



September 12, 2013

Submitted via email (to director@fasb.org)

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

File Reference No. 2013-270

Leases (Topic 842)

Technical Director, Board Members and Staff:

Dell appreciates the opportunity to comment on the exposure draft for *Leases (Topic 842)*. This second exposure draft reduces complexity by not requiring estimates for future events or to include in the initial measurement elements for which there is a large amount of uncertainty. This is particularly true for the changes in the proposed accounting for variable or contingent rental payments and purchase options as compared to the first exposure draft.

We also believe that the lessor accounting as proposed by this standard better addresses when and how much revenue should be recognized by many lessors and is an improvement over the current bright line test for revenue recognition. In our view the proposed change in lessor accounting better reflects the economics of leases for lessors with a business model similar to Dell. Therefore, our comments are limited as compared to the first exposure draft but believe there are improvements that can be made that will enhance the usefulness of the standard while properly balancing the cost versus the benefits of the proposed standard.

The body of this letter summarizes our general comments and observations on the Exposure Draft, which we generally support. The letter then follows with our responses to specific questions raised for comment to which we believe we can add insight.

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Lessee Accounting

We continue to support the Right-of-Use model for lessee accounting. We do believe that a lease creates a right-of-use asset and a lease obligation for all leases regardless of the underlying asset and regardless of the lease term in relation to the useful life of the asset. Therefore, we see no need to have two lease accounting models for lessees that are dependent on the underlying asset. As stated by the board in the basis of conclusions for the first exposure draft at BC 6(c) the right-of-use model would:

"...be possible for a wide range of leasing arrangements. For example, the measurement of a right-of-use asset arising from a 3-year lease of an asset with an estimated useful life of 20 years would be small relative to the value of the underlying asset. In contrast, the measurement of a right-of-use asset arising from a 45-year lease of an asset with a life of 50 years would approximate the value of the underlying asset. The Boards think that both situations would be appropriately represented using a right-of-use model."

We would also add that many continue to distinguish between a lease that is similar to a purchase and a lease that is purely an executory contract. Our view is that any attempt to distinguish between two lease agreements with similar rights and obligations is subjective and arbitrary. This is true even when the lease term substantially consumes the asset and where the present value of the future minimum lease payments is more than 90% of the fair value of the underlying asset at lease inception. The current lease classification rules that classify leases as capital leases based on either the useful life test or the cost recovery test are still an arbitrary accounting decision as it is clear that the lessee does not contract for the purchase of the assets. We do not believe that there should be different accounting for contracts that have similar rights and obligations. If we were to make a distinction we would support basing that distinction on whether the lease contract automatically transfers title or where there is a bargain purchase option.

While it is admirable to want to achieve symmetry between lessee and lessor accounting, we do not believe that it is necessary in order to achieve the desired goals of financial reporting for leases. Therefore, we do not believe there should be two lessee accounting models based on the underlying asset. Dell supports a single lessee accounting model that is not symmetrical with lessor accounting. Conceptually lessees and lessors have different rights and obligations and forcing symmetrical accounting results in financial reporting that is not conceptually consistent with the rights and obligations of lessors and lessees.

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Selection of The Accounting Model

There has been much debate over whether the lease contract represents separately identifiable assets and obligations for the lessee (the component approach) or that the lease contract should be viewed as a single unit of accounting. It is Dell's belief that the decision of whether to use the component approach or to account for the lease contract as a single unit of accounting will determine the lessee accounting model.

Account for the Lease Contract as a Single Unit of Accounting

After consideration of the discussion that has occurred since the first exposure draft, Dell supports the view that the unit of accounting for a lease should be the lease contract and not the components ("the component approach"). In so doing we agree with the Board's conclusions on accounting for contingent rents, variable rents and options. We recommend recognizing the ROU asset plus initial direct costs together as a lease asset separate from the recognition of the lease obligation.

If the lease contract is viewed as a single unit of accounting then the ROU asset and lease obligation are linked. We believe that a ROU asset is fundamentally different than the purchase of an asset. In a lease contract the lessee only has use of the asset by continuing to make the lease payments. However, in a transaction in which the purchase of the asset is separately financed the purchaser could pay off the loan and still retain the asset. This is why we believe the ROU asset and liability are linked.

Once the decision has been made to treat the lease contract as the unit of accounting, then one must decide the cost allocation for the right of use asset. Although the Boards have rejected the annuity method of accounting we believe the recommended accounting for Type B leases results in accounting that is not materially different from the annuity approach yet is more complex. We believe that the variable amortization of the ROU asset that must be calculated is confusing and does not result in better information for users of financial statements. We would recommend a cost allocation approach that would report in a single line the amortization of the ROU asset and obligation to make rental payments.

Our recommended approach is to amortize the ROU asset at the same rate as the lease liability. The Boards concluded that the value of the ROU asset and

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

the lease obligation are the same at inception (i.e. the PV of the lease payments). We believe that that relationship should hold true in subsequent periods except for differences due to the initial direct costs and impairment. The amortization of ROU asset and the lease obligation are therefore combined as single line expense in the statement of income.

The justification for this approach is that the ROU asset is not purely a non-financial asset and the obligation to make rental payments is not purely a financial obligation. This is true because unlike other assets and liabilities the right to use the asset is available because of the obligation and the obligation cannot exist without the right to use the asset. Therefore, we view the ROU asset and lease obligations to be different than other assets and obligations.

We would recommend that any initial direct costs recognized would be amortized on straight-line basis. Should this model be adopted all cash flows would then be reported in the operating section of the statement of cash flows. We believe that this would give users of financial statements better information about the value of lease contracts on the balance sheet and costs in the statement of income.

Component Approach

With the first exposure draft, Dell supported the ROU use model which was similar to the current Type A lease as described in this exposure draft. However, after listening to the ensuing discussion we now support recognition of the lease contract as the unit of accounting rather than recognizing the components of a lease contract separately. We do not support the accounting for Type B leases as described in this exposure draft.

As an alternative we would support the component approach as the single lessee accounting model provided there are some adjustments. In particular we would recommend that if the component approach would be adopted that the schedule of assets subject to the lease be recognized as a single ROU asset. This would reduce complexity and the cost of reporting. In addition, we would ask for clarification from the IASB that component accounting would not apply to the ROU asset.

We would support recognizing the right-of-use ("ROU") asset and lease obligation separately on the balance sheet. We would also support straight-line amortization of the ROU asset plus any initial direct costs of the lease and amortizing the lease obligation utilizing the effective interest method. This would result in front end loading lease expense, but believe that it is necessary if the lease obligation is recognized separately. We believe that in this approach separate recognition of the lease obligation classifies the lease

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

obligation as any other long term debt instrument that includes the amortization of the principal and the recognition of interest expense over time.

If the component approach is required then we must also consider the reporting in the statement of cash flows. We believe at inception there is a non-cash transaction to recognize the ROU asset. In addition, the cash payments to retire the debt would be treated in the financing section as are the cash payments for the retirement of other long-term debt obligations. We would also propose that the amortization of the ROU asset and any indirect costs capitalized would be non-cash charges included in the operating section of the statement of cash flows under the indirect method. We would recommend disclosure of the cash payments for interest expense as is done today for other debt obligations.

Classification of the ROU Asset and the Lease Obligation

Dell believes that a ROU asset is fundamentally different from purchased PP&E. The classification of the ROU asset as PP&E is confusing and does not accurately reflect that an ROU asset does not have the same risks and rewards as owned PP&E. We recommend that the ROU asset be separately classified in the statement of financial position from purchased or owned PP&E to properly reflect the limited rights associated with a ROU asset.

We would also support classifying lease obligations separate if those are material. As noted above we believe that the ROU asset and lease obligation are linked. We believe separate classification would allow the reader of the financial statements to easily associate the lease obligations with the corresponding ROU assets.

Leasehold Improvements

We would continue to support classifying leasehold improvement as PP&E. However, material leasehold improvements should either be separately identified on the face of the balance sheet or separately disclosed. It is our opinion that the recovery of these assets is dependent on the continued use of the leased assets and should be separately recognized or disclosed.

Impairment of the ROU Asset

As noted above Dell is recommending a single lessee accounting model. We are also recommending that the ROU asset be distinct and recognized separately from PP&E. Subjecting a ROU use asset to the same impairment analysis as owned PP&E does not recognize the fact that the risks and rewards

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

associated with a ROU asset are significantly different than the risks and rewards associated with owned PP&E. This is particularly true for assets that are generally grouped with other assets and for which there are no direct cash flows.

We believe that an impairment of a ROU asset that is grouped with other assets occurs when it is abandoned or ceases being used. So long as a ROU asset continues to be used, the company is receiving the economic benefit of the ROU asset. In addition, the ROU asset is not recognized at fair value so there should be no requirement to impair a ROU asset because market conditions have changed unless that means the lessee has ceased using the asset. In our view the only impairment test that is relevant for most of Dell's ROU assets is the use test. We encourage the Boards to provide implementation guidance concerning when and how an impairment test must be performed for a ROU asset.

Lessee Summary

In summary for lessee accounting Dell recommends that:

- 1) The Boards select a single lessee accounting model;
- 2) Dell's recommendation for the lessee model is that the lease contract be treated as a single unit of accounting;
- 3) In the alternative Dell is recommending that the lease contract be accounted for using the component approach with modifications;
- 4) Dell recommends that the ROU asset be classified separate from PP&E;
- 5) Dell recommend that leasehold improvement that are material be separately recognized or disclosed;
- 6) Should Dell's recommendation be adopted we are proposing that lease cost be reported in a single line in the statement of income and that all cash flows associated with leases be classified as operating cash flows;
and
- 7) Dell recommends that the Boards provide more guidance for how and when to perform an impairment test for a ROU asset.

Lessor Accounting

Dell is in general agreement with the two approaches to lessor accounting. We do believe that for many lessors the Type A lease faithfully represents the economics of lease transactions and that Type B leases faithfully addresses the

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

leases that most property lessors enter into. Dell as a lessor of IT equipment believes it is desirable to remove the current bright line test for revenue recognition. We believe that this allows the accounting to reflect the underlying economics and that partial revenue recognition based on the economics of the lease is the correct approach. The Type A lease model works well for Dell based on our current business model.

Selection of the Lessor Accounting Model

As noted above Dell believes that the accounting for Type A leases as proposed is appropriate based on Dell's business model. However, we encourage the Boards to allow more diversity of practice based on the lessor's business model. We recognize that for many large equipment lessors the consumption approach does not fit their business model. As we stated in comments for lessee accounting we do not believe that accounting should be determined by the underlying asset even though there may be common business models for similar assets. Therefore, we encourage the Boards to allow for more diversity of practice that are based on the lessor's business model and the types of leases that are currently in the market place.

Lessor Summary

In summary Dell supports the proposed accounting for equipment lessors that have a business model similar to Dell. Type A lease accounting works well for Dell as a lessor of IT equipment. We believe it is an improvement over the first exposure draft in matching the financial reporting with the economic benefits and risks that lessors obtain in a lease transaction. We agree that revenue recognition should be proportional to the value of the ROU asset transferred.

However, we also recognize that in order to obtain a consensus for lessor accounting models the Boards must allow more diversity in practice. This is particularly true for lessors of large equipment. The Board must allow lessors to select the appropriate accounting based on their business model.

Long Term Leases of Land

This exposure draft would generally require that where the present value of the future lease payments for a long term land lease are substantially equivalent or in excess of the fair value of the property at the inception that the lease would be classified as a Type A lease. We disagree that a long term lease of land should be classified as a Type A lease. Under this exposure draft a long term land lease could be classified the same as owned land.

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

As stated by the Boards in the first exposure draft at BC 38:

“Some regard long-term leases of land as economically similar to the purchase or sale of the land and think they should be excluded from the scope of the proposed guidance. However, the Boards propose that long-term leases of land should be within the scope of the proposed guidance because:

(a) leases are not purchases or sales of the land, no matter how long the lease. The lessor retains title to the land during the lease term and regains possession of the land at the end of the lease term. Because the value of land generally does not decline with time, the title to the land is likely to have a significant value at the end of the lease term and can be re-leased at a current market rate.

(b) there is no conceptual basis for differentiating long-term leases of land from other leases. Inevitably, any definition of a long-term lease of land would be arbitrary.”

Therefore, we would not classify a long term lease of land as a Type A lease. If classified under the proposed standard we would classify a long term lease of land the same as all other property leases which would be Type B under this exposure draft. Our recommendation to have a single lessee accounting model based on the lease contract would account for the long term lease of land the same as all other ROU assets and would be distinguished from owned land.

Separating the Components of a Contract

We believe that the proposed approach for separating components between lease components and non- lease components is much improved over the first exposure draft. However, we believe that the separation criteria require additional interpretive guidance. In particular, we would ask the Boards to provide further guidance on what factors to consider and how those factors should influence the decision. This is particularly true for which substitution rights are substantive and how control should be evaluated.

We recognize that the Boards have elected to remove the requirements in paragraph 350-40-25-16, which require entities to analogize to topic 840 on leases when determining the asset acquired in a license of internal use software. As noted at BC 151, topic 840 is likely to change because of this

Leases (Topic 842) Exposure Draft Comment Letter Dell Inc.

exposure draft and this creates a gap in accounting for entities if standards are not provided that include the accounting requirements of all intangible assets including licenses of internal use software. It is very common in the high technology sector for entities to offer financing arrangements that include leases of "IT" equipment, services, perpetual software licenses and the post contract support for those software licenses. Therefore, it is critically important for the Boards to provide guidance for the lease and non-lease components in a financing arrangement.

Under the proposed standard lessors and lessees will be required to bifurcate the lease contract between lease and non-lease components. This will require lessors to bifurcate the lease receivable and for lessees to bifurcate the lease obligation. In our view the lessor has a finance receivable for the entire lease contract provided there is sufficient "hell and high-water" language. This would result in separate recognition of lease receivables and loan receivables. However, the question arises as to how the lessee should account for the lease obligation. Without additional guidance it is not clear if the lessee in addition to recognition of the lease obligation should also recognize an obligation for the purchase of a perpetual software license and the post contract support.

As an example, assume a lessee enters into a lease contact that includes leased equipment, a perpetual software license and post contract support related to the perpetual software license. Also assume that the term of the lease is three years and that the lessee's accounting policy is to capitalize perpetual software licenses and assume a five year useful life. It is clear based on this exposure draft that the lessee would recognize a ROU asset and lease obligation. However, would the lessee also recognize an obligation for the purchased perpetual license? How would the lessee account for the post contract support? We believe the Boards must take a holistic approach to accounting for multiple element arrangements that are financed. This may require that multiple standards are issued or that there are changes to existing standards.

Lease Term

In determining the lease term under the proposed standard lessors and lessees are required to consider when a lease would have an economic incentive to renew. The factors that are to be considered are meant to be consistent with the evaluations made under existing literature. However, in the context of recognizing a ROU asset and obligation for rental payments we believe that analysis is different. We encourage the Boards to provide additional examples

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

of how the factors are to be applied in determining the lease term. We believe more implementation examples will improve understanding and reduce diversity of practice.

Disclosures

Lessee

We believe significant improvement can be achieved by selecting one lessee accounting model. The proposed requirement to classify leases as either Type A or Type B leases has the resulting of doubling the required disclosures as there are mirrored disclosures for the two lessee accounting models. In addition, we believe that once a single lessee accounting model is articulated the disclosures could be streamlined to meet the needs of financial statement users. In particular the Boards could obtain more direct input from the equity and debt analysts to determine the disclosures required based on the single lessee model.

We believe that regardless of the model selected we would recommend that the FASB require the reconciliation of the ROU asset as is required under the IASB proposal. This is consistent with our recommendation that the ROU assets be reported separately from PP&E. If our proposal for single lessee accounting we would be in agreement to present in tabular form a table that presents similar information for the ROU asset as is required for the lease obligation.

We believe the Boards should provide additional guidance on the non-lease components that are required to be disclosed. In particular we question whether users of financial statements require information of executory costs such as property taxes, insurance and common area maintenance. It is not uncommon for lessors to bill a fixed amount each month for these items with a true up at the end of the year based on the actual expense incurred. In general we do not believe that these executor costs are of concern to users of financial statements.

We would agree that non-lease components that are part of the lease or financing arrangement should be disclosed. This would include extended warranties for the leased assets; full service maintenance agreements, software licenses, and software post contract support. We believe that the financed non-lease components are relevant for disclosing the committed cash out flows of the lease or financing arrangement.

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Lessor

We are still evaluating the lessor disclosures. Obviously the proposed requirements are much expanded over current disclosure requirements. We encourage the Boards to spend more field time with users to determine what disclosures are needed by users of financial statements and to prioritize those requirements to limit the volume of disclosures. We do believe that when considering the disclosures for finance receivables that these be coordinated with the existing disclosures for financial instruments so that preparers are not required to provide duplicative disclosures for finance receivables.

As stated above for lessees we would ask the Boards to consider the non-lease components that are relative to the lease or financing arrangement. As stated above we do not believe that billed executory costs that are carried by the lessor as trade accounts receivable are of significance to users of financial statements. This would include billed property taxes, insurance and common area maintenance.

We agree that disclosing financed non-lease components is relevant. This includes financed extended warranties, full service maintenance agreements, software licenses, and software post contract support. We would agree that the finance receivables for the non-lease components should be separately recognized from the finance receivables for lease components.

Applying Capitalization Thresholds for Leases

It is expected that many lessees will apply capitalization thresholds to the recognizing ROU assets similar to the thresholds that are applied for the capitalization of PP&E today. We are not certain of the accounting that would be used under US GAAP if an issuer of financial statements elects to not recognize ROU assets and lease obligations for lease that are below the accounting threshold. Therefore, we encourage the Boards to provide specific guidance as to the accounting for leases when the underlying asset has a value less than a company's capitalization threshold. We would recommend that immaterial leases be accounting for as contracts for services and allow the issuer to determine the most appropriate classification of the associated expense in the statement of income.

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Convergence Issues

We believe that the Boards should remove the remaining differences between the FASB and the IASB proposals. In particular we believe that the Boards should have a single definition for investment property and that there should be a definitive determination of whether investment property is in or out of the scope for leases (topic 842).

We would also like clarification on whether under IFRS if component accounting would be required for the ROU assets associated with Type A leases. It is our view that requiring component accounting for ROU assets would be overly complex and not provide useful information to users of financial statements.

Lastly we would like convergence on the impairment of ROU assets. As stated above we believe that a ROU asset is only impaired once the lessee no longer has use of the ROU asset. However under this exposure draft a ROU asset would be subject to an impairment model similar to purchased assets. Therefore, under IFRS a lessee could potentially recover some impaired value whereas under US GAAP a lessee would not be able to recover any value. We believe this inconsistency must be corrected as it creates undo complexity when dealing with the many statutory requirements that exist.

We appreciate the opportunity to provide our comments. Please contact Donald McDaniel at (512) 723-9485 if you have any questions about our comment letter.

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

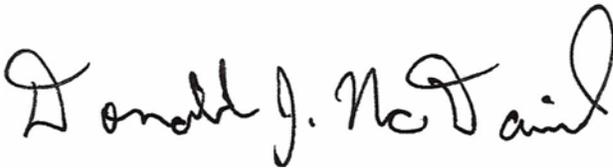
Sincerely,

Handwritten signature of Thomas W. Sweet in black ink.

Thomas W. Sweet
Vice President, Controller and Chief Accounting Officer
Dell Inc.

Handwritten signature of Maya G. McReynolds in black ink.

Maya G. McReynolds
Vice President of Accounting
Dell Inc.

Handwritten signature of Donald J. McDaniel in black ink.

Donald J. McDaniel
Financial Consultant
Dell Inc.

Appendix

Scope

Question 1: Identifying a lease

Do you agree with the definition of a lease and the proposed requirements in paragraphs 842-10-15-2 through 15-16 for how an entity would determine whether a contract contains a lease? Why or why not? If not, how would you define a lease? Please supply specific fact patterns, if any, to which you think the proposed definition of a lease is difficult to apply or leads to a conclusion that does not reflect the economics of the transaction.

Dell Response: We are in general agreement with the scope of the lease as defined in the exposure draft. If our proposal is adopted to have a single lessee accounting model is adopted we believe that there is no need to distinguish which leases are considered similar to a purchase and those that are not. If the Boards believe is necessary to make that distinction then we would advocate for excluding from the scope of topic 842 leases in which there is an automatic transfer of title or a bargain purchase option.

The Accounting Model

Question 2: Lessee Accounting

Do you agree that the recognition, measurement, and presentation of expenses and cash flows arising from a lease should differ for different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Dell Response: We continue to support the right-of-use model for lessee accounting. As stated in the body of our letter we do not believe that there should be two accounting models based on the underlying asset. It is our position that leases are different than purchase and sale agreements and that while some leases may consume more of the useful life than others that the accounting should not be different when the rights and obligations are very similar. As stated above the determination that one lease is considered a purchase by the lessee while another is not is always a subjective and somewhat arbitrary decision. Therefore, we are recommending a single lessee accounting model.

Question 3: Lessor Accounting

Do you agree that a lessor should apply a different accounting approach to different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

Dell Response: Dell is in agreement with this approach as we are lessors of IT equipment. The proposed accounting for Type A leases is consistent with Dell's business model. We believe it is an improvement to remove the bright line tests that exists under current accounting guidance for determining when revenue may be recognized. In addition, we believe the proportional revenue recognition as proposed better reflects Dell's economics in lease transactions. We very much support the lessor accounting models as proposed.

However, Dell also recognizes that not all lessors have the same business model. In addition, we do not agree that the accounting should be based on the underlying asset. We encourage the Boards to allow diversity of practice based on the Lessor's business model and the leases that are currently in the market place.

Question 4: Classification of Leases

Do you agree that the principle on the lessee's expected consumption of the economic benefits embedded in the underlying asset should be applied using the requirements set out in paragraphs 842-10-25-5 through 25-8, which differ depending on whether the underlying asset is property? Why or why not? If not, what alternative approach would you propose and why?

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Dell Response: As noted in the body of the letter Dell supports a single lessee accounting mode that is not dependent on the consumption of the underlying asset. We also believe that it is not necessary to achieve symmetry in lessee and lessor accounting. We are proposing that for lessee accounting the lease contract be treated as unit of accounting. Under this approach the lessee will recognize an ROU asset that is representative of the value transferred through the lease by the lessor. We do not believe it is necessary to make the distinction of whether the lease is considered a purchase as the ROU asset and obligation to make lease payments are now recognized on balance sheet.

We also noted that while there is no need to distinguish the lease accounting model for lessees, we understand that based on the lessor's business model there is a need to offer different lessor accounting models. Dell's business model is consistent with the accounting for Type A leases as Dell is a lessor of IT equipment.

Measurement

Question 5: Lease Term

Do you agree with the proposals on lease term, including the reassessment of the lease term if there is a change in relevant factors? Why or why not? If not, how do you propose that a lessee and a lessor should determine the lease term and why?

Dell Response: Dell is in agreement with the requirement to reassess the lease term if there is a change in relevant factors. Obviously a lease may change over time and it would be appropriate reassess the lease term and the impact on ROU asset and the obligation to make rental payments. We would ask the Boards to provide implementation examples for both lessee and lessor accounting.

Question 6: Variable Lease Payments

Do you agree with the proposals on the measurement of variable lease payments, including reassessment if there is a change in an index or a rate used to determine lease payments? Why or why not? If not, how do you propose that a lessee and a lessor should account for variable lease payments and why?

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

Dell Response: Dell is in agreement on the measurement of variable lease payments, including reassessment if there is a change in an index or rate used to determine the lease payments. We believe that once those rates are known it is appropriate to utilize those in the measurement of the variable lease payments including if necessary the reassessment of the ROU asset and obligation to make rental payments. We continue to support the position of the Boards to not include in the measurement of the ROU assessment and obligation to make rental payments variable lease payments based on an estimate of future events.

Question 7: Transition

Subparagraphs 842-10-65-1(b) through (h) and (k) through (y) state that a lessee and a lessor would recognize and measure leases at the beginning of the earliest period presented using either a modified retrospective approach or a full retrospective approach. Do you agree with those proposals? Why or why not? If not, what transition requirements do you propose and why?

Are there any additional transition issues the Boards should consider? If yes, what are they and why?

Dell Response: The Boards have recognized that the propose standard is pervasive and will require significant time to implement. If the current standard as proposed is implemented there will be significant process and system changes that must be accomplished in the time lines provided. We believe allowing the modified retrospective approach provides acceptable flexibility given the complex accounting requirements.

Question 8: Disclosure

Paragraphs 842-10-50-1, 842-20-50-1 through 50-10, and 842-30-50-1 through 50-13 set out the disclosure requirements for a lessee and a lessor. Those proposals include maturity analyses of undiscounted lease payments, reconciliations of amounts recognized in the statement of financial position, and narrative disclosures about leases (including information about variable lease payments and options). Do you agree with those proposals? Why or why not? If not, what changes do you propose and why?

Dell Response: As discussed in the body of the letter Dell is advocating a single lessee accounting model. We believe that requiring a single lessee accounting model significantly reduces the complexity of disclosures. We are

Leases (Topic 842) Exposure Draft Comment Letter
Dell Inc.

also recommending that a table be presented for the disclosure of information for the ROU asset similar to the disclosures required for the lease obligation.

We are requesting the Boards to consider what non-lease components are required to be disclosed by both lessees and lessors. We do not believe that executory costs that may be billed by the lessor are not relevant disclosures. This would include property taxes, insurance and common area maintenance.

Related Party Leases (FASB only)

Question 10: (FASB Only)

Do you agree that it is not necessary to provide different recognition and measurement requirements for related party leases (for example, to require the lease to be accounted for based on the economic substance of the lease rather than the legally enforceable terms and conditions)? If not, what different recognition and measurement requirements do you propose and why?

Dell Response: Dell agrees that it is not necessary to provide different recognition and measurement requirements for related party leases. We believe it is sufficient to disclose the amounts recognized in the financial statements for related party leases.

Question 11: (FASB Only)

Do you agree that it is not necessary to provide additional disclosures (beyond those required by Topic 850) for related party leases? If not, what additional disclosure requirements would you propose and why?

Dell Response: Dell agrees that it is not necessary to provide additional disclosures beyond those required by topic 850 for related party leases.