

Embedded Leases Practical Expedient

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	☐	
Federal Entity (user)	☐	
Federal Entity (preparer)	☒	
Federal Entity (auditor)	☐	
Federal Entity (other)	☐	If other, please specify:
Association/Industry Organization	☐	
Nonprofit organization/Foundation	☐	
Other	☐	If other, please specify:
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Please provide your name.

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Please identify your organization, if applicable.

Organization:

Please email your responses to leases@fasab.gov. We will confirm receipt of your comments. If you do not receive confirmation or if you are unable to email your responses, please contact our office at (202) 512-7350.

QFR 1 Do you agree or disagree with the proposed practical expedient reflected in paragraph 3? The practical expedient would be inserted as a new sub-topic, paragraphs 77A-77F, under the “Contracts or Agreements with Multiple Components” topic of SFFAS 54, *Leases*. Please provide reasons for your views, including any suggested revisions.

Agree

QFR 2 Do you agree or disagree with the proposed conforming amendments to paragraphs 73, 74, 76, and 79 of SFFAS 54, as reflected in paragraphs 4-6? These amendments are not intended to affect how the extant standards would be applied to contracts or agreements that are ineligible for the practical expedient. Please provide reasons for your views, including any suggested revisions or alternative/additional conforming amendments.

Agree

QFR 3 Do you agree or disagree with the proposed rescission of paragraphs 96A-96E of SFFAS 54 and SFFAS 62 and the proposed effective date, as reflected in paragraphs 7-8? SFFAS 62 provided a transitional accommodation for embedded leases through September 30, 2026. The proposed practical expedient would extend this relief, becoming effective for reporting periods beginning after September 30, 2026. Please provide reasons for your views.

Agree but recommend making this effective September 30, 2027. The Exposure Draft is not expected to be finalized and released until after September 30, 2026. This would cause entities to evaluate their agreements in the meantime. A statement can also be released to let entities know the transitional accommodation period would be extended and no action would be required.

SMC 1 Proposed paragraph 77C is intended to provide guidance when a contract or agreement modification changes the primary purpose of the contract or agreement from nonlease component to lease component. The Board expects such modifications would be rare. Please provide feedback on this proposal, including any known examples of or observations on the frequency (or infrequency) of such modifications in practice.

Agree