December 15, 2010

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

RE: Leases
File Reference 1850-100

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The views expressed herein are written on behalf of the Professional Standards Committee of the TSCPA. The PSC has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee’s membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

Our committee has read the Exposure Draft (ED) of the proposed Accounting Standards Update focusing on Lease Accounting. In general, our committee is perplexed by the issuance of new guidance on lease accounting since we are unaware of the implied severity of a problem surrounding lease accounting. We believe the Board has failed to justify the need for a revision of the lease accounting models that currently exist. Early in the ED, an attempt is made to justify a revision of current lease accounting models based on the fact that “... those models have been criticized for failing to meet the needs of users of financial statements because they do not provide a faithful representation of leasing transactions.” The Board then concludes that, “As a result, many users of financial statements adjust the amounts presented in the statement of financial position to reflect the assets and liabilities arising from operating leases.” Adjustment by financial statement users to the amounts presented in the statement of position is a common occurrence in many areas of financial reporting. We believe this is not sufficient justification to add yet another layer of complexity and estimation to a company’s statement of financial position.

A claim is also made in the ED that, “The (lease) models also lead to a lack of comparability and undue complexity because of the sharp ‘bright-line’ distinction between capital and operating leases.” If a sharp ‘bright-line’ distinction leads to a lack of comparability and undue complexity, what will result when the lease accounting guidance is predicated on a new model whose key elements are highly dependent upon subjective estimates of future events? We believe such a model will result in a greater lack of comparability and a heightened level of complexity.

Our general belief is that the Board has failed to adequately justify the need for the proposed guidance and should not consider the significant changes that are being proposed by this ED. Numerous
estimates form too much of the basis in this ED and predicting economic conditions two to five years into the future, though easy to require, is very difficult to accurately estimate.

We also noted the ED states (page 1) that it is a joint project of the FASB and IASB “... to develop a new approach to lease accounting.” We saw no attempt to justify the project as increasing convergence.

We have closely reviewed the proposed guidance and believe that the ED will provide little improvement in the current lease accounting models. Due to the increased reliance on estimates and the added complexity that is being considered, we are highly skeptical of the appropriateness of the proposed ED. We, therefore, recommend that the ED be withdrawn without further consideration or action by the FASB.

In view of this overall reaction, we have not responded to the individual detailed questions.

We appreciate the opportunity to provide input into the standard-setting process.

Sincerely,

Kathryn W. Kapka
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Chair, Professional Standards Committee
Texas Society of Certified Public Accountants