warranty).

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We appreciate the continued opportunity to present our views on this subject and welcome the opportunity to review them with you either in person or by telephone. Thank you for your attention and consideration of our comments. If you should have any questions, please feel free to contact me at 781-522-5833.

Respectfully,

Mulf Word

Michael J. Wood

Vice President, Controller and Chief Accounting Officer