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MindtheGAAP
making the complex understandable

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Mr. Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Mr. Kuhaneck-

Thank you for the opportunity to submit this agenda request for a proposed narrow scope amendment to ASC Topic 842, *Leases* (ASC 842).

This request has been jointly authored by Wipfli LLP and Mind the GAAP, LLC. Wipfli provides auditing and business consulting services and ranks among the top 20 practices in the nation. Mind the GAAP provides training and consulting services to accounting firms and financial statement preparers. Please feel free to contact Zach Mayer, Partner at Wipfli (608.270.2909) or Scott Ehrlich, President of Mind the GAAP (773.732.0654) with any questions about this request.

Background

The transition guidance in ASC 842-10-65-1(c)(2) provides the option for entities adopting the new lease standard to retrospectively adopt the standard using a "cumulative-effect adjustment." If an entity elects this transition method, ASC 842-10-65-1(jj) requires that an entity "provide the required Topic 840 disclosures for all periods that continue to be in accordance with Topic 840."

To demonstrate, a calendar-year end private company that wishes to adopt ASC 842 using the transition guidance in ASC 842-10-65-1(c)(2) would present the disclosures required by ASC 842 for the year ended December 31, 2020, and the disclosures required by ASC 840 for the comparative 2019 period.

A recent article issued by PwC on March 14, 2019[1] discusses the application of the guidance in ASC 842-10-65-1(jj), focusing on the five-year minimum lease expense table (or minimum lease income if the reporting entity is a lessor). The article indicates that public companies adopting a cumulative-effect approach "will need to include the five-year minimum lease disclosures from their 2018 Form 10-K in each of their 2019 quarterly and annual filings. This is in addition to the five-year minimum lease disclosures required under the new lease standard for each of their quarterly and annual filings of 2019."

[1] See https://www.pwc.com/us/en/cfodirect/assets/pdf/the-quarter-close/the-quarter-close-q1-2019.pdf

For a calendar-year end private company that is a lessee, this guidance implies that the following disclosures would be required:

- For 2020, a maturity analysis of its finance and operating lease liabilities, showing the undiscounted cash flows on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years[2]

- For the comparative 2019 period, future minimum lease payments in the aggregate, and in each of the succeeding five years[3]

These disclosure requirements appear to be similar and users of private company financial statements might expect that the figures in overlapping periods (e.g., 2021, 2022, 2023 and 2024) should be identical. However, the ASC 840 disclosures are based on the definition of minimum lease payments[4], which may be different than the undiscounted cash flows used in preparing the ASC 842 disclosures. We believe that users of the financial statements may find variances in five-year schedules confusing unless they are well-versed in the disclosure requirements under the legacy and new leasing standards.

Agenda Request

Though the new lease standard is already effective for public companies, the majority of our collective clients are nonpublic entities that will not be required to adopt ASC 842 until 2020. For nonpublic companies, we are requesting that the FASB consider a narrow scope amendment to ASC 842 to allow private entities – both lessors and lessees – that adopt ASC 842 using a cumulative-effect adjustment to omit disclosure of minimum lease payments (in aggregate and for each of the succeeding five years) under ASC 840-20-50-2 and ASC 840-30-50-1(b) for any comparative periods presented.

Sincerely,

Wipfli LLP

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[2] See ASC 842-20-50-6
[3] See ASC 840-20-50-2 and ASC 840-30-50-1(b)
[4] See guidance beginning ASC 840-10-25-4