Que stion	No	SUBJECT/TITLE (Excerpt from FASB-Leases-Topic 840)	Question	Ye s	No	RECOMMENDATIONS/COMMEN TS	Name of Commenter	Office	Email Address/Phone
		General Comments				It is not clear how to account for the depreciation, betterments and repairs and alterations on assets that are leased under both the performance obligation and derecognition approaches on the Lessors books.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
						Paragraphs B28 & B29 are only showing examples for the Lessors. Recommend adding examples for the Lessee. Specifically, show something related to how the value is captured for direct costs for the Lessee. These direct costs should be included in the right-of-use asset amount, but not in the liability amount. Also, suggest adding an example showing the right-of-use asset and liability when there is a lease term, option or contingency change.		BCC	jane.pritchett@gsa.gov
		The accounting model							

	10 & BC5- BC12 28, 29 & BC23 - BC27	representing its right to use a lease term, and a liability to n 10 and BC5–BC12). The less use asset over the expected	an asset (the right-of-use asset) in underlying asset during the nake lease payments (paragraphs see would amortize the right-of-lease term or the useful life of the he lessee would incur interest ake lease payments. er a performance obligation approach to account for the rom a lease, depending on					
		benefits associated with the the expected term of the leas BC23-BC27).	underlying asset during or after se (paragraphs 28, 29 and					
Q1		Lessees	(a) Do you agree that a lessee should recognize a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?	х	In particular, this is a preferred method for longer term leases.	Jane Pritchett	всс	jane.pritchett@gsa.gov
			(b) Do you agree that a lessee should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?	х	In particular, this is a preferred method for longer term leases.	Jane Pritchett	BCC	jane.pritchett@gsa.gov

Q2	Lessors	(a) Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?	х	Under the derecognition approach, suggest providing additional clarification with examples if there is a net income or loss recognition, similar to a sale of the asset (i.e. If Present Value is less than the revenue recognition). Also, need to provide additional clarification with examples if the derecognition approach is appropriate for subleasing situations.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
		(b) Do you agree with the boards' proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?	x	We support the theoretical approach; however, we are not sure that the cost/benefit will warrant the additional valuations to meet these standards.	Jane Pritchett	всс	jane.pritchett@gsa.gov
		(c) Do you agree that there should be no separate approach for lessors with leveraged leases, as is currently provided for under US GAAP (paragraph BC15)? If not, why not? What approach should be applied to those leases and why?	х		Jane Pritchett	BCC	jane.pritchett@gsa.gov
	Short-term leases						

	This exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is 12 months or less:			
&	(a) At the date of inception of a lease, a lessee that has a short term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in the income statement over the lease term (paragraph 64).			
BC46				
	(See also paragraphs BC41-BC46.)			

Q3		Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?		x	Suggest using a longer term for short-term lease (i.e. based on asset class life expectancy). For instance a 2 or 3 year lease would not seem to warrant asset/liability recognition due to workload. We suggest the board consider allowing this new accounting method to apply to leases that meet the entity's capitalization timeframe instead of a set time period. For example, if an entity has a capitalization time period of 2 years or more, then short term would be less than 2 years. This prevents an entity from having a lease asset on the books that does not meet its capitalization criteria compared to an outright purchase	Jane Pritchett	BCC	jane.pritchett@gsa.gov
	Definition of a lease							
	Appe ndix A, proposes to define a lease as a contract in which the right to use a specified asset	(a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?		х	Suggest including a better definition to include or exclude software, licenses, etc.	Jane Pritchett	всс	jane.pritchett@gsa.gov
Q4	B4 & or assets is conveyed, for a period of time, in exchange for consideration (Appendix A, paragraphs B1–B4 and BC29–BC32). 8, B9 B10 & BC59 Conveyed, for a period of time, in exchange for consideration (Appendix A, paragraphs B1–B4 and BC29–BC32). This exposure draft also proposes guidance on distinguishing between a	(b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?	х			Jane Pritchett	всс	jane.pritchett@gsa.gov

	BC62 B1-B 4 & BC29	sale (paragraphs 8, B9, B10 and BC59–BC62) and on distinguishing a lease from a service contract (paragraphs B1–B4 and BC29–BC32).	(c) Do you think that the guidance in paragraphs B1–B4 for distinguishing leases from service contracts is sufficient? Why or why not? If not, what additional guidance do you think is necessary and why?	x	We don't feel that this guidance adequately covers where software and licenses should fall.	Jane Pritchett	всс	jane.pritchett@gsa.gov
		Scope						
Q5	5 & BC33 - BC46	right-of-use assets in a sublease, except leases of intangible assets leases of	Do you agree with the proposed scope of the proposed guidance? Why or why not? If not, what alternative scope would you propose and why?	x	It is unclear what falls under "leases of intangible assets". Need to provide clarification and examples.	Jane Pritchett	BCC	jane.pritchett@gsa.gov

		Contracts that contain service components	e components and lease					
	BC47-	apply the guidance in propos Revenue Recognition (Topic with Customers, to a distinct that contains service compor (paragraphs 6, B5–B8 and Bi component in a contract that lease components is not disti (a) The FASB proposes the le lease accounting requiremen (b) The IASB proposes that: (i) A lessee should apply the the combined contract. (ii) a lessor that applies the p should apply the lease accou combined contract. (iii) a lessor that applies the c account for the lease compor requirements, and the service	C47-BC54). If the service contains service components and inct: essee and lessor should apply the its to the combined contract. lease accounting requirements to erformance obligation approach					
Q6			Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?	x	If both service and lease components are accounted for together under the derecognition method, there could be room for more gains and losses that won't reflect substance of a contract. This could be misleading. (Reference B5b)	Jane Pritchett	BCC	jane.pritchett@gsa.gov

Contract should be considered terminated when an option to purchase the underlying asset is exercised. Thus, a contract would be accounted for as a purchase (by the lesser) and a sale (by the lesser) when the purchase option is exercised (paragraphs 8, BC63 and BC64) Measurement Do you digited interties to lessor of a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options are accounted for before it is exercised, this could make financial statements less reliable and open to manipulation. It would likely result in more frequent re-evaluations increasing the workload and effort required. BCC Jane Pritchett Pritchett BCC Measurement

oposes that a lessee or a lessor should abilities arising from a lease on a basis					
st possible term that is more likely than account the effect of any options to elease (paragraphs 13, 34, 51, BC120).					
e payments contingent rentals and der term option penalties and residual ified by the lease by using an expected tragraphs 14, 35, 36, 52, 53, B21 and ors should only include those contingent ayments under term option penalties rantees that can be reliably measured. anges in facts or circumstances indicated that change in the liability to make lease at to receive lease payments arising from or contingent payments, including der term option penalties and residual ethe previous reporting period	е				
nt chang t to rece erm or co der term e the pre	ge in the liability to make lease sive lease payments arising fron ontingent payments, including n option penalties and residual	ye in the liability to make lease very lease payments arising from contingent payments, including option penalties and residual evious reporting period	pe in the liability to make lease vive lease payments arising from contingent payments, including a option penalties and residual evious reporting period	pe in the liability to make lease vive lease payments arising from contingent payments, including a option penalties and residual evious reporting period	ge in the liability to make lease vive lease payments arising from contingent payments, including n option penalties and residual vervious reporting period

Q8	L	Lease term	Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?		x	If purchase options are accounted for before it is exercised, this could make financial statements less reliable and open to manipulation. It would likely result in more frequent re-evaluations increasing the workload and effort required. It is unclear where indefinite term leases fall under this scope and how to account for them. Also see response to Q7.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
Q9	L	∟ease payments	Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?	x		See response to Q7.	Jane Pritchett	BCC	jane.pritchett@gsa.gov

		Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be reliably measured? Why or why not?	x	Agree	Priscilla Sampson	BCA	prisiclla.sampson@gsa .gov
Q10	Reassessment	Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?	x	Suggest the reassessment be at the portfolio level instead of at the lease level for large portfolios where changes in individual leases would not significantly affect the whole.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
	Sale and leaseback						

Q11	66-67 B31 & BC16 0- BC16 7			×	Agree, however, it would be helpful to have examples to help clarify paragraph 67 a & b.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
	42-45 60-63 &	This exposure draft proposes that lessees and lessors should present the assets, liabilities, income (or revenue), expenses and cash flows arising from leases separately from other						

E	Statement of financial position 25 & BC14 3-BC14 5	(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?	x	We agree as long as these right-of- use assets are categorized by asset type in the PP&E section, such as buildings, planes, vehicles, etc. Or this information should be disclosed in the footnotes.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
E	42, BC14 8 & BC14 9	(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totalling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?	x		Jane Pritchett	BCC	jane.pritchett@gsa.gov

60, BC15 4 & BC15 5	(c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?	x		Jane Pritchett	BCC	jane.pritchett@gsa.gov
43, 60, BC15 0 & BC15 6	(d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?	l ×		Jane Pritchett	BCC	jane.pritchett@gsa.gov

Q13	26, 44 61, 62 BC14 6 BC15 1 BC15 2 BC15 7 & BC15 8	Income statement	Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?	x		Priscilla Sampson	BCA	priscilla.sampson@gsa .gov
Q14	27, 45 63, BC14 7 BC15 3 & BC15 9	Statement of cash flows	Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 45, 63, BC147, BC153 and BC159)? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?			Priscilla Sampson	вса	priscilla.sampson@gsa .gov

Q15	70-86 & BC16 8- BC18 3	Disclosure	Do you agree that lessees and lessors should disclose quantitative and qualitative information that: (a) identifies and explains the amounts recognized in the financial statements arising from leases; and (b) describes how leases may affect the amount, timing and uncertainty of the entity's future cash flows? (paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?	x		We agree, however the disclosure information items under 73 should be based on materiality as it relates to the entity and financial statements.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
		Transition							
	8	(a) Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?		x	Entities should be allowed to use either the simplified or full retrospective approach on a lease by lease basis. This gives entities more options, and the opportunity to take advantage of more accurate accounting where they have the ability to do so.	Jane Pritchett	всс	jane.pritchett@gsa.gov	
Q16	6- BC19 9	leases as of the date of	(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?	x		See response above.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
		88–96 and BC186–BC199). (c)	(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?	x		Need at least 2 years transitional notice to allow entities to prepare.	Jane Pritchett	всс	jane.pritchett@gsa.gov

		Benefits and costs				Need to define accounting and recognition treatment for existing balances related to rent abatements, rent credits, broker rebates, etc. It is possible that Paragraphs 91 and BC190 cover these topics, and if so, they need to be clarified.	Jane Pritchett	всс	jane.pritchett@gsa.gov
Q17	0- BC20 5	Paragraphs BC200–BC205 set out the boards' assessment of the costs	Do you agree with the boards' assessment that the benefits of the proposals would outweigh the costs? Why or why not?		х	For shorter term real property leases (i.e. less than 5 years), the benefit may not be worth the costs. The shorter the term of the lease, the benefit will be less. It is indeterminable at this point, what the long term costs will be for entities with significant leasing operations. There will be significant costs for systems enhancements to account for this, plus reevaluations.	Jane Pritchett	BCC	jane.pritchett@gsa.gov
Q18		Other comments	Do you have any other comments on the proposals?	х		Suggest adding additional language to clarify that lease payments recognition will be based on accrual based accounting method and to clarify those straight lining payments is not warranted for short term leases (Paragraph 64).	Jane Pritchett	всс	jane.pritchett@gsa.gov
Q19		Non-public entities	Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?		x	If private companies and not-for- profit organizations are not required to follow this guidance, then additional disclosures should be required such as present value of lease amounts, including likely outcomes for contingent rental, and options likelihood.	Jane Pritchett	BCC	jane.pritchett@gsa.gov