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Technical Director
Financial Accounting Standards Board
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Proposed Accounting Standards Update, Leases (Topic 842): Targeted Improvements

Liberty Global plc (LG) appreciates the opportunity to comment on the Proposed Accounting Standards Update, Leases (Topic 842): Targeted Improvements (the Proposed ASU) issued by the Financial Accounting Standards Board (the FASB or the Board). LG is an international provider of video, voice and broadband internet services, serving over 22 million customers with consolidated operations in 12 European countries.

Overall, we support the Board’s tentative decisions and reasoning as drafted in the Proposed ASU. Specifically, we agree with the proposed optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption. This optional transition method would reduce the costs and complexity associated with implementing ASC 842, Leases. Further, the optional transition method would allow dual reporters, such as us, to align the date of adoption with IFRS 16, Leases. We believe that the proposed transition method as written is operable.

We wish however to provide comment on the proposed practical expedient for separating components of a contract. While we support a practical expedient that allows lessors to not separate nonlease components from the related lease components, we don’t believe that this expedient should be limited to contracts in which the combined single lease component would be classified as an operating lease, as it limits the practical expedient unnecessarily.

Certain lessors include a lease element as a minor component of a larger service contract. For these lessors, the practical expedient as written would likely result in a combined component that would fail the present value test in Paragraph 842-10-25-2(d). The practical expedient as written therefore provides no relief for entities that have leases as a minor component of a larger service contract, even if the timing and pattern of recognition are the same for both the lease and nonlease components.

Entities with leases as a minor component of a service contract encounter the same challenges expressed by other stakeholders in allocating consideration between lease and nonlease components. While any allocation method used would be judgmental in nature due to a lack of observable standalone selling prices, in many cases, entities can reasonably conclude the lease element would not be a sales-type lease.
We believe that if the timing, pattern of recognition, and profit and loss classifications are the same and an entity can reasonably conclude the minor nonlease component would not be a sales-type lease, the accounting should follow the predominant element in the contract. We propose that an entity be permitted to account for a service contract with a minor lease component as a single performance obligation under ASC 606, Revenue from Contracts with Customers, which more accurately reflects the economics of the arrangement. Further, disclosing such a transaction as a single performance obligation under ASC 606 provides more useful information to financial statement users.

We appreciate the opportunity to provide you with our views on the Proposed ASU. If you have any questions regarding our comments, please contact me at 303-220-4212, Leo Stegman, Managing Director of Accounting and Reporting, at 303-220-6690, or Eric Van Deman, Vice President of Accounting Policy, at 303-784-4591.

Sincerely,

Jason Waldron
Senior Vice President and Chief Accounting Officer

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Leo Stegman, Managing Director, Accounting and Reporting
Eric Van Deman, Vice President, Accounting Policy
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