

Sean T. Crapson  
104 Avenue D # 9  
Denton TX, 76201  
Seanc875@gmail.com

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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Ct 06856-5116

**Topic 840: Leases**  
**File Reference No. 1850-100**

I would first like to thank you for the opportunity to comment on the proposed exposure draft on leases. I support the joint effort of the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) to improve the accounting standards for leases.

This letter is in response to the exposure draft released on August 17, 2010 by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) proposing amendments to the FASB Accounting Standards Codification (ASC) and the International Financial Reporting Standards (IFRS) to develop a new approach to the accounting of leases that would state assets and liabilities that arise from lease transactions to be recognized on the face of financial statements. This letter will discuss two specific questions in the exposure draft and my view on how they might affect the current operations of business in a negative way and impede certain business from operating efficiently.

**Question 7: Purchase options**

This exposure draft proposes that a lease contract be considered terminated when an option to purchase the underlying asset is exercised. Thus, (the lessor) would account for

a contract as a purchase (by the lessee) and a sale when the purchase option is exercised (paragraphs 8, BC63 and BC64).

Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?

**Response:**

In response to question seven, I agree that purchase options should only be accounted for when they are exercised. This is until the time at which the option is exercised, there is still the real possibility that the piece of property leased will be returned to the lessor. In order to avoid misrepresentation of the accounting for purchase options, I feel that if the contract provisions are “more than likely” facilitating the financing of the piece of property that the contract should be considered a purchase. If not, the property is being leased up until the point at which the purchase option is exercised.

**Question 15: Disclosure**

Do you agree that lessees and lessors should disclose quantitative and qualitative information that:

- (a) identifies and explains the amounts recognized in the financial statements arising from leases; and
- (b) describes how leases may affect the amount, timing and uncertainty of the entity’s future cash flows? (paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?

**Response:**

In response to question 15 part (a); I agree that the lessee and lessor should disclose quantitative and qualitative information that identifies and explains the amount recognized on the financial statements arising from leases. It is very important to the shareholders of a firm to understand the way the amount recognized on the financial statements is calculated in order for said shareholders to have a full understanding of the firm’s outlook. Without a full disclosure of this process and the amounts for each lease, it makes it impossible to value the future cash flow of the firm.

In response to question 15 part (b); I agree that a firm should have to describe how the leases may affect the amount, timing and uncertainty of the entity's future cash flow. This would help investor and shareholders better understand the issues surrounding the lease agreement and the terms that affect the future cash flows. This will also allow for greater transparency in the presentation of leases on the entity's financial statements giving the shareholders a better idea of the future cash flows and value of the firm.

Thank you for your time and consideration of my comments on the proposed changes to the accounting treatment of leases.

Sincerely,

Sean T. Crapson