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February 5, 2018

Ms. Susan Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Via email to [director@fasb.org](mailto:director@fasb.org)

Re: File Reference No. 2018-200

Dear Ms. Cospers:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update (ASU), *Leases (Topic 842): Targeted Improvements* (the Proposal).

We appreciate the Board's efforts to address stakeholder concerns regarding the implementation of Topic 842 and propose amendments that are of benefit to both preparers and users of financial statements. While we support the Board's proposed amendments, we encourage the Board to consider our suggestions in its deliberations as discussed below.

#### Practical Expedient to Not Separate Components of a Contract

Although we believe the proposed practical expedient to not separate nonlease components from the related lease component is operable, we suggest the Board consider providing additional guidance to clarify how a lessor might assess the proposed amendment in paragraph 842-10-15-42A(a) regarding whether the timing and pattern of revenue recognition for the nonlease component and lease component are the same. In doing so, the Board could refer to guidance in Topic 606 on combining performance obligations, specifically paragraph 606-10-25-15, which states:

"A series of distinct goods or services has the same pattern of transfer to the customer if both of the following criteria are met:

- a. Each distinct good or service in the series that the entity promises to transfer to the customer would meet the criteria in paragraph 606-10-25-27 to be a performance obligation satisfied over time.
- b. In accordance with paragraphs 606-10-25-31 through 25-32, the same method would be used to measure the entity's progress toward complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer."

In addition, we suggest that the Board consider providing an illustrative example(s) of how an entity might apply the practical expedient within the implementation guidance contained in the ASU when issued.

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Re: File Reference No. 2018-200  
February 5, 2018  
Page 2

Specifically, we believe it would be helpful to include an example that describes how an entity might 1) consider whether the timing and pattern of revenue recognition for the lease and nonlease component are the same, and 2) perform the lease classification test to determine whether the combined single lease component is classified as an operating lease.

\* \* \* \* \*

Please contact Scott G. Lehman at (630) 574-1605 or [scott.lehman@crowehorwath.com](mailto:scott.lehman@crowehorwath.com) should you have any questions with respect to our response

Sincerely,

*Crowe Horwath LLP*

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