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Senior Vice President and Controller

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Susan M. Cosper, Technical Director FASB 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Patrina Buchanan, Technical Principal International Accounting Standards Board 30 Cannon Street London EC4M 6XH / UK

BY EMAIL director@fasb.org pbuchanan@ifrs.org

RE: Proposed Accounting Standard Update (Revised), Leases (File Reference No. 2013-270)

Dear Ms. Cosper and Ms. Buchanan:

Wal-Mart Stores, Inc. ("Walmart") appreciates the opportunity to provide comments on the revised proposed accounting standard update on leases. We would like to commend the Financial Accounting Standards Board and the International Accounting Standards Board ("the Boards") for their valuable work on the joint leasing project and their outreach efforts.

We support the concept of recognizing lease liabilities and related assets on the balance sheet; however, we believe the cost to implement and the added complexities of the proposed standard significantly outweigh the benefits. We believe there is not a consensus among users or preparers of financial statements regarding the appropriate method for capitalizing current operating leases and the related recognition and presentation on the income statement. As a result, we continue to believe users will adjust a company's financial statements with respect to lease obligations to meet their individual needs. The current exposure draft appears to recognize this by requiring

extensive new disclosures in addition to financial statement recognition, which is overly burdensome to preparers and adds complexity to the financial reporting process.

The goal of any new accounting standard should be to improve financial reporting effectively and efficiently, without undue complexity or cost. As written, we do not believe the exposure draft meets this goal. Many users of financial statements have already expressed concerns to the Boards that the new standard will not result in improved financial reporting; and preparers believe the proposed standard is overly complex and the cost to implement is not justified by appropriate benefits. Consequently, we continue to believe that providing enhanced disclosures regarding lease obligations will meet user needs, at a lower cost and without the additional complexity to financial reporting.

However, should the Boards move forward with the proposed standard to recognize the leased assets and liabilities in financial statements, we believe changes should be made that will reduce the complexity and cost involved in implementation. Our concerns are detailed below.

Dual Model Classification

We appreciate the Boards' work to provide a classification model that reflects the different economic effects of lease arrangements. However, as written, we believe the two model approach is overly complex, primarily as it relates to the use of the term "remaining economic life" and the amortization approach for Type B leases. Additionally, the proposed guidance requires significant judgment in application and provides limited guidance or definition of key terms such as "insignificant", "major part", and "substantially all". Without additional clarity on how to interpret these terms, we believe it will result in inconsistent interpretation, application, and diversity in practice.

Using the consumption approach, and therefore distinguishing between "total economic life" and "remaining economic life", will result in similar leases being accounted for differently strictly based on the age of the property at the time of the lease. This will occur for both lessee leases and lessor leases and adds an element of complexity that is not necessary. We believe the proposed standard could be significantly simplified by using "total economic life" in determining both Type A and Type B leases. Defining leases as "Land and Building" and "Other Tangible Assets" would be another example of a simplified classification.

The amortization approach for Type B leases also adds complexity to the implementation process and should be simplified to accommodate existing fixed asset systems. The proposed methodology for amortizing Type B leased assets is not currently supported by existing systems, which will result in additional systems development expenditures. This additional systems development work will be costly to update existing fixed asset depreciation programs, as well as requiring the integration of fixed asset systems with new lease obligation systems. Simplifying the amortization approach for Type B leases will help reduce the cost of implementation.

Reassessment

The requirement to periodically reassess the factors and assumptions used in determining the right-of-use asset and lease liability is overly burdensome with limited benefit. While there may be a theoretical basis for the reassessment, from a practical application standpoint, the reassessment will add unnecessary complexity and cost to the process. In addition, the guidance in the proposed standard would appear to require these reassessments be performed quarterly. For companies with tens of thousands of leases this is a significant burden that most likely will not result in any meaningful changes to the related leased assets and liabilities, while requiring significant work by both accounting and operational personnel. We recommend the Boards retain the existing accounting guidance requiring the determination of accounting for a lease contract on day one with reconsideration of that accounting in limited circumstances, such as upon modification of the contract.

Lessor Accounting

We appreciate the Boards' initiative to create symmetry between lessor and lessee accounting, but we do not believe that such symmetry is necessary given the different objectives of lessor and lessee accounting. We believe that the lessor accounting model under the current standard works well and we are unaware of any significant support to change the model. We recommend the Boards retain current lessor accounting guidance in the proposed standard update.

If the Boards move forward with amending current lessor accounting in the standard, as previously mentioned, we believe that the "remaining economic life" criteria included in the proposed standard is problematic in application for lessor accounting. For example, we are the lessor for many leases of vestibule space within our stores. These leases have shorter terms and tenants may turn over frequently. It appears to us that leases entered into early in a store building's economic life will most likely result in Type B classification. However, leases entered into late in a store building's economic life may result in Type A classification. Type A lease accounting for a small amount of space in a store we own would not make sense. The economics of the lease contract is not a sale. We do not believe that this result is appropriate or an intended consequence of the proposed standard. As previously stated, we believe that "total economic life" should be used as the criteria for both Type A and Type B leases.

Effective Date

The exposure draft did not include a proposed effective date. Many stakeholders believe the Boards will lean toward a three year implementation period, or an effective date three years after issuance. We believe an implementation period of three years is not adequate time to implement the standard effectively and efficiently. Implementation will require significant resources, a review of every existing lease in addition to existing service contracts, extensive data gathering, and development and implementation of new systems, processes and controls.

We will need to implement a global lease system to drive consistency in application of this new standard as it is complex and requires additional judgment. We are not aware of existing systems that can account for leases as required by the proposed standard. The length of time it will take software vendors to develop a permanent lease solution is an important consideration in establishing an effective date for the proposed standard. Major software vendors have communicated that they will not start designing and developing a new lease system until a final standard is issued. They have further communicated that it will take at least twelve months to develop a new system, and we estimate an additional six to 12 months will be required for company specific customization and testing. As a result, it will likely take two years after the lease standard is issued for a system to be available and ready for use. In addition, our internal benchmarking of our own existing projects that require a global systems implementation, new processes, and new controls indicates these type projects require a minimum 36 months to complete when implementing mature software applications. We believe that the shorter the timeframe provided to implement the new standard, the higher the cost. Additionally, the time and effort required to implement the new standard will be disruptive to other business initiatives, as implementation will compete with resources needed for those initiatives. The lost opportunity cost of competing company initiatives should not be ignored in any cost/benefit analysis.

Therefore, it is critical the Boards provide a sufficient transition period before the standard is effective. We recommend the Boards provide a minimum five year transition period to help ensure an effective and efficient implementation of the standard.

We would like to thank the Boards again for their efforts with the lease convergence project. We know the effort has been significant and beneficial, regardless of whether or not a final standard is issued. We encourage the Boards to take into account our concerns, as well as the concerns from other preparers and users, as they weigh the costs and benefits of the proposal.

Sincerely.

Steven P. Whaley

Senior Vice President and Controller