

The Dow Chemical Company Midland, Michigan 48674

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Submitted via electronic mail to director@fasb.org

Re: File Reference: No. 2013-270, Exposure Draft: Leases (Topic 842)

The Dow Chemical Company ("Dow") appreciates the opportunity to comment on the Financial Accounting Standards Board Proposed Accounting Standards Update, *Leases* (Topic 842). We are supportive of the overall goal of improving the accounting for leases and developing a converged leasing standard. We would also like to thank the Boards for incorporating changes to the original proposal that address many of the concerns and help add clarity and simplification.

The Dow Chemical Company is a publicly traded, worldwide manufacturer and supplier of products use primarily as raw materials in the manufacture of customer products. Dow's diversified portfolio of specialty chemicals, advanced materials, agrosciences and plastics businesses delivers a broad range of technology-based products and solutions to customers in approximately 160 countries and in high growth sectors such as electronics, water, energy, coatings and agriculture. In 2012, Dow had annual sales of approximately \$57 billion and employed approximately 54,000 people worldwide. Dow's more than 5,000 products are manufactured at 188 sites in 36 countries across the globe. As a manufacturing company, we have a significant number of leases, many of them meeting the criteria of a Type A lease.

While the revised Exposure Draft provides some simplifications, we are still concerned about the complexity and the related cost and resources necessary to implement and develop a sustainable process. We believe the complexity of this standard will place a significant burden on the preparers compared to the benefits obtained by the investment community.

The introduction of a dual model to recognize, measure and present lease activities adds significant complexity, requires more judgment and adds cost. We feel that the same benefit for the investment community could be achieved with a single accounting approach for all leases. Our key concerns related to the complexity of the dual model include:

• The dual model approach requires more clarity related to the classification of leases as Type A or Type B and 'insignificant part' needs to be clearly defined in the guidance. In addition, clarity needs to be added related to the *total* economic life and *remaining* economic life to eliminate differences in practice which would hinder the comparability of results by company. The current proposal allows for a difference between economic life and depreciable life that are used in the calculation of depreciation of our capitalized assets.

- Data collection and the complexity of calculations at a lease contract level requires considerably more
 time and effort, particularly for companies with a high volume of lease arrangements and applies to
 the initial presentation, the on-going calculations to record the lease transactions, and the
 remeasurement process. Currently, large ERP solution providers have not delivered a system solution
 and we ask that this be taken into consideration when determining the effective date of the standard.
 Automated solutions are needed to properly record the accounting transactions as well as provide data
 needed for the disclosure requirements.
- New disclosure requirements should be recvaluated to ensure we are reporting the appropriate level of
 detail and aggregation. Under the current proposal increased judgment would need to be exercised by
 the preparers to determine the appropriate level of detail and aggregation. The complexity of the
 disclosure requirements could lead to inconsistencies in practice and lessen the comparability of the
 disclosed information. We ask that the Boards review the current proposal to simplify the disclosure
 requirements.
- Enhanced monitoring of reassessments in lease liabilities need to be developed by preparers to comply with the complexities related to triggering these reassessments. We ask that the Boards clarify in the guidance and simplify, to offset the costs of on-going monitoring.
- The breakout of non-lease components such as maintenance and service require a much more robust process and significantly more detail within our accounting systems. As noted above, a software solution has yet to be developed. Further the proposed requirements increase the number of leases that will need to be tracked at an individual asset level rather than at the lease contract level under the current practice. We would recommend the removal of this requirement and request the ability to continue aggregating the assets to significantly reduce the cost and effort to maintain unit of account based on individual leased assets.
- We would also ask that the Boards issue specific guidance on accounting for leases where the value
 of the underlying assets are below the thresholds that the company has set for capitalization and that
 we continue to account for low value leases as operating leases. This would help reduce effort as well
 as cost without impacting the intent of the new lease guidance.

The complexity of the new standard also requires significant efforts around stakeholder communication and education for both the preparers and users of the financial information as well as clear communication on the impact of the changes to company productivity measures and metrics. We ask that the Boards include clearer, more robust transition guidance to add clarity and maintain comparability of financial data across companies. Without any changes to the complexity of the standard, we also believe that an extended transition period would be required.

We appreciate the opportunity to provide input and taking our comments into consideration.

Sincerely,

Ron Edmonds
Vice President and Controller