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Technical Director
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Re: File Reference NO 1850-100

Dear Board Members and Staff,

I appreciate the opportunity to share my comments on the proposed Accounting Standard for the recognition and presentation of leases and have the following responses to three of your questions.

Question 1: Lessees

(a) Do you agree that a lessee should recognize a right of use asset and a liability make lease payments? Why or why not? If not, what alternative model would you propose and why?

We are slowly working our way out of a major recession. The small to medium sized businesses have seen their working capital dry up. The only way that major capital purchases can be realized is with the help of a lender. The proposal of adding a leased asset and liability to the balance sheet when the asset's title will never transfer to the lessee will be detrimental. This would greatly reduce the amount the bank will loan since it would negatively impact the debt to income ratio that banks use to determine the amount that can be loaned. Banks have been in the past slow to make changes in their lending procedures and will not be up to speed with these proposed changes. The time that it will take to "educate" the banker of these changes could be the difference between the continuation of business or closing. In these economic times this change is not a smart move. I don't believe that the current GAAP standard needs altering.

Question 8: Lease term

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is, more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why.

Option periods and extensions are not absolute and sometimes, even with the best of knowledge, are difficult to determine whether or not they will come to fruition. I believe that the small to medium sized businesses will have a difficult time conforming to the new standards that you are proposing. The term of the lease should be the base term and any extension of the term should constitute a new lease agreement. This will be more clear and precise in the application of the standard.

Question 17

Paragraphs BC200-BC205 set out the boards' assessment of the costs and benefits of the proposed requirements. Do you agree with the boards' assessment that the benefits of the proposals would outweigh the costs? Why or why not?

The small to medium sized businesses will have a difficult time conforming to the new standards that you are proposing. The accounting staff for these entities is limited, often being just a general bookkeeper. Some companies will have limited knowledge as to how to apply these changes and be in compliance with the reporting. The monthly journal entries that will be needed will have to be supplied to the bookkeeper by an accountant. Lenders for these small to medium sized businesses do require financials on a monthly basis and this task will have to be outsourced to an accounting firm which is a cost that will be difficult for some businesses to bear. Therefore I do not believe that the benefit will outweigh the cost.

I once again appreciate you taking the time to read my comments and look to forward to the final decision on this matter.

Thank you,

Melisa Durham
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