

Drafting Notes/Comments

- Accounting for leases is addressed in *Issue Paper No. 22—Leases*.
- Lessors often provide or pay for improvements to leased property; Issue Paper No. 22 requires lessees to consider the value of such concessions and normalize rent revenue and rent expense on operating leases.

RELEVANT STATUTORY ACCOUNTING AND GAAP GUIDANCE**Statutory Accounting**

6. Current statutory guidance is in the Accounting Practices and Procedures Manual for Life and Accident and Health and for Property and Casualty Insurance Companies, Chapter 4, Real Estate. Chapter 4 states:

Because real estate leasehold improvements revert to the lessor at the end of the lease and the lessee receives benefits from the improvements only during the life of the lease, a leasehold improvement is subject to amortization over the lease life.

Generally Accepted Accounting Principles

7. GAAP guidance is very limited other than in *FASB Statement of Financial Accounting Concept No. 6, Elements of Financial Statements* (CON 6), which states:

Most assets presently included in financial statements qualify as assets under the definition in paragraph 25 because they have future economic benefits... Inventories of raw materials, supplies, partially completed products, finished goods, and merchandise likewise obviously fit the definition as do productive resources, such as property, plant, equipment, tools, furnishings, leasehold improvements, natural resource deposits, and patents.

RELEVANT LITERATURE**Statutory Accounting**

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- Accounting Practices and Procedures Manual for Life and Accident and Health Insurance Companies, Chapter 4, Real Estate
- Accounting Practices and Procedures Manual for Property and Casualty Insurance Companies, Chapter 4, Real Estate
- *Issue Paper No. 4—Definition of Assets and Nonadmitted Assets*
- *Issue Paper No. 22—Leases*

Generally Accepted Accounting Principles

- *FASB Statement of Financial Accounting Concept No. 6, Elements of Financial Statements*

State Regulations

- No additional guidance obtained from state statutes or regulations.