

Meet the Challenges of ASC 842 and Stay in Compliance

The webinar will begin in a few moments

To qualify for CPE:

- Use a personal computer (no smartphones) and log in with your own information and unique URL
- Be logged into our online software for at least 50 consecutive minutes within the scheduled time frame of the webinar
- Actively respond to at least 75% of the polling questions
- Complete evaluation survey at the end of the webinar



Presenters today are... ↗



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Learning Objectives

- Identify how to effectively plan, manage and implement the changes to become compliant
- Recognize requirements and where your organization falls in terms of new reporting standards
- Develop an understanding of how the rules will impact business forecasting, accounting policies, KPIs, financial reporting and budgeting
- Listen to what auditors and consultants are hearing about the adoption of the new lease standard

Overview of the New Lease Standard

Changes for Lessees ↖



Lessees will recognize both Operating and Finance (Capital) leases on the Balance Sheet



Recognize a Right Of Use Asset and Lease Liability



Retains concept of Operating vs. Finance (Capital)



Permitted to not recognize lease assets and liabilities for short-term leases of 12 months or less

Changes for Lessors



Accounting applied by Lessors is largely unchanged from current GAAP



Retains concept of operating leases versus finance (capital) leases



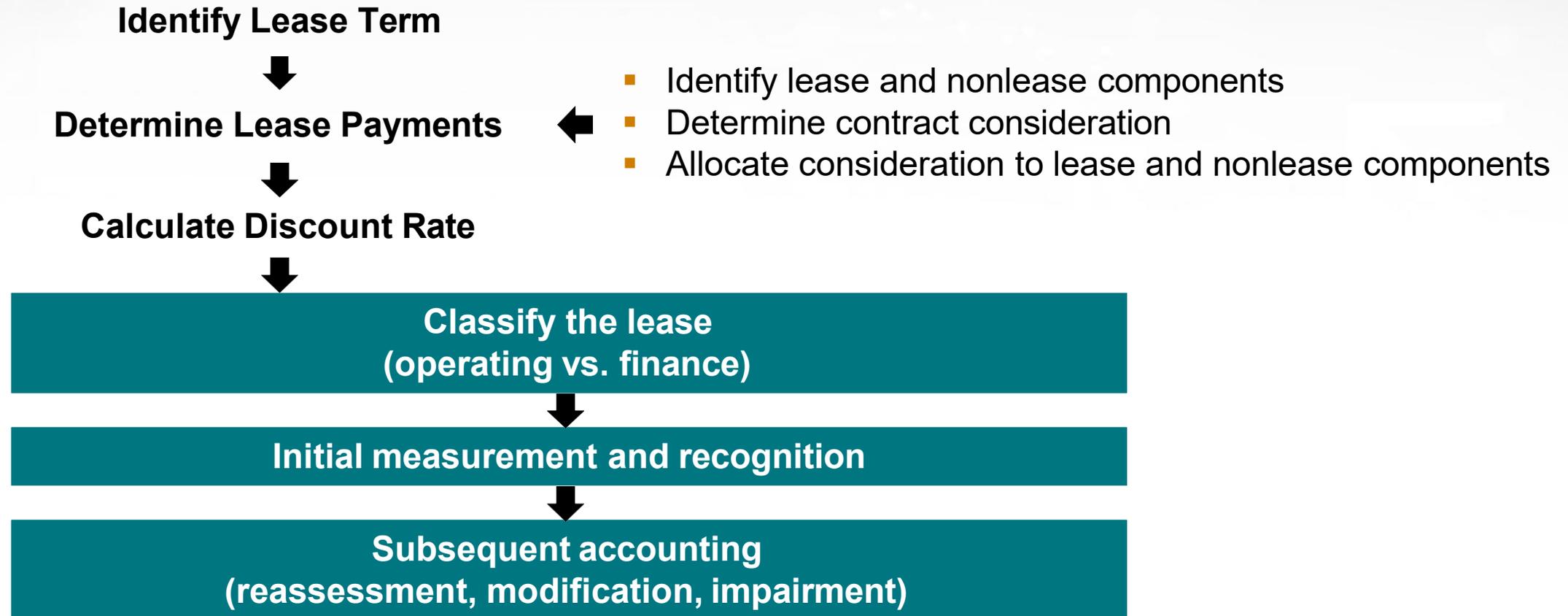
Fewer leases will be classified as direct financing

Effective Dates

Effective date for private companies and nonprofits is fiscal years beginning after December 15, 2021

Early adoption is permitted for all entities

Lease Accounting Steps



Lessee Accounting Summary

	Balance Sheet	Income Statement	Cash Flow Statement
Finance	<ul style="list-style-type: none"> Right-of-use asset Lease liability 	<ul style="list-style-type: none"> Amortization expense Interest Expense 	<ul style="list-style-type: none"> Principal repayment presented as financing and interest presented as operating
Operating	<ul style="list-style-type: none"> Right-of-use asset Lease Liability 	<ul style="list-style-type: none"> Single lease cost recognized on a straight-line basis over the lease term 	<ul style="list-style-type: none"> All cash Payments presented as operating

Lease Liability

NPV of future lease payments

Right of Use Asset

Lease liability, adjusted for:

- + Initial direct costs incurred by the lessee
- + Prepayments of lease payments
- Receipts of lease incentives

Lessor Accounting Summary

	Balance Sheet	Income Statement	Cash Flow Statement
Finance (Sales Type or Direct Financing)	<ul style="list-style-type: none">Lease receivable measured at net investment in the lease	<ul style="list-style-type: none">Interest income and gain/loss from any sales	<ul style="list-style-type: none">Principal repayment presented as financing and interest presented as operating
Operating	<ul style="list-style-type: none">Continue to recognize the underlying asset	<ul style="list-style-type: none">Lease income, generally on a straight-line basis	<ul style="list-style-type: none">All cash payments presented as operating

Definition of a Lease:

“...a contract, or part of a contract, that conveys the right to control the use of identified property, plant, equipment (an identified asset) for a period of time in exchange for consideration”

- A contract is (or contains) a lease when two criteria are met:
 - The contract explicitly or implicitly specifies use of an **identifiable asset**
 - The customer **controls** the use of the asset for that period of use

What Are Our Auditors Seeing?

Additional Resources

- [Armanino's Lease Accounting Overview](#)
- [Lease Accounting FAQs](#)

Questions?

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