February 5, 2018

Susan M. Cosper, CPA
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116


Dear Ms. Cosper:

The American Institute of CPAs (AICPA) is the world’s largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms’ interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the Proposed Accounting Standards Update, Leases (Topic 842): Targeted Improvements (ED) and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC appreciates the effort of the Board to make two targeted improvements/simplifications to the lease standard by providing entities with an additional (and optional) transition method to adopt the new lease requirements by allowing entities to initially apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with the request by preparers. TIC has had discussions with some of their private company clients and they were concerned that the previous transition requirements would be costly and complex to apply so this is a welcome change.

This ED also would provide lessors with a practical expedient, by class of underlying assets, to not separate nonlease components from the related lease components and, instead, to account for those components as a single lease component, if both of the following are met:

- The timing and pattern of revenue recognition for the nonlease component(s) and related lease component are the same.
The combined single lease component would be classified as an operating lease.

TIC agrees that this is a welcome improvement to the existing standard and will result in some simplification for private companies. TIC’s additional detailed comments on the ED are outlined below.

SPECIFIC COMMENTS

**Question 1:** Would the proposed optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption reduce the costs and complexity associated with implementing Topic 842? If not, please explain why.

Yes. TIC believes the proposed optional transition method would reduce cost and complexity for the reasons articulated in BC 7 of the ED.

**Question 2:** Is the proposed transition method, as written in this proposed Update, operable? If not, please explain why.

Yes. TIC believes the proposed transition method is operable. While the optional transition method will result in a lack of comparability between years in the year of adoption, this method still achieves the objective of recognizing leases on the balance sheet at the effective date.

**Question 3:** Would the practical expedient in this proposed Update for lessors to not separate nonlease components from the related lease components and, instead, to account for those components as a single lease component reduce the costs and complexity associated with applying Topic 842 by lessors? If not, please explain why.

TIC believes that accounting for those components as a single lease component will reduce the costs and complexity associated with applying Topic 842 by lessors by not having to estimate and allocate standalone selling price to the components.

**Question 4:** Is the proposed practical expedient, as written in this proposed Update, operable? If not, please explain why.

TIC believes that the proposed practical expedient would be operable similar to the existing similar practical expedient for lessees in Topic 842.

**Question 5:** Would the information in the financial statements, including disclosures, provided by lessors electing the practical expedient in this proposed Update be decision useful? If not, please explain why.

TIC believes that the information, including disclosures, provided by lessors electing the practical expedient proposed in this ED would be decision useful.
ADDITIONAL COMMENT

TIC has continued discussions with its private company clients about how the new standard will affect their financial reporting process. As FASB may appreciate, many private entities have only just now begun to take a detailed look as to how this new standard will affect them, as they have an additional year to adopt the new standard, unlike public business entities that are required to adopt for fiscal years beginning on or after December 15, 2018. As those discussions progress, TIC may have some additional feedback about implementation issues for private entities that we would plan to send under separate cover following this letter.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees