



October 24, 2017

Ms. Susan Cospier
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2017-290

Dear Ms. Cospier:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the FASB's Proposed Accounting Standards Update, *Land Easement Practical Expedient for Transition to Topic 842* (the "ED").

We support the proposed amendments in the ED, subject to resolving the concern discussed in the next paragraph. We agree with the Board's clarification that land easements (or rights of way; collectively, "land easements") should be evaluated under Topic 842 to determine whether they contain a lease. Given the diversity in practice in how companies have historically accounted for land easements, and the volume and age of those arrangements, we endorse the Board's practical approach to allow companies to maintain their accounting policies for land easements that existed before adoption of Topic 842.

We are concerned, however, that the proposal's wording might result in companies applying the practical expedient inconsistently. Specifically, the proposed amendment allows an entity to continue its current accounting for arrangements not previously *assessed* under Topic 840. As worded, a company that had assessed its arrangement under Topic 840 but, nevertheless, concluded that the arrangements did not contain a lease might infer that it is ineligible to use the proposed expedient because it appropriately performed an assessment. We believe the proposed practical expedient should instead focus on how a company *accounted* for the arrangement. As described in an appendix to this letter, we believe this change would conform to the Board's intent, as described in the ED's Basis for Conclusions.

The appendix to this letter contains our detailed responses to the Questions for Respondents in the ED, and includes additional observations.

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If you have any questions, please contact David Schmid at (973) 236-7247 or John Bishop at (973) 236-4420.

Sincerely,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP



Appendix

Question 1: Would the land easement practical expedient in this proposed Update reduce the cost and complexity to implement Topic 842? If not, please explain why.

Yes. In light of the diversity in practice in how land easements have been accounted for historically, we agree that land easements should be evaluated under Topic 842. Given the volume and age of many of these agreements, we agree that a practical expedient would reduce the cost and complexity of implementing Topic 842. However, we believe that wording changes are necessary to accurately reflect the Board's intent as described in the Basis for Conclusions.

We agree with the statement in BC12: "If an entity elects that proposed practical expedient, it would not apply Topic 842 to its land easements that exist or expired before the effective date of that Topic, provided that the entity does not *apply* [emphasis added] Topic 840 to those land easements." The proposed practical expedient should focus on an entity's historical accounting, rather than on whether it carried out an assessment. As drafted, the ED provides a practical expedient to entities that had *not assessed* an arrangement under Topic 840, while precluding entities from using the expedient if they *had assessed* the arrangements under Topic 840. For example, the last sentence in proposed paragraph ASC 840-10-65-1(gg) states: "*An entity that previously assessed existing or expired land easements under Topic 840 shall not be eligible for this practical expedient for those land easements.*" We believe that this sentence should be deleted as it does not accurately reflect the Board's intention.

To *assess* means to determine the importance, size or value – not the resultant conclusion. For example, as worded, the expedient could be interpreted as penalizing entities that performed an assessment; concluded that the arrangement did not contain a lease; and is electing not to use the package of practical expedients described in ASC 840-10-65-1(f). As worded in the Update, those entities would have to reassess those arrangements, while their peers – that never performed an assessment of similar arrangements – could elect the proposed practical expedient and avoid the need for reassessment.

We believe the proposed practical expedient should be available to any entity that did not *account* for a land easement as a lease under Topic 840 (as implied in the Basis for Conclusions), rather than to entities that had not *assessed* such arrangements.

Question 2: Would the proposed amendments require transition provisions or an effective date that is different from those for Topic 842? If yes, please explain what transition requirements and/or effective date you would recommend and why.

No. We do not believe that the proposed Update would require a different transition date than Topic 842. Further, we agree that an entity that proposes changing its accounting policy for land easements before adopting Topic 842 should apply Topic 250, *Accounting Changes and Error Corrections*, including the requirement that the change be preferable.