NORTHROP GRUMMAN

Northrop Grumman Corporation
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May 26, 2015

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

Subject: File Reference No. 2015-240

Dear Mr. Golden:

We appreciate the opportunity to comment on the exposure draft *Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date*, and we commend the Financial Accounting Standards Board (the "Board") on your thoughtful consideration of the concerns expressed in our previous comment letters on the joint revenue project. 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.

To date, 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. Our objective has been to identify the primary challenges we may face in implementing the Standard so we are able to develop the appropriate accounting policies, internal controls, and system solutions to address those issues. Our comments regarding the potential deferral of the effective date of ASU 2014-09 are primarily based on what we have learned through these efforts.

We believe the effective date of the Standard should be deferred at least one year for all entities without regard to which transition method (full or modified retrospective) an entity selects. Our primary reasons for supporting this deferral include the extended period of time between when the Board determined the effective date of ASU 2014-09 and when it was issued, and the amendments to ASU 2014-09 that have recently been proposed by the FASB, which likely won't be finalized until later this year. In our view, the impact of these delays in issuing and now finalizing the Standard warrants a deferral of the effective date.

We believe the effective date of the Standard should be deferred by at least two years for those entities who elect to apply ASU 2014-09 retrospectively to each reporting period presented. As we have learned through our efforts to date, one of the most challenging aspects of implementing the Standard if an entity elects to use the full retrospective method is having information systems in place to support dual revenue reporting for the two years prior to when revenue will first be reported under the Standard. If only a one-year delay is provided by the Board, companies electing to use the full retrospective method will need to have system solutions in place that support dual reporting by January 1, 2016. Because these types of solutions are not readily available in the marketplace, we do not believe most companies would have the ability to meet that timeline. If, however, the Board provides an additional year or more for those electing to use the full retrospective method, we would expect most companies to have an appropriate amount of time to either design and implement in-house solutions for dual reporting or to utilize solutions that may become available in the marketplace. In addition to our concern regarding the readiness of system solutions, we believe companies electing the full retrospective method would have difficulty finalizing their accounting policies and internal control updates and training the significant number of individuals involved in the revenue process by January 1, 2016.

With regard to early adoption, we believe companies should be allowed to early adopt the Standard as of the original effective date if they wish to do so. Although we agree with the Board that permitting early adoption could result in a lack of comparability across entities, it would only be for a short period of time and would be somewhat mitigated by companies' disclosures regarding the impact of recently issued accounting standards.

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

Respectfully,

Michael A. Hardesty

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