

October 15, 2015

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

Re: Proposed ASU Topic 606—Principal versus Agent Considerations (Reporting Revenue Gross versus Net)

Dear Mr. Golden:

Raytheon Company appreciates the opportunity to comment on the proposed Accounting Standards Update (“the proposed amendments”) intended to clarify the implementation guidance on principle versus agent considerations in the new revenue recognition standard (ASU 2014-09, *Revenue from Contracts with Customers*).

Raytheon Company, with 2014 sales of \$23 billion and 61,000 employees worldwide, is a technology and innovation leader specializing in defense, security and civil government and cybersecurity markets throughout the world. With a history of innovation spanning 93 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 cybersecurity and a broad range of 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, Massachusetts.

Principal versus agent considerations generally are not prevalent in our contracts with customers. When relevant, we think the guidance in the new standard (that is, without the proposed amendments) is sufficiently clear for us to evaluate our contracts and use reasonable judgment to account for them properly. Nevertheless, we commend the Board for their efforts to address implementation issues that have been identified and we think the evaluation and proper accounting of our contracts also would be possible under the proposed amendments. Our responses to the specific questions about the proposed amendments are below.

Question 1: *The proposed amendments to paragraph 606-10-55-36 clarify the unit of account (the “specified good or service”) at which an entity would determine whether it is a principal or an agent and clarify that an entity can be both a principal and an agent in a single contract. Would the proposed amendments improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

We think the proposed amendments to paragraph 606-10-55-36 are helpful in clarifying the unit of account at which an entity would determine whether it is a principal or an agent. However, we think the understandability of the proposed amendments would be further improved by using terminology that already exists in the new standard, rather than by introducing new terminology. That is, we recommend the Board use the term “distinct good or service” instead of “specified good or service”.

Question 2: *Paragraph 606-10-55-37A clarifies application of the control principle to certain types of arrangements by explaining what a principal controls before the specified good or service is transferred to the customer. Would the proposed amendments improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

We think paragraphs 606-10-55-37A (a) and 606-10-55-37A(b) are helpful clarifications of the control principle relative to the objective when performing the principal versus agent analysis. However, we do not understand the need for paragraph 606-10-55-37A(c) in addition to the unit of account clarification in paragraph 606-10-55-36 and the accompanying examples.

Question 3: *The proposed amendments to paragraph 606-10-55-39 provide indicators of when an entity controls the specified good or service before it is transferred to the customer and, therefore, would be a principal. The amendments also clarify the relationship of each indicator to the control principle in paragraph 606-10-55-37. Paragraph 606-10-55-39A was added to explain that the indicators may be more or less relevant to the principal versus agent assessment depending on the nature of the arrangement and that different indicators may provide more or less persuasive evidence about whether the entity controls the specified good or service before it is transferred to the customer in different contracts. Would the proposed amendments improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

We support the proposed amendments to paragraph 606-10-55-39 and the addition of paragraph 606-10-55-39A.

Question 4: *Would the revisions to the principal versus agent illustrative examples (Examples 45 through 48) and the added illustrative examples (Examples 46A and 48A) improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

We support the examples in the proposed amendments. Particularly, Example 46 and Example 46A of the proposed amendments are relevant when analyzing our contracts for customized equipment or maintenance services.

Conclusion

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

Sincerely,



Michael J. Wood
Vice President, Controller and Chief Accounting Officer