

Changes to lease accounting standards

Exploring the impact beyond the balance sheet

1

Data is king

Gathering and managing data will be central to complying with the new lease accounting rule.



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Impact on stakeholders will be significant

Looking at leases and potential leases in a new light will require critical thinkers and lease "detectives."



Books can get complicated

Some organizations might consider keeping multiple sets of books to satisfy different needs and inquiries.

	Finance Lease	Operating Lease	Short-Term Lease*
Balance Sheet	Right-of-use asset Lease liability	Right-of-use asset Lease liability	
Income Statement	Amortization expense Interest expense	Single lease expense on a straight-line basis	Single lease expense on a straight-line basis
Cash Flow Statement	Cash paid for principal (financing) and interest payments (operating)	Cash paid for lease payments	Cash paid for lease payments (operating)

* Short term Lease = Lease term must be 12 months or less at commencement



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More work lies ahead

The new rule will have a ripple effect on business processes, from contracts to internal controls to debt agreements with banks.

Q1 2016 2017 2017 & 2018 2019 2020



FASB and IASB* release new standards for lease accounting



Transition lease management systems and update processes



Continue to track lease data to comply with three year look back



New standard starts for financial years beginning after December 15, 2018



New standard begins for private companies after December 15, 2019

* International Accounting Standards Board

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Timing is critical

The window for compliance is small, and the amount of work is great. It's imperative to get started right away.