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File Reference No. 2017-290  
Financial Accounting Standards Board  
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**Proposed Accounting Standards Update, Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842 (File Reference No. 2017-290)**

Dear Ms. Cospers:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842* (the proposal), issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's objective to reduce the cost and complexity of applying the transition guidance in Accounting Standards Codification (ASC) 842. We believe the proposal could contribute to that objective by helping to clarify which land easements should be evaluated under ASC 842. However, as noted in our response to question 1, we recommend that the Board clarify that the practical expedient would not apply to land easements previously accounted for as leases.

While we understand that the proposal focuses on ASC 842's transition guidance, we suggest that the Board consider additional clarifications on how to evaluate easement contracts after the effective date. We understand there may be differing views on how to evaluate land easements entered into or modified after the effective date. For example, some might determine the identified asset in such agreements is the physically distinct space occupied by the customer (or otherwise restricted for the customer's use) while others may view the supplier's entire land parcel identified in the contract as the identified asset.

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Our responses to questions in the proposal are set out in the Appendix to this letter.

We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

## Appendix – Responses to questions raised in the proposal

**Question 1:** Would the land easement practical expedient in this proposed Update reduce the cost and complexity to implement Topic 842? If not, please explain why.

We believe the proposed transition practical expedient for land easements could reduce the cost and complexity of implementing ASC 842. However, we believe the Board should clarify which land easements would qualify for the practical expedient.

Proposed paragraph 842-10-65-1(gg) states that an entity that previously “assessed” existing or expired land easements under ASC 840 would not be eligible to use the proposed practical expedient for those easements. Paragraph BC13 states that an entity that “applies Topic 840 when accounting for” existing or expired land easements would not be eligible to apply the practical expedient to those easements. Further, paragraph BC15 states that an entity that currently “applies Topic 840 for the accounting of” its land easements would not be able to change its accounting policy before the effective date of ASC 842 unless the change is preferable.

It is unclear to us whether “assessed” would include arrangements that were evaluated under ASC 840 to determine whether a lease existed or only those arrangements that were accounted for as leases under ASC 840. While we believe that determining whether a land easement was accounted for as a lease will be readily determinable since it is disclosed in the leases footnote, it will be less clear which easements were evaluated under ASC 840 and determined not to be leases.

We recommend that the Board clarify that any land easements that were not accounted for as a lease under ASC 840 would be eligible for the practical expedient and use the term “accounted for” versus “assessed” throughout.

**Question 2:** Would the proposed amendments require transition provisions or an effective date that is different from those from Topic 842? If yes, please explain what transition requirements and/or effective date you would recommend and why.

Because the intent of the proposal is to provide additional transition relief, we do not believe the proposed amendments would require transition provisions or an effective date that is different from those for ASC 842.