

January 15, 2019

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Via Email to director@fasb.org

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Re: File reference No. 2018-310

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on the proposed Accounting Standard Update, *Leases (Topic 842): Codification Improvements for Lessors*. We support the Board's efforts to clarify and simplify transition and guidance related to lessors, and we believe that this update achieves that objective. We have also included a suggestion to clarify the transition guidance, which we believe will further simplify the application of ASC 842 for all entities.

Our responses to the questions for respondents are as follows.

Determining the fair value of the underlying asset by lessors that are not manufacturers or dealers

Question 1: Should a lessor that is not a manufacturer or dealer establish fair value of the underlying asset as its cost, subject to any trade or volume discounts that apply (acknowledging that if a significant lapse of time occurs between the acquisition of the underlying asset and lease commencement, the definition of fair value must be used)? If not, please explain why.

We agree that a lessor that is not a manufacturer or a dealer should use the asset's cost to establish fair value of the underlying asset, subject to any trade or volume discounts, provided that a significant lapse of time has not occurred. We agree that allowing this exception simplifies the application of the new leasing guidance for these lessors, since this exception has been available under ASC 840 and is already understood and accepted by users of the financial statements.

Question 2: Are the proposed amendments operable? If not, please explain why.

Yes, we believe that the proposed amendments are operable.

Presentation on the statement of cash flows sales-type and direct financing leases

Question 4: Should lessors that are depository and lending institutions present principal payments received under sales-type leases and direct financing leases in investing activities? If not, please explain why.

We agree that lessors within the scope of ASC 942, *Financial Services – Depository and Lending*, should present principal payments as investing activities, as illustrated in ASC 942, rather than as operating activities, as required under ASC 842. The proposed amendment would clarify the guidance in both ASC 842 and ASC 942 for these lessors.

Question 5: Are the proposed amendments operable? If not, please explain why.

Yes, we believe that the proposed amendments are operable.

Effective date and transition

Question 7: Should the effective date for all lessors within the scope of the proposed amendments be for fiscal years beginning after December 15, 2019, with early application permitted? If no, what effective date should be established and why?

We agree with the effective date of the proposed amendments, and believe that early application should be permitted.

Question 8: Should the proposed amendments be applied at the date that an entity first applied Topic 842 using the same transition methodology in accordance with paragraph 842-10-65-1(c)? If not, please explain why.

We agree with the proposed transition method.

Additional clarification suggestion

Paragraph ASC 842-10-65-1(i) requires an entity to provide transition disclosures under ASC 250, *Accounting Changes and Error Corrections*, upon adoption of the guidance in ASU 2016-02, with the exception of ASC 250-10-50-1(b)(2). This exception allows an entity to exclude from its annual financial statements disclosures related to changes impacting income from continuing operations, net income, any other line item, or affected per share amounts. However, ASC 842-10-65-1(i) does not provide the same exception from the

disclosure requirement in ASC 250-10-50-3, which requires these same disclosures for interim periods. The result is that the transition guidance requires disclosure of these items for interim periods only, but not in the annual financial statements. We believe that this was an unintended consequence of the transition guidance and therefore propose the following update to ASC 842-10-65-1(i) to clarify this unintended consequence:

An entity shall provide the transition disclosures required by Topic 250 on accounting changes and error corrections, except for the requirements in paragraph 250-10-50-1(b)(2) and paragraph 250-10-50-3.

We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner, 312 602 8084, rahul.gupta@us.gt.com, or Ryan Brady, Partner, 312 602 8741, ryan.brady@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP