December 2, 2020

Director@fasb.org
File Reference No. 2020-700

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Leases (842) – Targeted Improvements

Dear FASB:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the questions included in the above-referenced exposure draft.

Issue 1: Sales-Type Leases with Variable Lease Payments — Lessor Only

Question 1: Are the amendments in this proposed Update operable? Why or why not?

Response: The PSC thinks that the amendments in the proposed update appear operable due to the simplification of the previous guidance.

Question 2: Should a lessor be required to classify and account for a sales-type lease with predominantly variable lease payments that do not depend on a reference index or a rate as an operating lease? Why or why not?

Response: The PSC believes that a lessor should be required to classify and account for a sales-type lease with predominantly variable lease payments that do not depend on a reference index or a rate as an operating lease because this method better represents the economic actions of the lease transactions.

Question 3: Should "predominant" be the threshold for determining when a lessor should classify a lease with variable payments that do not depend on a reference index or a rate as an operating lease? Alternatively, would another threshold be more appropriate and operable (for example, "substantially all")? Please provide your rationale.

Response: Even though less than "substantially all," the PSC thinks that "predominant" is an adequate threshold for determining when a lessor should classify a lease as proposed.

Question 4: Would the proposed amendments provide improved decision-useful information for users of financial statements? Why or why not?

Response: The PSC thinks that the decision-making information would be improved because the transactions better reflect the economic activity of the lease transaction.

Issue 2: Option to Remeasure Lease Liability — Lessee Only

Question 5: Are the proposed amendments operable? Why or why not?

Response: The PSC thinks that since the proposed amendments are optional and not a requirement, they are operable as written.

Question 6: Should a lessee be provided with an option to re-measure lease liabilities solely for a change in a reference index or a rate on which payments are based? Why or why not?

Response: The PSC believes that application of the proposed guidance should not be a requirement and should be entity's choice to re-measure. Therefore, we agree with the proposed guidance. The option would be more applicable to entities that issue reports under IFRS. The proposed option improves ease of reporting for dual reporters at the expense of comparability with U.S. companies. If required, the proposed re-measurement would be a burden in the U.S. for quarterly reporting.

Question 7: Should a lessee be required to make an entity-wide accounting policy election to re-measure lease liabilities solely for a change in a reference index or a rate on which payments are based? Why or why not? If not, at what level should that accounting policy election be required to be applied?

Response: The PSC thinks that if an entity elects to re-measure lease liabilities, it should be applied on an entity-wide basis for consistency.

Question 8: Would the proposed amendments provide improved decision-useful information for users of financial statements? Why or why not?

Response: Again, the PSC thinks that the decision-making information would be improved because the transactions better reflect the economic activity of the lease transaction.

Question 9: Would the comparability of information be significantly affected by the option to re-measure lease liabilities solely for a change in a reference index or a rate on which payments are based?

Response: The PSC thinks that comparability should be maintained, which is why the proposed option should be elected on an entity-wide basis.

Issue 3: Modifications Reducing the Scope of a Lease Contract

Question 10: Are the proposed amendments operable? Why or why not?

Response: The PSC believes that a reduced scope of lease contracts would help to ease reporting calculations.

Question 11: Would the proposed amendments provide improved decision-useful information for users of financial statements? Why or why not?

Response: Again, the PSC thinks that the decision-making information would be improved because the transactions better reflect the economic activity of the lease transaction.

Question 12: Are there other aspects of the modification accounting model in Topic 842 that could be improved without compromising the decision usefulness of the information provided?

Response: The PSC does not think that there are other aspects of modification of Topic 842 that could be further improved at this time.

Transition

Question 13: For entities that have not adopted Topic 842 by the effective date of a final Update of these proposed amendments, should the proposed amendments be applied at the date that an entity first applies Topic 842 using the same transition methodology in accordance with paragraph 842-10-65-1(c)? Why or why not?

Response: The PSC thinks that companies should have the option to adopt Topic 842 for the current fiscal year but have an additional year to adopt the amendment. If an entity has elected to apply Topic 842 for a 12/31/20 year end, applying the amendment timely for 12/31/20 would be an undue burden.

Question 14: For entities that have adopted Topic 842 by the effective date of a final Update of these proposed amendments, should the proposed amendments be applied either retrospectively or prospectively as described in this proposed Update? Why or why not?

Response: The PSC thinks that it makes sense as described in the proposal for companies that have already adopted Topic 842 to apply amendments retrospectively and for those that have not yet to apply amendments prospectively.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,

Lyle C. Joiner, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants