

*Leases Implementation Guidance Updates: Amendments to Technical Release 20*

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This proposal would amend Federal Financial Accounting Technical Release (TR) 20, *Implementation Guidance for Leases*, by:

- incorporating minor conforming amendments related to Statement of Federal Financial Accounting Standards (SFFAS) 61, *Omnibus Amendments 2023*,
- inserting additional leases implementation guidance questions and answers within the related topic areas, and
- providing clarifying amendments / technical corrections on certain existing questions and answers under TR 20.

**QFR 1** Do you generally support the proposed conforming amendment in paragraph 5? Please explain the reasons for your position. Please also explain any alternatives or additional candidates that you propose and the authoritative basis for such alternatives.

While the DoD generally supports the overall amendments to paragraph 5, DoD components have submitted the following comment with respect to the amendments:

1. Suggest expanding more on what is the basis or criteria of "considerable". The difference in the lease terms in the scenario in 78 (pg. 9) is obviously significant, but in other instances it might be difficult to decide whether the difference warrants a separate assessment of the interest rates.

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**QFR 2** Do you generally support the proposed updates (that is, new questions and answers) in paragraphs 6-10? Please explain the reasons for your positions, the paragraph number(s), and/or topic areas of the proposals that are related to your positions. Please also explain any alternatives you propose and the authoritative basis for such alternatives.

While the DoD generally supports the overall amendments to paragraphs 6-10, DoD components have submitted the following comments with respect to the amendments:

1. 78 (pg. 9): Paragraphs 42C and 59C are referenced. Should this be 42 and 59 instead as there are no paragraphs 42C and 59C in the current SFFAS 54?
2. 8A (pg. 9, 10): In reference to the following sentence: "Paragraph 2 of SFFAS 54 provides that the underlying asset should be identified either through explicit specification in the contract or implicit specification at the time the underlying asset is made available for use." Suggest adding the words "by the lessee" after "available for use" in order to agree with SFFAS 54 paragraph 2.
3. 8A (pg. 9): Recommend defining the term "dark fibers" as referenced in this scenario.
4. 32A (pg. 11): In reference to the following sentence: "According to paragraph 14 of SFFAS 54, the lease term is the noncancellable period (24 months or less) plus all periods subject to options to extend or terminate the lease, of which there are none in this scenario." SFFAS 54 paragraph 14 states, "The lease term is the noncancelable period plus certain periods subject to options to extend or terminate the lease." SFFAS 54 does not use the word "all" it states "certain." Suggest keeping this consistent.
5. 24A (pg. 11): The question should ask, "Should the 60 days notice allowance for lease cancellation by either the lessor or lessee be excluded from the lease contract period and potentially make this a short term lease?" The answer is "no" and the justification given in the provided answer becomes more relevant.
6. 75A (pg. 12): In reference to the following sentence: "A rent holiday is a type of lease concession, as described in paragraph 70 of SFFAS 54. In this example, the rent holiday is at the end of the lease term and affects the expected fixed payments to be made during the lease term (see par. 40 and 40.g of SFFAS 54)." Consider adding 'a' to the "40" reference to agree with "40a SFFAS 54."

**QFR 3** Do you generally support the clarifying amendments / technical corrections in paragraph 11-13? Please explain the reasons for your positions, the paragraph number(s), and/or topic areas of the proposals that are related to your positions. Please explain any alternatives or additional clarifying amendments / technical correction candidates that you propose and the authoritative basis for such alternatives and/or candidates.

While the DoD generally supports the overall amendments to paragraphs 11-13, DoD components have submitted the following comment with respect to the amendments:

1. 17 (pg. 12): In reference to the following sentence: "Paragraphs 37.b and 54.e of SFFAS 54 require disclosures of "annual lease expense." Recommend not referencing 54e as 54e is "the amount of the annual lease expense and the discount rate used to calculate the lease liability." The discount rate is not referenced in 17.

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