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May 15, 2012

Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M6xh
United Kingdom

Submitted via electronic mail to director@fasb.org

Re: Lease re-deliberation activities

Dear Madam and Sir:

General Motors Company ("GM") appreciates the opportunity to provide feedback on the Boards' lease re-deliberation activities. GM designs, builds and sells cars, trucks and service parts and, with its partners, produces vehicles in 30 countries. GM has leadership positions in the world's largest and fastest-growing automotive markets. More information on GM and its subsidiaries can be found at <http://www.gm.com>.

On behalf of GM, we strongly support the overall goals of the Boards' joint leasing project, the convergence of U.S. GAAP and IFRS and the simplification of existing GAAP. While we support these goals we are concerned with the possible direction of the re-deliberation activities that the Boards are taking pertaining to the accounting for leases.

We support the Boards' tentative conclusions to require the application of a single lessee accounting model to leasing transactions, with the limited exception for short-term leases. Though valid theoretical arguments exist that accommodates two types of leases, a "finance" lease and an "operating" lease, any alternative that adds a distinction between types of leases would be arbitrary. Furthermore, we believe additional complexity that would be more costly to implement is added if there are two separate models to apply. For these reasons, we believe a single lessee accounting model should be applied to all leases.

In addition, we support the Boards' previous tentative decision that assets and liabilities relating to lease contracts should be recognized and that the lease liability, being a financial liability, should be measured at amortized cost using an effective interest rate method. However, we are concerned

with the possible direction of the re-deliberations pertaining to the subsequent measurement of the right-of-use asset. Approaches A (the Boards' current tentative decisions), B (the "interest-based amortization" approach) and C (the "underlying asset" approach) pertaining to the subsequent measurement of the right-of-use asset were discussed at the February 2012 joint FASB/IASB meeting. Though the Boards did not reach any tentative decisions on this topic, the FASB and IASB Staff conducted additional outreach with respect to lessee cost allocation alternatives to determine a possible path forward that included the introduction of Approach D (the "whole contract" approach). For the reasons discussed below, we believe the Boards should maintain their previous cost allocation decision, as outlined in Approach A.

We believe that all leases are a source of financing and that there is an element of time value in all lease arrangements. A lessee makes payments over the lease term to the lessor and in this regard a lease transaction is always similar to financing the acquisition of an asset. We disagree with recognizing lease expense on a "level" basis should all leases be recognized on-balance sheet as this practice does not recognize the complexities in leases with escalation clauses or declining lease payments, nor does it appropriately capture the inherent financing element in all leases. The obligation created under the lease arrangement is an amortizing financial obligation (unless prepaid up front) and the interest expense recognition using the effective interest method reflects the economics of the underlying lease arrangement. We also agree with the Boards' tentative conclusion that a lessee should amortize the right-of-use asset on a systematic basis, which typically would be straight-line. This accounting treatment is consistent with how amortization of finite-lived intangible assets is recognized. We do not think that the amortization pattern for a right-of-use asset should be different. As such, we support application of Approach A to all leases.

Approaches B, C and D introduce a new level of complexity and would therefore increase the cost to comply. Furthermore, Approaches B and C do not fully resolve the expense pattern issue raised by constituents. Companies have existing accounting systems that will support the recording and amortization of a right-of-use asset on a systematic (typically straight-line) basis. Notably, such systems would not support application of an annuity-type amortization methodology. Companies also have existing systems to permit the accounting for financial obligations on the effective interest method of accounting. As such, existing accounting systems can support the application of the Boards' current tentative lessee accounting model, including the use of Approach A, which should be considered by the Boards in any cost-benefit analysis.

We believe that the Boards' current tentative decisions are based on sound theory, are straight forward, are easy to understand and can be supported by existing processes and policies related to amortizing, depreciating and impairing physical and intangible assets as well as recording transactions using the effective interest method thereby reducing cost and complexity. In addition, we believe the benefits for all constituents of applying one lessee accounting model for all leases outweigh the cost and increased risks associated with attempting to differentiate between two types of possible leases. In this regard, accounting for the right-of-use asset in a manner consistent with other non-financial assets and accounting for the lease liability consistent with other financial obligations is the accounting model best suited to accomplish a single lessee accounting model. This approach appropriately captures the inherent financing elements in all leases.

Rather than continue to entertain the development of an accounting model focused on achieving an "even" expense recognition pattern, we encourage the Boards to continue to ensure that the scope of leases is defined correctly such that services can be appropriately separated from the lease elements of a contract and to provide clarification and guidance on how bundled services should be

bifurcated from the physical asset from both a lessee and lessor perspective. If the service elements of a transaction are appropriately separated from the leasing element, we believe the proposed accounting model based on the Boards' tentative conclusions is correct and should result in the recording of interest expense/income and, for the lessee, amortization of the right-of-use asset on a basis that is consistent with the accounting for other assets acquired through financing.

In addition, we note that the Boards have tentatively decided on the presentation of leasing activities in the statement of cash flows. We support the presentation of cash payments for rentals within the financing activities section in the statement of cash flows. However, we do not believe that the acquisition of a right-of-use asset in exchange for a liability to make lease payments should be disclosed as a supplemental noncash transaction. We recognize that this presentation is consistent with the current guidance in ASC 230-10-50-4 that indicates "obtaining an asset by entering into a capital lease" is an example of a noncash investing and financing transaction. We believe such treatment should be revised. Because of the inherent financing element in a leasing transaction, we believe obtaining a right-of-use asset in exchange for a liability should be treated as cash flow equivalents in the body of the statement of cash flows. Merely disclosing this activity as a noncash transaction results in a significant understatement in the amounts being presented as capital expenditures in the body of the statement of cash flows. Presenting such activities as cash flow equivalents also aligns with the fact that in a lease arrangement the lessee is acquiring a right-of-use asset that it pays for over time. The accounting for such a transaction should be similar to the accounting for the purchase of an asset and give rise to a capital expenditure reflected in the statement of cash flows. In managing our capital structure, we include capital leases in our capital expenditures and believe our external reporting requirements should align with this treatment.

Again, I appreciate the opportunity to provide the Boards with comments and appreciate the Boards' consideration of the points outlined in the letter. I am available to discuss this letter at the Boards' convenience and would welcome the opportunity to participate in the preparer outreach being conducted by the FASB and IASB Staff with respect to lessee cost allocation alternatives or any other lease re-deliberations activities. Should you have any questions or need to discuss this letter, please contact me at (313) 667-3434.

Sincerely,

/s/ NICK S. CYPRUS

Nick S. Cyprus
Vice President, Controller, and Chief Accounting Officer
General Motors Company