

AAPC Exposure Draft - Technical Release: *Conforming Amendments to Technical Releases for SFFAS 54, Leases*

Questions for Respondents due April 1, 2019

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."

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|-----------------------------------|-------------------------------------|--|
| Accounting Firm | <input type="checkbox"/> | |
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Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to 202-512-7366.

Q1. In light of the recently issued Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, this TR proposes to clarify existing TRs by providing conforming amendments (see paragraphs 3 -10). These conforming amendments acknowledge the SFFAS 54 amendments and further clarify the revised lease accounting standards by eliminating outdated references as a result of the new guidance. TR 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, and TR 16, *Implementation Guidance for Internal Use Software*, are being amended because internal use software has specifically been scoped out of SFFAS 54, so the language in these TRs is not consistent with SFFAS 54.

Do you agree or disagree with the proposed amendments to TR 10 and TR 16? Please provide the rationale for your answer.

DOI response: Agree. Leases that transfer ownership at the end of the lease term are treated as purchases of assets under SFFAS 54, rather than capital leases under the old standards. As capital leases no longer exist in FASAB

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standards, references to capital leases in TR 10 and TR16 should be eliminated to be consistent with the language in SFFAS 54.

- Q2.** The TR 16 amendments clarify that reporting entities should capitalize the cost of internal use software, including software licenses, when such software meets the criteria for general property, plant, and equipment in accordance with SFFAS 10, *Accounting for Internal Use Software*, and the lease accounting concepts would not apply.

Do you agree or disagree with the proposed amendments to TR 16 to clarify the capitalization of internal use software cost? Please provide the rationale for your answer.

DOI Response: Agree. As IUS are scoped out from SFFAS 54 and any software license meeting the capitalization threshold is considered PP&E, not capital leases.