January 13, 2019

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

Re: File Reference No. 2018-310, Proposed Accounting Standards Update (ASU), Leases (Topic 842) – Codification Improvements for Lessors

Dear Ms. Cosper:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board’s (FASB or Board) Exposure Draft of Proposed ASU, Leases (Topic 842) – Codification Improvements for Lessors.

The IMA is a global association representing over 100,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The Committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world’s largest accounting firms, valuation experts, accounting consultants, academics, and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org (About IMA, Advocacy, Financial Reporting Committee).

We support the amendments to reinstate the exception in Topic 842 for lessors who are not manufacturers or dealers to use their cost to determine fair value and clarify the cash flow presentation of cash received by lessors for sales-type and direct financing leases. We applaud the Board for timely addressing these and other Topic 842 implementation issues.

We also request that, in addition to the lessor accounting issues the Board has addressed, the Board add to its agenda a project to amend the conditions in paragraph 3 of ASC 842-30-25 to permit a lessor to recognize payments received from the lessee as revenue when the lessor has delivered the asset and is not required to deliver any further products or services to the lessee and the payments received are nonrefundable. Topic 842 is not aligned with Topic 606 on this issue and we see no reason why the two Topics should not be aligned as it relates to the recognition of payments received as revenue when the seller/lessor is unable to conclude that collectibility of the consideration expected to be received/lease payments is probable.

We would be happy to discuss our comments with the Board or the FASB staff.
Sincerely,

Nancy J. Schroeder, CPA
Chair, Financial Reporting Committee
Institute of Management Accountants
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