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September 12, 2013

Technical Director
File Reference No. 2013-270
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
By email: director@fasb.org
Re: Project 2013-270 Leases (Topic 842)

The Georgia Society of Certified Public Accountants, a 13,000+ member organization, and its Assurance Services Section welcomes the opportunity to comment on the Exposure Draft for the Proposed Accounting Standards Update to Topic 842 (Leases).
Generally speaking, our Committee is concerned that the proposed guidance creates additional complexity and a significant cost burden for all entities without providing better financial statement information. In our view, extant guidance provides sufficient financial statement disclosure to allow an informed user to draw accurate conclusions from properly prepared financial statements. We disagree in general with the concept of capitalizing all leases over 12 months in length and do not find that the proposed guidance is a significant improvement.

Per your request for comments, we have provided our responses to your interrogatories, assuming this Exposure Draft is adopted.

Question 1: Identifying a Lease
The Committee agrees with the definition of a lease and the proposed requirements to determine whether a contract contains a lease.

Question 2: Lessee Accounting
The Committee agrees with the definition and necessity of Type A versus Type B leases for lessees. Leases for operating equipment have fundamental differences from real property real estate leases and those differences warrant separate accounting treatment.

Question 3: Lessor Accounting
As with Lessee accounting, the Committee agrees with different accounting approaches for the lessee based on the type of lease.

Question 4: Classification of Leases
The Committee agrees with the principles in paragraphs 842-10-25-5 through 25-7.
The Committee believes paragraph 842-10-25-8 may need further clarification as to the definition of "significant economic incentive".

Question 5: Lease Term
In practice, the Committee believes the interpretation of the language in paragraph 842-10-55-4 could lead to a wide range of application. Determining whether options to extend the lease should or should not be included in the present value calculation will be difficult in practice. This is an area where the threshold in the current standard, which requires disclosure of noncancellable **minimum** lease obligations, is more practical. Determining economic incentive and whether an option will likely be exercised or not will put auditors in a difficult situation with their clients. The Committee believes the Board should consider a minimum liability threshold with disclosures about renewal options. This would take away the guess work and diversity in practice that will occur based on the current language in paragraph 842-10-55-4.

Question 6: Variable Lease Payments
The Committee agrees with the proposal regarding the measurement of variable lease payments, including the need for reassessment if there is a change to an index or rate used to determine the lease.

Question 7: Transition
The Committee agrees with the Board's proposal to allow a modified retrospective approach. We encourage the Board to establish an effective date that allows for considerable time given for implementation.

Question 8: Disclosure
The Committee agrees with the proposed disclosure requirements.

Question 9: Nonpublic Entities
The Committee agrees with the exemption from providing a reconciliation for the opening and closing balance of a lease liability.
The Committee agrees with the option for a nonpublic entity to select a standard interest rate for purposes of the liability calculation, but doesn't agree with that rate being the risk-free discount rate. Although the risk-free rate would be a more conservative rate, the Committee believes this rate significantly misrepresents the economic substance of the transaction. Leases can many times have very high implicit interest rates and using a risk-free rate would overstate the liability and not properly reflect the true financing costs associated with the lease. Many times, the company's borrowing rate either in implicit in the lease or the general borrowing rate (LOC, term debt,etc) is not difficult to determine. It makes sense for a private entity to use one

rate for the lease liability calculation, but the Committee feels that rate should not be the risk-free rate.

Question 10:
The Committee agrees that it is not necessary to provide different recognition and measurements for related party leases. Having agreed, the Committee also notes this will be a problematic and inconsistent area of implementation in practice. Related party leases are often times changed on a whim, not reflective of market value, etc. The renewal period determination with related parties will also be difficult to determine.

Question 11:
The Committee agrees no additional disclosures for related party leases are needed.
Thank you for the opportunity to comment.

Sincerely,

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