

July 30, 2013

Technical Director
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Via email to director@fasb.org, File Reference 2013-270

Re: Exposure Draft - Proposed Accounting Standards Update (Revised): *Leases (Topic 842)*,
a revision of the 2010 Proposed FASB Accounting Standards Update, *Leases (Topic 840)*

Dear Board Members:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (“FICPA”) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA. The FICPA has approximately 18,500 members with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 20 members, of whom 50% are from local or regional firms, 20% are from large multi-office firms, 10% are sole practitioners, 10% are in academia or private industry, and 10% are in international firms. The Committee’s response is the representation of this committee and may or may not be representative of the membership as a whole.

The Committee has reviewed and discussed the above referenced Exposure Draft, including the “General Questions” posed on pages 5 through 10 of the Exposure Draft. The Committee had the following comments:

Question 1: Identifying a Lease

The Committee agrees 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. The Committee believes that the definition and proposed requirements provide for many ways to define a lease and allow for practical applications on a principles-based (rather than rule-based) approach.

Question 2: Lessee Accounting

The Committee agrees 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. The Committee believes that charges for interest and depreciation are appropriate in cases where the underlying asset is being consumed, as opposed to a right of use charge for (real) property leases.

Question 3: Lessor Accounting

The Committee agrees 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 for the reasons stated in the response to Question 2 above.

Question 4: Classification of Leases

The Committee agrees that the principle on the lessee's expected consumption of the economic benefits embedded in the underlying assets should be applied using the requirements set out in paragraphs 842-10-25-5 through 25-8, again for the reasons stated in the response to Question 2 above.

Question 5: Lease Term

The Committee agrees with the proposal that the lease term should include the noncancelable lease obligation period and should include options to renew if the lessee is economically incentivized to utilize these options. If the lease contains an option for early termination, the parties should make realistic assessments as to the length of time that the lessee is expected to retain the leased asset.

Question 6: Variable Lease Payments

The Committee agrees 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 in that there should be a reassessment only if there is a change in the rate used. The Committee also agrees that changes in market-based factors should not, in isolation, trigger reassessment of the lease term.

Question 7: Transition

The Committee believes that a modified retrospective approach makes sense, given the complexity of the issue, and is cost effective. The Committee also believes that the discussion in

the BC300-series paragraphs provides appropriate justification for not requiring a full retrospective approach. In addition, as the Boards establish an effective date for the proposed update, the Committee believes consideration should be given to the length of time it will take many reporting entities to gather the necessary information.

Question 8: Disclosure

The Committee agrees with the disclosure proposals and noted that many of them are similar to current disclosures and/or that the necessary information should be readily obtainable.

Question 9: Nonpublic Entities

The Committee disagrees with the proposal of permitting a nonpublic entity to use a risk-free discount rate to measure the lease liability in that it could misstate the lease liability and does not make economic sense and/or mirror the economic reality of the lease. The Committee foresees no significant issues with requiring all entities, including nonpublic entities, to determine their incremental borrowing rate in order to perform the necessary calculations. However, the Committee agrees with the proposal to exempt a nonpublic entity from the requirement to provide a reconciliation of the opening and closing balance of the lease liability, in that the relevant pieces of information should be generally available either elsewhere in the financial statements or directly from the private entities' management.

Question 10: (FASB Only)

The Committee believes that related party leases should be accounted for based on their economic substance rather than the legally enforceable terms and conditions. In practice, many related party leases are on a month-to-month basis, and those with fixed lease terms are often broken or not paid, depending on the lessee's cash flow situation. In substance, these situations may not be formal leases but are disclosable as other related party transactions. For these reasons, the Committee agrees with the ultimate conclusion that it is not necessary to provide different recognition and measurement requirements for related party leases.

Question 11: (FASB Only)

The Committee agrees that it is not necessary to provide additional disclosures (beyond those required by Topic 850) for related party lease transactions.

The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Steven Morrison, CPA, Chair
FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

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