



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1 100

July 7, 2022

Ms. Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

Dear Ms. Valentine:

The Department of Defense (DoD) is pleased to submit the enclosed comments in response to the questions for respondents on Federal Accounting Standards Advisory Board (FASAB) exposure draft, "Omnibus Amendments: Technical Clarifications Addressing Lessee and Lessor Discount Rates and Sale-Leasebacks." The DoD generally agrees with the proposed exposure draft with a few suggested edits.

Thank you for considering the DoD's input.

Sincerely,

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Kim R. Laurance
Assistant Deputy Chief Financial Officer

Enclosure:
As stated

Omnibus Amendments: Technical Clarifications Addressing Lessee and Lessor Discount Rates and Sale-leasebacks

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	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
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Individual	<input type="checkbox"/>	

Please provide your name.

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Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

This proposed Statement would address certain ongoing areas of concern related to leases implementation that were not addressed in SFFAS 60, *Omnibus Amendments 2021*, including:

- clarifying the Board's original intent for discounting lease liabilities and receivables, which should result in a more consistent and comparable application of SFFAS 54, *Leases*, requirements; and
- clarifying the applicability of paragraphs 89-92 of SFFAS 54 to intragovernmental sale-leasebacks and the disclosure requirements applicable to them

QFR 1 Do you agree or disagree with the proposed amendments to address discounting lease liabilities and receivables, as reflected in paragraphs 3-7 (amending par. 42, 47-48, and 59 of SFFAS 54), and the Board's basis for such proposals? Please provide the rationale for your answer.

DoD Response: DoD generally agrees with the proposed amendments in paragraphs 3-7 to address discounting of lease liabilities and receivables. The proposed amendments provide clarity on which interest rate should be used to discount lease liabilities and receivables (i.e., marketable Treasury securities with similar maturity to the term of the lease), if the interest rate is not stated in the lease. It also provides some flexibility in the methodology for selecting a marketable Treasury rate terms and related rates, by rounding up or down to

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the nearest maturity term with a published rate, or by interpolating the rate for the period between two published rates.

Suggested edits: *For clarity purposes, we would like to suggest some edits in the following sentence of the proposed paragraph 42A for SFFAS 54 (edits are denoted in blue): “The rate may be based on a recent Treasury rate or historical average rate for the Treasury security of a similar maturity period (future period for recent Treasury rates and past period for historical average rates) to the end of the lease term, provided that the rate is consistent with the Treasury rate on the date of initial liability recognition (or the date the liability is updated).”*

We are suggesting to use the word “period” instead of “maturity” as it is not intuitive using historical average rate for some length of period in the future.

Additionally, we would like to suggest some edits in the following sentence of paragraph 48 of SFFAS 54 in order to align it more with the revised paragraph 42 (edits are denoted in blue): “If that interest rate cannot be readily determined, the interest rate should be based on marketable Treasury securities rate with similar maturity to the end of the lease term at the time the discount rate is updated ~~should be used~~ (see par. 42-42C above).”

QFR 2 Do you agree or disagree with the proposed amendments to clarify the applicability of paragraphs 89-92 of SFFAS 54 to intragovernmental sale-leasebacks and the disclosure requirements applicable to them, as reflected in paragraphs 8-9, and the Board’s basis for such proposals? Please provide the rationale for your answer.

DoD Response: *DoD agrees with the proposed amendments in paragraphs 8-9 to clarify the applicability of paragraphs 89-92 of SFFAS 54 to intragovernmental sale-leasebacks and the applicable disclosure requirements. The amendment to footnote 11 in paragraph 89 of SFFAS 54 will now clearly cite guidance that qualify as sales for both intragovernmental and with-the-public exchange transactions, while paragraph 92 will reference disclosure requirements for intragovernmental leases and lease assets.*