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September 13, 2013

Mr. Russ Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
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Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M6xh
United Kingdom

Submitted via electronic mail to director@fasb.org.

File Reference No. 2013-270, Exposure Draft: *Proposed Accounting Standard Update (Revised), Leases*

Dear Sirs:

Intel is pleased to respond to your request for comment on the Revised Proposed Accounting Standards Update, *Leases* (the “Revised ASU”) and the respective proposed amendments to the FASB Accounting Standards Codification[®]. In our previous comment letter on the initial Exposure Draft, *Leases*, we supported the Boards’ objective to establish principles so that lessees and lessors report relevant and representationally faithful information to the users of financial statements about the amounts, timing and uncertainty of the cash flows arising from leases. However, we struggled with the complexity and operability of the proposed guidance and its consistency with the FASB’s Conceptual Framework.

We consider the Revised ASU an improvement from the initial Exposure Draft. We believe it is more aligned with the FASB’s Concepts Statement 6; specifically with respect to the determination of the lease liability. We also appreciate the conceptual merits of the proposed dual model for lessee accounting. However, we find that the proposed accounting model continues to present significant implementation challenges. While we do not anticipate a significant impact to our financial statements, the model proposed in the Revised ASU is expected to result in a considerable increase in resources to identify, track and report on the impact of leased assets. We believe that there are opportunities to improve the model’s operability, without sacrificing the Boards’ objective for the project. In particular, we recommend that the Boards base the separation of leases on one set of qualitative or quantitative

indicators and simplify the subsequent recognition of leases for which the lessee pays only for the use of the underlying asset.

Although we recognize that some Board members have expressed a preference to retain a single lease accounting model, we also think that one model would not reflect the nature of *all* types of leases. Leasing arrangements can take a variety of forms. For this reason, we support the conceptual merits of a dual model. This is consistent with the accounting for leases under ASC 840, the intent of which is for a lessee to capitalize a leased asset that transfers substantially all of the benefits and risks of ownership, whereas those leased assets that do not are accounted for as operating leases. This concept is carried forward with the Boards' rationale for developing a dual model in the Revised ASU. However, we believe that the Boards could improve the quality of their proposed model and its operability by basing the identification of lease types on one set of qualitative or quantitative indicators that differentiate between a lease that is a financed purchase of an asset versus a lease whereby the lessee is paying for the use of an asset. We would expect that these indicators would be compiled by considering the current factors in ASC 840 and IAS 17, the characteristics of control assessed in the Revenue Recognition project and those defining elements of a leasing arrangement the Boards have deliberated throughout the discussions on this project.

The recognition and measurement of a lease arrangement should align with the type of lease entered into by a company. If a lease is determined to be a financed purchase of an asset, we believe that recognition and measurement of the lease liability and asset should reflect a financing arrangement and incorporate both the lease obligation and recognition of the financed asset. For those leases that result in a lessee effectively borrowing an asset with limited impact to the asset value or service potential, we agree with the Boards that recognition and measurement of the lease liability and asset should reflect the nature of the transaction, that is, uniform use and benefit over the period of the lease. However, the Boards' proposed approach to achieving straight-line expense recognition for a lease that is in effect temporary use of an asset is not consistent with the acknowledged nature of these types of arrangements. The Revised ASU would require that for these leases, amortization and interest expense would be presented as a single amount in the income statement to reflect a straight-line expense pattern. However, to accomplish straight-line recognition, a preparer has to go through the process of calculating the amortization as the difference between the straight-line amortization expense and the interest expense related to the lease liability, which is then combined with interest expense to result in a straight-line impact to the income statement. These requirements are complex and could become costly to apply for an end result that is appropriately straight-line expense recognition. We recommend that the subsequent accounting for leases whereby the lessee is paying for the use of an asset be simplified to recognize the amortization of the lease liability and asset on a straight-line basis. This approach would be consistent with the Boards conclusion that a single lease expense would provide better information about leases for which the lessee pays only for the use of the underlying asset.

We believe that our recommendation that the Boards base the separation of leases on one set of qualitative or quantitative indicators achieves the Boards' objective to report relevant and representationally faithful information to the users of financial statements because the identification of a lease arrangement will differentiate between a lease that is essentially a financed purchase of an asset versus a lease whereby the lessee is paying for the use of an asset. We also think that recognizing the amortization of the lease liability and asset on a straight-line basis for leases whereby the lessee is paying for the use of an asset allows for a less complex approach that would be more practicable to implement. The resulting model, assuming our recommendations above, essentially gets us to the accounting for leases prescribed by ASC 840, with the exception that a lease arrangement for the use of an asset is now recognized as an asset of the lessee. Given the cost to implement and maintain a new model for lease accounting that would require assets and liabilities arising from all leases to be recognized on the balance sheet, are the Boards certain that changing the existing lease accounting requirements will achieve their

objectives? Could enhanced disclosures be another way to meet the needs of financial statement users? Unless the Boards are certain that the resulting changes to lease accounting are the only way to meet their collective objective, we are not convinced that a change to current lease accounting should be supported.

Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss our responses further, please contact me at (971) 215-7931, or Liesl Nebel, Accounting Policy Controller, at (971) 215-1214.

Sincerely,

James G. Campbell
Vice President, Finance Corporate Controller
Intel Corporation