Virginia Society of Certified Public Accountants

Feb. 1, 2018

Technical Director
File Reference No. 2018-200
FASB
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via email to director@fasb.org

Re: ***Proposed Accounting Standards Update: Leases (Topic 842): Targeted Improvements***

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee has reviewed the proposed Accounting Standards Update (ASU), *Leases (Topic 842): Targeted Improvements,* issued by the Financial Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. VSCPA membership consists of more than 11,000 individual members who actively work in public accounting, private industry, government and education. We acknowledge that the Board has issued the proposed ASU in an effort to provide additional clarity as organizations prepare to adopt the new lease accounting requirements. The VSCPA appreciates the work the Board has undertaken on this effort and the opportunity to respond to the proposed ASU.

The VSCPA offers the following comments related to the "Questions for Respondents" section of the proposed ASU:

Question 1: Would the proposed optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption reduce the costs and complexity associated with implementing Topic 842? If not, please explain why.

We believe that the proposed optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption will reduce the costs and complexity associated with implementing Topic 842 — specifically those associated with data gathering and data validation to support retrospective reporting — and more than outweigh the benefits of additional comparative information in the financial statements and related notes. We are highly supportive of the proposed revision related to the optional transition method.

Question 2: Is the proposed transition method, as written in this proposed Update, operable? If not, please explain why.

We believe the proposed transition method is operable and would significantly simplify transition to the new lease requirements for many organizations, as well as provide sufficient time to properly implement new systems, processes, internal controls, and financial reporting to comply with the new standard as of the effective date. This transition method is now much more aligned with the transition options available in International Financial Reporting Standards (IFRS) 16, which provides opportunity for additional reductions in costs and complexity of adoption for multi-national organizations.

Question 3: Would the practical expedient in this proposed Update for lessors to not separate nonlease components from the related lease components and, instead, to account for those

4309 Cox Road
Glen Allen, VA 23060
p (804) 270-5344
f (804) 273-1741
vscpa@vscpa.com
www.vscpa.com

components as a single lease component reduce the costs and complexity associated with applying Topic 842 by lessors? If not, please explain why.

We believe the proposed practical expedient for lessors to not separate nonlease components from the related lease components and, instead, to account for those components as a single lease component would also reduce costs and complexity associated with adoption.

Question 4: Is the proposed practical expedient, as written in this proposed Update, operable? If not, please explain why.

We believe the proposed practical expedient is operable, as it provides a practical expedient similar to that already afforded to lessees.

Question 5: Would the information in the financial statements, including disclosures, provided by lessors electing the practical expedient in this proposed Update be decision useful? If not, please explain why.

We believe that the information in the financial statements, including disclosures provided by lessors electing this practical expedient, would be useful and provide additional transparency to financial statement users.

Again, the VSCPA appreciates the opportunity to respond to the ED. Please direct any questions or concerns to VSCPA Vice President, Advocacy Emily Walker at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Charles M. Valadez, CPA, CGMA
Chair

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