



Mr. Russell Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856

January 16, 2019

**Re: Proposed Accounting Standards Update
File Reference 2018-310**

Submitted via electronic mail to director@fasb.org

Dear Chairman Golden:

The Equipment Leasing and Finance Association (ELFA) is the trade association that represents companies in the \$1 trillion equipment finance sector, which includes financial services companies and manufacturers engaged in financing capital goods. ELFA members are the driving force behind the growth in the commercial equipment finance market and contribute to capital formation in the U.S. and abroad. Its 575 members include independent and captive leasing and finance companies, banks, financial services corporations, broker/packagegers and investment banks, as well as manufacturers and service providers. For more information, please visit www.elfaonline.org.

The Proposed Accounting Standards Update, *Leases (Topic 842): Codification Improvements for Lessors* (the Exposure Draft or ED), responds to questions that have been raised by lessors as they have prepared to implement the new *Leases* standard. We support the ED's approach to:

- Determining the fair value of the underlying asset by lessors that are not manufacturers or dealers, and
- The lessor's presentation on the statement of cash flows of sales-type and direct finance leases.

The ED's proposed definition of fair value is in keeping with the model in Topic 840 and is well understood by both preparers and users of financial statements. It is also in agreement with the Board's intent to retain as much as is reasonable of Topic 840's approach to lessor accounting. By adjusting the definition of fair value for these lessors, the ED eliminates the possibility that a

finance company or bank lessor would report results of operation that were not representationally faithful.

Similarly, the proposal to retain the cash flow statement alignment of sales-type and direct finance leases with that for loans, will benefit preparers and users of financial statements. The existing approach is programmed into systems and procedures and is well understood by users of financial statements.

We are also in agreement with the proposed approach to transition. We do understand, however, that the approach to the related disclosures may result in preparers being required to disclose the impact in interim financial statements, but not in annual financial statements. We believe the additional disclosures required for interim financial statements are not necessary and should be eliminated given the nature of the proposed changes.

We appreciate your taking our views into consideration and, as always, stand ready to assist you and the Board on matters of mutual interest.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Petta".

Ralph Petta

President/CEO
Equipment Leasing and Finance Association