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Submitted via electronic mail to director@fasb.org

Re: File Reference No. 1850-100

General Electric appreciates the opportunity to share its views on the Exposure Draft Leases (Topic 840), issued by the Financial Accounting Standards Board and the International Accounting Standards Board (the Boards). We support the Boards’ goal of improving lease accounting and have followed the joint project with great interest given the significant potential impact of the proposal on both lessors and lessees. We have reviewed the Exposure Draft in detail and have field tested the principles in the proposed models. We are mindful of the significant challenges associated with completing the key MOU projects in 2011 and the stages of completion of each of them. Considering the complexity of the Exposure Draft, the results of our field testing and taking these factors into consideration, we recommend the Boards suspend or discontinue work on the lessor accounting model and focus on simplifying the lessee model for completion sometime in the near term. As discussed further in the paragraphs below, the lessor and lessee models are operationally complex to implement on an individual lease level and will cause constituents to incur significant costs.

We observe that the lessor portion of the proposed leasing model has improved significantly over the past year, moving substantially in the direction of the existing lessor guidance, which is more faithful to the economics of a broad range of transactions that occur in practice. The consequence of this movement, however, is that there is no significant incremental benefit to the change compared with the costs that will have to be incurred to
adopt. Moreover, the Staff time and attention that will be devoted to finalizing the lessor model will be extensive relative to the modest amount of change and must be balanced with the significant resource requirements that are necessary to successfully complete the lessee model. We have noted in the past that even modest changes in existing guidance sometimes have precipitated unintended consequences simply because they are interpreted anew by the financial reporting community. Based on our analysis of the overall proposal, we are comfortable that the lessor model in existing GAAP can coexist with a new lessee model provided that the latter is simplified and improved as discussed below. Lessor accounting does not represent a financial reporting deficiency, and the lessor balance sheet always includes either the leased asset or the investment in the lease.

With regard to the lessee model, we strongly believe the Boards need to develop a set of principles that can be operationally applied to tens of thousands of leases on a cost-effective and consistent basis. The existing proposal, in our view, cannot. The complexity and operational issues in the current lessee proposal generate significant costs and great difficulty for the vast majority of companies who will apply the standard. In addition, a byproduct of this complexity is that it lengthens the transition period before a new standard can become effective, thus significantly delaying the benefit of the new standard for investors. We believe the key deliverable from the project from the standpoint of investors is reflecting the financing element of leasing in the statement of financial position and that further modifying the lessee model, as discussed below, is a reasonable way of achieving that result in a cost effective manner.

We believe the proposal could be substantially simplified and possibly be issued as a final standard, if the Boards addressed the following areas prior to issuing a final standard:

- **Lease term and lease payments**

  The Exposure Draft defines lease term as the longest possible term that is more likely than not to occur, considering the effect of any option to extend or terminate the lease and defines lease payments as the fixed and uncertain payments arising under a lease, including contingent rents. We believe a lease standard would be more operational if, rather than using the proposed definition, the lease term was based upon a principle that includes renewal periods in the recognized lease term when it is reasonably assured that the lease will be renewed. This evaluation would include renewal periods when the lessee has a strong economic reason to exercise the option or if the exercise of the renewal option is certain because the option is without substance. Similarly, contingent rents may be included in the measurement of the lease obligation when the contingent rents are disguised minimum lease payments. Both of these approaches are similar to the requirements that exist today and are understood by preparers and their auditors.

- **Lessee expense recognition pattern**

  The Exposure Draft’s approach leads to a misallocation of lease costs, as the sum of allocated amortization and interest expense exceeds rental charges early in the life of a lease and is less than rental charges in later periods. Financial statement users
have indicated to the Boards that they do not find this pattern helpful and that it would cause them to manually adjust reported results to remove this cost allocation. We strongly believe the final proposal needs to reflect the fact that the newly recognized lease asset and liability are components of a single contract and consistent with that, should reflect the expense pattern and income statement geography compatible with the rental charges incurred by the lessee. While this may require compromise on the conceptual view of the accounting, it considers the contract to be a single unit of account and ensures the resulting accounting actually meets investor needs.

In addition to providing a faithful representation of lease costs and providing financial information that many financial statement users find preferable, this approach would also ease the burden associated with the accounting for immaterial, small dollar leases under the right of use model. Since the cost allocation in the income statement would be the same whether or not leases were capitalized, a lessee would be able to judge materiality by reference to the balance sheet alone. This would make it considerably easier when preparers assessed the materiality of their small dollar leasing transactions and would potentially reduce the cost of applying the proposed standard.

- **Transition**

If the proposals in the Exposure Draft are adopted, we believe the final standard will require a longer than average lead time to implement. Lessees will need to implement new systems and lessors will have to undertake significant changes to their accounting and operational systems. The development of system charges can only be undertaken once a final standard is adopted. Given the number of leases lessors and lessees have -- and we have well in excess of 1.8 million lease contracts as a lessor -- we believe several years will be required to make a new lease accounting standard operational.

Leasing is a major business activity and leasing includes a diverse range of transactions. Given the number of lease contracts and that many leases are for relatively small dollar amounts, it is important that the final standard deliver the financial information users require at a cost that is reasonable for preparers to incur.

We appreciate the opportunity to provide our views and we look forward to following the Boards future deliberations. Please feel free to call me at (203) 373-2444 if you have any questions regarding this response.

Sincerely,

Jamie S. Miller