

September 12, 2018

Technical Director
File Reference No. 2018-260
FASB
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via e-mail to director@fasb.org

Re: *Proposed Accounting Standards Update: Leases (Topic 842): Narrow-Scope Improvements for Lessors*

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Accounting Standards Update (Proposed ASU), *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, 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. The VSCPA membership consists of more than 13,000 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: 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.

We believe that aligning this accounting with ASC 606 is appropriate.

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

We believe the proposed transition method is operable and would simplify transition to the new lease requirements for many organizations.

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.

We believe the proposed accounting policy election would not reduce the 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.

We would recommend applying the accounting policy election to all existing leases and new lease contracts to achieve consistency in financial reporting.

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 that a lessor should be required to exclude certain lessor costs paid directly by lessees 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.

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.

We believe the proposed requirement would not reduce the 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 that the proposed amendment should be applied to all existing and new lease contracts to achieve consistency in financial reporting.

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.

We believe that the proposed amendments for the accounting for certain variable payments for contracts with lease and nonlease components are operable.

Question 11: How much time would be needed to implement the amendments in this proposed Update for an entity that early adopts Update 2016-02 before these proposed amendments are finalized? What transition method and transition disclosures should those entities be required to apply (provide)? Please explain your reasoning.

We believe that a similar transition requirement as found in ASU 2018-11, either in the first reporting period following the issuance of the Update or at the original effective date of Topic 842 would be appropriate.

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.

We believe that the effective date of this proposed Update should align with that of Update 2016-02.

Again, the VSCPA appreciates the opportunity to respond to the ED. Please direct any questions or concerns to VSCPA Senior Director of Learning, Linda Newsom-McCurdy, CAE at lnewsom-mccurdy@vscpa.com or (804) 612-9421.

Sincerely,

Charles M. Valadez, CPA, CGMA
Chair

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