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Via Email to director@fasb.org

Re: File Reference No. 2018-200

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on proposed Accounting Standards Update, *Leases (Topic 842): Targeted Improvements*. We support the Board's efforts to simplify the implementation and continued application of the guidance in ASC 842. We agree with the proposed amendments regarding transition, but we have significant concerns about the operability of the proposed guidance on separating components of a contract for lessors, and have included in our responses certain recommendations to address our concerns.

Our responses to the questions for respondents are as follows.

Transition—Comparative Reporting at Adoption

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.

Although it is our understanding that the proposed optional transition method will reduce the cost and complexity associated with implementing ASC 842, we defer to feedback provided by preparers with respect to this question.

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

We believe that the transition method is operable as written. However, we believe the Board should amend Example 28 and Example 29 in ASC 842-10-55 to state that Lessee has chosen to apply the guidance in ASC 842 retrospectively to each prior reporting period presented in the financial statements (ASC 842-10-65-1(c)(1)).

Separating Components of a Contract

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

As written, it is our view that the proposed practical expedient will be challenging for lessors to consistently apply, and therefore might not reduce the costs and complexity associated with applying ASC 842. Please see our response to Question 4 for our suggestions to improve the proposed expedient's operability.

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

We believe that in order for the proposed practical expedient to be operable, more clarity is needed around the criteria used to evaluate whether the timing and pattern of revenue recognition for a lease component and a nonlease component is the same.

In our view, illustrative examples are necessary to ensure that lessors are able to appropriately apply the proposed expedient. We recommend separate examples illustrating a scenario where lease and associated nonlease components qualify for combination under the practical expedient, and a scenario where they do not qualify.

Furthermore, we believe that the following language from paragraph BC 19 of the proposed ASU explains how to think about whether the timing and pattern of revenue recognition for a lease and nonlease component is the same, and should be included in the Codification: "If the only difference between accounting for a lease and the associated nonlease component separately is presentation and disclosure, then the timing and pattern of revenue recognition are considered the same."

In addition, we believe the proposed guidance should clarify whether a lessor could elect to combine some, but not all, of the nonlease components associated with a lease component. For example, if a contract contains a lease and several associated nonlease components, some of which have the same "timing and pattern of revenue recognition" and others that do not, could the lessor combine the lease and associated nonlease components that have the same timing and pattern of revenue recognition while separately accounting for the remaining associated nonlease components? Also, if it is the Board's intent for entities to combine some but not all of the nonlease components associated with a lease component, we believe that additional guidance is necessary to explain or illustrate how a lessor would allocate the consideration in the contract between the combined single lease component and the remaining nonlease component(s).

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 defer to users as to the decision usefulness of information in the financial statements provided by lessors electing the practical expedient in this proposed amendment.

We would be pleased to discuss our comments with you. If you have any questions, please contact Ryan Brady, Partner at 312.602.8741 or ryan.brady@us.gt.com, or Rahul Gupta, Partner at 312.602.8084 or rahul.gupta@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP