

June 20, 2013

RE: File Reference No. 2013-270

Thank you for your diligence and desire to create a more useful Standard. I would like to commend and express appreciation to the Board on their efforts on this matter.

This proposed change affects those of us who work within the confines of the standards on a daily basis as well as the users of Financial Statements. Notwithstanding the theory behind the proposed change, but from a practical standpoint, I present the following comments to this exposure draft:

**More efficient approach to frontloading Type A assets:**

For Type A assets, the consumption based principle being proposed can be achieved more easily from the Lessee perspective by using an accelerated depreciation method versus amortizing the present value of future lease payments. Instead of calculating the present value of future lease payments on possibly hundreds of leased assets using the effective interest rate (which can change monthly), accelerating the depreciation has the same effect and can be handled using the Organization's existing depreciation system. The objective of frontloading the leased asset is accomplished without the burden of maintaining a number of amortization schedules.

**Effect on consistency on internal processes:**

Almost every U.S. Organization has a capitalization threshold that they set to determine the accounting treatment of acquired assets. By forcing companies to treat all long-term Type A leases as capital, there may be the unintended consequence of circumventing company policy which leads to confusion and inconsistency. Without a materiality threshold for Type A leased assets, Organizations risk losing the established consistency in the way they treat capital personal property.

**More misleading view of liabilities:**

If the objective of the new proposal is to present liabilities on the Balance Sheet, then why stop at Leased Assets? Other material liabilities may exist that are not currently being presented on the Balance Sheet. Long-Term agreements with Auditing firms, or subscription cloud-based corporate applications that represent a virtually indefinite commitment are two examples of liabilities that are not presented.

**Increase risk for error:**

Unless exempt, and without clearly delineating each other's rights, the new proposal increases the possibility of double taxation on U.S. business use personal property. Most non-exempt U.S. businesses rely on their fixed assets sub-ledger when preparing their property tax renditions. With the proposed change, the Lessor must carry a residual value of the leased assets as part of their property, plant, & equipment. If the Lessee is also maintaining capital leases on their sub-ledger, then the possibility exists that the taxing authority assesses a value on the same leased asset for both Organizations.

Since commitments are currently presented in the notes section to the financial statements, along with ambiguity in the areas mentioned above, I only see additional encumbrance and cost to the Organization with no real value to anyone by implementing the proposed changes.

Sincerely,

Arthur Kurland