

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.

No. The specific reference to interest rate on marketable Treasury securities is very specific and there are 5 different types of Treasury Marketable Securities that are based on Index Pricing and Auctions, which would make application difficult and cause inconsistencies in application. If the intent is to provide clarification in application, it would be more appropriate to use the actual language in SFFAS 54 "estimated incremental borrowing rate" and reference as an example OMB A-94 Appendix C which contains rates that are established and published annually that would support consistent interpretation and application across agencies.

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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.

For 8A this is not clear if the nature of the contract was for services for use of fiber optic cable network vs. for the right to use specified fiber optic cables for the lessee's purposes and use and control the rights to the economic benefits.

For 9 – No this does not provide clarity in why there would be interest in the first 3 years if there is an advance payment. Would recommend editing the response to provide further clarity such as: The initial lease liability and RTUA would be based on the full payments over the 10- year term of the lease (para 40). The payment for the first three years of payments provided in advance would reduce the initial lease liability. Interest/discount would then be calculated on the remaining lease liability over the entire 10- year term (para 43). An interest payable would accrue during the first 3 years and the lease liability would not be reduced until subsequent payments are received in year 4. These are real scenarios that present complex requirements and evaluation

For 10. No, paragraph 40 requires that the lease liability be measured based on the future payments of the term of the lease under Para 14/15. The term for measurement is 10 years under Para 14/15. Para 71 indicates that the lease incentive and lease concessions are included in the initial measurement. The lease liability and RTUA would be based on the lease term i.e. 10 years. The timing of the lease concession should not impact the term over which the lease is amortized, which would be inconsistent with Para 14/15.

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.

Yes