January 26, 2021

Director of Research and Technical Activities
Project No. 24-16f
director@gasb.org

RE: Implementation Guidance Update 2021

Dear GASB:

The views expressed herein are written on behalf of the Professional Standards Committee of the Texas Society of CPAs. The Professional Standards Committee has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our comments below on the above-referenced exposure draft.

In general, the Professional Standards Committee agreed with the updates as provided in the proposed guidance. We would appreciate clarification on a couple of responses to the example questions.

Question 4.15: The committee is concerned that the handling of property taxes and insurance in the example provided will lead to inconsistencies in the reporting of these expenses. The proposed answer to the question suggests that if included as separately stated amounts in the lease, that taxes and insurance should be reported as non-lease expenses and an outsource of revenues. However, these expenses would not have occurred if there was no lease. Therefore, the committee thinks they should be included in the liability calculation. Also, if there is no mention in the lease of estimated taxes and insurance, then the lease liability would be measured differently than a lease in which these estimates were provided. In theory, this may result in different liability measurements for separate leases on the same financial statements and could result in inconsistent reporting of liabilities.

Question 4.22: The committee thinks that the response to this question would benefit from a simplified example, rather than using an asset that has a useful life that is longer than the lease. In this example, the amortization of the asset would exceed the amortization of the lease liability by one year because the "rent holiday" is at the end of the period. How would this differ from a rent holiday at a different point in the lease? Also, it is unclear whether the actual useful life of the asset has any bearing on the amortization of the asset. The question remains as to the adjustment of the liability and amortization of the asset if the estimated useful life of the asset has to be adjusted.

We appreciate the opportunity to provide input on this Implementation Guidance.

Sincerely,

Lyle C. Joiner, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants