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January 11, 2023

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2022-ED500

Dear Ms. Salo:

RSM US LLP is pleased to provide feedback on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update (ASU), *Leases (Topic 842): Common Control Arrangements* (the "proposed Update"). Overall, we agree with the amendments in the proposed Update and support the Board's continued efforts to simplify the accounting for arrangements between entities under common control. We encourage the Board to move to issuance of a final ASU as soon as possible so that first time adopters of Topic 842 can avail themselves of the proposed practical expedient before they issue their financial statements for the year ending December 31, 2022.

Our responses to the questions posed in the proposed Update are included in the remainder of this letter.

Responses to Questions for Respondents

<u>Issue 1: Terms and Conditions to Be Considered</u>

Question 1: Are the amendments in this proposed Update operable for private companies and not-for-profit entities that are not conduit bond obligors? If not, which proposed amendments pose operability or auditability concerns and why?

We believe the amendments in the proposed Update would be operable for private companies and not-for-profit entities that are not conduit bond obligors.

Question 2: Would the proposed amendments reduce costs without reducing the decision-useful information for investors and other allocators of capital? Please explain why or why not.

We believe the proposed amendments would reduce costs without reducing the decision-useful information for investors and other allocators of capital. Not requiring entities to obtain legal opinions to assess the legal enforceability of written terms and conditions would result in cost savings. Given the requirements of Topic 842 pertaining to disclosure of the terms of related party leases, we believe that there would be limited to no reduction of information for investors and other allocators of capital.

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Question 3: Are the proposed transition methods appropriate? Please explain why or why not.

We believe the proposed transition methods are appropriate.

Question 4: Should an entity be permitted to document any existing unwritten terms and conditions of an arrangement between entities under common control before the date on which the entity's first interim (if applicable) or annual financial statements are available to be issued in accordance with the proposed amendments? Please explain why or why not.

We agree with the proposal to permit entities to document existing unwritten terms and conditions of an arrangement between entities under common control before the date when the first financial statements are available to be issued. We believe this amendment would result in a more meaningful application of the provisions of the proposed Update, and would more accurately reflect the Board's intent with respect to the related practical expedient.

Issue 2: Accounting for Leasehold Improvements

Question 5: Are the proposed amendments operable for all entities? If not, which proposed amendments pose operability or auditability concerns and why?

We believe that the proposed amendments are both operable and auditable and do not believe that adopting them would require an onerous effort. We believe that the proposed approach is in line with the Board's efforts to simplify accounting for common control arrangements.

Question 6: Would the proposed amendments provide clarity, reduce diversity, or both in the accounting for leasehold improvements associated with common control leases? Please explain why or why not.

We are aware of diverse opinions among private companies and not-for-profit entities regarding the application of the guidance in Topic 842 to leasehold improvements associated with common control leases. Therefore, we believe that the proposed amendments would provide clarity and reduce diversity in accounting.

Question 7: Would the proposed amendments result in information that is more decision useful for investors and other allocators of capital? Please explain why or why not.

We defer to the views of investors and other allocators of capital.

Question 8: Do you agree with the proposed disclosure requirements? Please explain why or why not and whether any additional disclosures should be required.

We agree with the proposed disclosures and believe they would provide relevant information to users of financial statements.

Question 9: Are the proposed transition methods appropriate? Please explain why or why not.

We believe the proposed transition methods are appropriate.

Effective Date

Question 10: How much time do private companies and not-for-profit entities that are not conduit bond obligors anticipate needing to adopt the proposed amendments for Issue 2?

We do not believe that private companies or not-for-profit entities will need a significant amount of time to adopt the proposed amendments.

Question 11: Should the effective date of the proposed amendments for Issue 2 be the same for all entities? Please explain why or why not.

We believe that the effective date of the proposed amendments should be the same for all affected entities.

Question 12: Should the proposed amendments for both Issue 1 and Issue 2 be effective for all entities during interim periods within the fiscal year of adoption of a final Update unless those entities have not yet applied Topic 842 in interim periods? Please explain why or why not.

We believe the proposed amendments for both issues should be effective for all entities during interim periods within the fiscal year of adoption. We do not see a compelling reason to defer applicability to interim periods for private entities.

Question 13: Should early application of the proposed amendments for both Issue 1 and Issue 2 be permitted? Please explain why or why not.

We believe early application should be permitted. We are aware of several private companies that would like to adopt these proposed amendments as soon as possible to take advantage of the expected cost savings.

We would be pleased to respond to any questions the Board or its staff may have concerning our comments and ask that questions be directed to Richard Stuart at 203.905.5027 or Joseph Cascio at 212.372.1139.

Sincerely,

RSM US LLP

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