September 10, 2018

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

RE: File Reference No. 2018-260

Dear Ms. Cosper,

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Leases (Topic 842): Narrow-Scope Improvements for Lessors* ("the Proposed ASU").

We agree with the proposed amendments to Topic 842, but recommend that the FASB clarify the exclusion of certain taxes assessed on the lessor as owner of the underlying asset described in paragraph ASC 842-10-15-39A.

Appendix A contains our detailed responses to the Questions for Respondents for the Proposed ASU, which expands on the above comment. Appendix B includes a suggestion to clarify certain language in the Proposed ASU.

If you have any questions regarding our comments, please contact David Schmid at (973) 236-7247 or John Bishop at (973) 236-4420.

Sincerely,

PricewaterhouseCoopers LLP

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Appendix A

Responses to Questions for Respondents

Sales Taxes and Other Similar Taxes Collected from Lessees

Question 1: Should a lessor's accounting for sales taxes and other similar taxes collected from lessees be aligned with Topic 606? If not, please explain why.

Yes, we agree that a lessor's accounting for sales taxes and other similar taxes collected from lessees should be aligned with Topic 606.

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

Yes, we believe the proposed accounting policy election is operable; however, we think it would be helpful to clarify the following sentence in paragraph ASC 842-10-15-39A: "Taxes assessed on a lessor's total gross receipts or on the lessor as owner of the underlying asset shall be excluded from the scope of this election."

We believe the intent for this exclusion is to ensure lessors recognize taxes when it is clearly their obligation, and the two circumstances specified in that sentence are situations when taxes are levied directly on the lessor. However, we believe the paragraph, as written, is unclear. By adding more clarification around this exception and providing examples of taxes that are assessed on the lessor as owner of the underlying asset, lessors could more easily identify taxes that fall within the scope of this exclusion.

Question 3: Would the proposed accounting policy election result in a reduction of decision-useful information to users of a lessor's financial statements? If so, please explain why.

No, we do not believe the accounting policy election would result in a reduction of decision-useful information to users of a lessor's financial statements.

Question 4: Should a lessor's accounting policy election for sales taxes and other similar taxes collected from lessees be applied to new lease contracts only or to all existing and new lease contracts? Please explain your rationale.

Generally, we believe the accounting policy election should be applied to all existing and new lease contracts. However, if it is a lessor's current policy to present sales taxes and other similar taxes gross, then the lessor should be permitted to apply their current policy to existing leases, but apply the accounting policy election to new leases upon transition.

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Certain Lessor Costs Paid Directly by Lessees

Question 5: Should a lessor be required to exclude certain lessor costs paid directly by lessees to third parties on behalf of a lessor as variable payments when the uncertainty in the amount is not expected to ultimately be resolved? If not, please explain why.

Yes, we believe a lessor should be required to exclude such costs provided the language "when the uncertainty in the amount is not expected to ultimately be resolved" is intended to mean the same as the language in proposed paragraph ASC 842-10-15-40A, which notes "when the amount of lessor costs paid by the lessee is not readily determinable by the lessor."

Question 6: Are the proposed amendments for the accounting for certain lessor costs operable? If not, please explain why.

Yes, we believe the proposed amendments for the accounting for certain lessor costs are operable.

Question 7: Would the proposed requirement for a lessor to not report certain lessor costs paid directly by a lessee to a third party on behalf of the lessor result in a reduction of decision-useful information to users of a lessor's financial statements? If so, please explain why.

No, we do not believe the proposed requirement would result in a reduction of decision-useful information to users of a lessor's financial statements.

Question 8: Should the proposed amendment in paragraph 842-10-15-40A to exclude certain lessor costs paid directly by lessees on behalf of a lessor as variable payments be applied to new lease contracts only or to all existing and new lease contracts? Please explain your rationale.

We believe the proposed amendment in paragraph 842-10-15-40A should be applied to new and existing contracts since the information required for gross presentation may not be readily determinable by the lessor for existing leases.

Recognition of Variable Payments for Contracts with Lease and Nonlease Components

Question 9: Would the proposed amendments clarify the application of paragraph 842-10-15-40? If not, please explain why.

Yes, we believe the proposed amendments clarify the application of paragraph 842-10-15-40.

Question 10: Are the proposed amendments for the accounting for certain variable payments for contracts with lease and nonlease components operable? If not, please explain why.

Yes, we believe the proposed amendments for the accounting for certain variable payments for contracts with lease and nonlease components are operable.

Transition and Effective Date for Early Adopters

Question 12: Should the effective date for the amendments in this proposed Update be aligned with that of Update 2016-02? If not, please explain why.

Yes, we believe that the effective date for the amendments in the Proposed ASU should be aligned with that of Update 2016-02.

Appendix B

Other suggested edits

1. We believe the word "generally" should be removed from the following sentence in BC12:

   > "That is, the lessor allocates those payments to the lease and nonlease components of the contract (<u>generally</u> on the same basis as the initial allocation of the consideration in the contract or the latest modification not accounted for as a separate contract)."

   Removal of the word "generally" would be consistent with paragraph 842-10-15-40, which states: "the lessor shall allocate those payments to the lease and nonlease components of the contract on the same basis as the initial allocation of the consideration in the contract or the most recent modification not accounted for as a separate contract."