



May 22, 2015

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

Submitted via electronic mail to director@fasb.org

Subject: File Reference No. 2015-240

Dear Mr. Golden:

Aerospace Industries Association (“AIA”) commends the Financial Accounting Standards Board (the “Board”) on the issuance of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09” or “the new standard”). AIA is the premier aerospace industry trade association representing the nation’s major manufacturers of commercial, military, and business products such as aircraft, helicopters, aircraft engines, missiles, spacecraft, and related components and equipment.

In our industry, we enter into revenue arrangements to provide highly customized design, development, manufacturing and modification of complex aerospace and electronic equipment and related services over extended periods. Our industry also provides services such as for information systems network support, cyber operations support and intelligence operations support. These revenue arrangements are predominately direct with agencies of the U.S. Government (“USG”), or indirect as subcontractors to USG prime system contractors. These revenue arrangements are generally priced based on estimated costs plus a reasonable profit margin depending on the risks we assume in the contract. 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. We have followed the Board’s revenue recognition project closely and we remain committed to a successful implementation of the new standard for the benefit of our investors in the U.S. market and across the globe.

We support deferral of the effective date of the new standard even if a company does not elect to apply the new standard retrospectively. We also support the Board’s proposal to permit earlier application as of the original effective date of ASU 2014-09. We think these proposals would provide companies with the flexibility they need to implement the new standard successfully in their respective circumstances. Deferral is necessary for some companies because of the broad scope of the new standard, the pending standard-setting activity related to the new standard, ongoing industry discussions about how to interpret the new standard, and the resulting impact of the new standard on companies’ diverse processes, systems, internal controls, policies, compensation programs, training and communications (both internal



and external). We believe a deferral is warranted regardless of the implementation approach primarily because the ongoing standard setting activity makes it challenging to design and implement systems and process changes and related internal controls until the standard setting activities conclude. This uncertainty coupled with the significant financial statement, system and other impacts make it very challenging for some companies to have systems, processes and controls implemented and audited by January 1, 2017.

We acknowledge that permitting earlier application will create temporary diversity in reported revenues across companies in our industry due to different accounting standards being applied to similar transactions. However, we believe that the benefits of early application outweigh the risks related to diversity in reporting because much of the diversity will be mitigated by companies' disclosures of the impact of recently issued accounting standards. Furthermore, permitting earlier application avoids unnecessary additional implementation costs for companies that can adopt the standard as of the original effective date of ASU 2014-09, and is consistent with International Financial Reporting Standards (IFRS) 15, Revenue from Contracts with Customers.

Please do not hesitate to contact us with any questions or to discuss this topic further.

Best regards,

William Koss

A handwritten signature in blue ink, appearing to read 'W. Koss', is positioned below the name 'William Koss'.

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