



AMERICAN PETROLEUM INSTITUTE

Michael T. Flickinger
Advisor – Customs and Accounting

1220 L Street, NW
Washington, DC 20005-4070
Telephone (202) 682-8264
Fax (202) 682-8408
Email FlickingerM@api.org
www.api.org

October 16, 2017

Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Chairman Golden,

The American Petroleum Institute (API) recently reviewed the letter that the Committee on Corporate Reporting (CCR) of Financial Executives International (FEI) submitted with regards to the implementation of Accounting Standards Codification Topic 842, Leases (ASC 842). As you are aware, API has been engaged with FASB personnel to address our industry's concerns on implementation of the new standard. After careful consideration, API submits this letter in direct support of the FEI.

A major point in the API's previous letter to the FASB and SEC was also mentioned in the FEI letter: the lack of adequate software and technological capabilities to manage specific technical aspects of the standard's accounting, disclosure, and transition requirements. As you are aware, the API letter went into considerable detail to identify our industry's technical challenges with the current implementation deadline. The FEI submission further highlights the challenges its members face with the implementation process as well. We reiterate our previous feedback that ASC 842, as currently promulgated, will require a number of new processes and procedures (both automated and manual). These new processes and procedures will, in turn, significantly impact a company's internal control environment and especially its internal controls over financial reporting.

API supports the FEI's letter and suggests that the FASB strongly consider practical expedients to:

- 1.) Eliminate retrospective reporting; and
- 2.) Simplify disclosure requirements

Elimination of Retrospective Reporting

API supports both the elimination of retrospective reporting or making it optional. The application of ASC 842 to accounting records that are already closed would create:

- 1.) Significant cost, time, and labor burdens with no significant benefit
- 2.) No additional material information for investors
- 3.) Enhanced risk for errors in reporting

As our members have reiterated to the FASB in previous engagements, the administrative and financial burden associated with retrospective reporting is disproportionately high compared to the information currently being disclosed under the existing standard. Not only would retrospective reporting cause significant encumbrance for companies, it would not provide investors or other stakeholders with new information. As a practical expedient to the application of the standard, API supports the elimination of retrospective reporting or making the requirement optional.

Simplified Disclosures

As stated in the FEI letter, “ASC 842 requires a significant increase in disclosures which are proving to be a challenge for systems and, in some cases, require separate work streams and use of interim manual solutions.” API also pointed out in its previous letter to the FASB the vast array of technical, software, vendor, and overall information technology hurdles that its member companies faced in application of the new standard. In light of these challenges, API strongly supports the simplification of the quantity and granularity of the required disclosures for reporting. API supports the points FEI raised in its discussion of disclosure simplification measures.

API and its member companies appreciate this opportunity to not only support a fellow trade organization and its membership, but also to reiterate the fundamental concerns both our memberships raised. We believe that amending ASC 842 to incorporate these practical expedients will help mitigate the accounting and financial reporting risks inherent within the adoption process. We encourage the FASB to take these concerns into consideration as it continues to engage with API and other industry groups to mitigate the unintended consequences of ASC 842.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Flickinger", with a long horizontal flourish extending to the right.

Michael Flickinger
American Petroleum Institute