

NAVIGATING THE LEASE ACCOUNTING STANDARD



ASC 842 LEASE ACCOUNTING IMPLEMENTATION ASSISTANCE



NAVIGATING ASC 842

Fundamental changes in accounting

Changes to lease accounting resulting from ASC 842 will affect all companies that operate as lessees or lessors (or both) across all industries. A significant shift in treatment of leases, from an accounting perspective and an ongoing operations and administrative standpoint, will be required. Most significantly, ASC 842 requires lessees to recognize most leases on their balance sheet as a "right-of-use" asset and lease liability.

Judgments and estimates

Accounting under ASC 842 requires significantly more judgment and estimation. Evaluation and documentation will be critical to support the increased audit complexity.

Other key impacts

ASC 842 includes changes in the definition of a lease (including identification of embedded leases), evaluation of lease term, determination of lease classification, and separation of lease and nonlease components. Other significant changes affect the accounting for certain types of leases, such as build-to-suit arrangements and sale-leaseback transactions. Comprehensive ongoing re-measurement and re-assessment of leases will be required to support the ongoing accounting requirements.

Technology

Implementation of ASC 842 will likely require a new technology solution, processes and controls. From a lessee perspective, technology capabilities are critical.

Disclosures and other financial implications

Significant incremental and enhanced disclosures will be required, which may require additional information that is not currently accumulated or tracked. Financial metrics, key performance indicators and capital structure impact (e.g., debt-to-equity ratio, liquidity, debt covenants, EBITDA/EBIT levels, etc.) will have to be considered.

Tax

Recognition of lease-related assets and liabilities that were not previously on the balance sheet will likely affect many aspects of accounting for income taxes, such as deferred taxes and, potentially, property taxes and other state and local taxes.

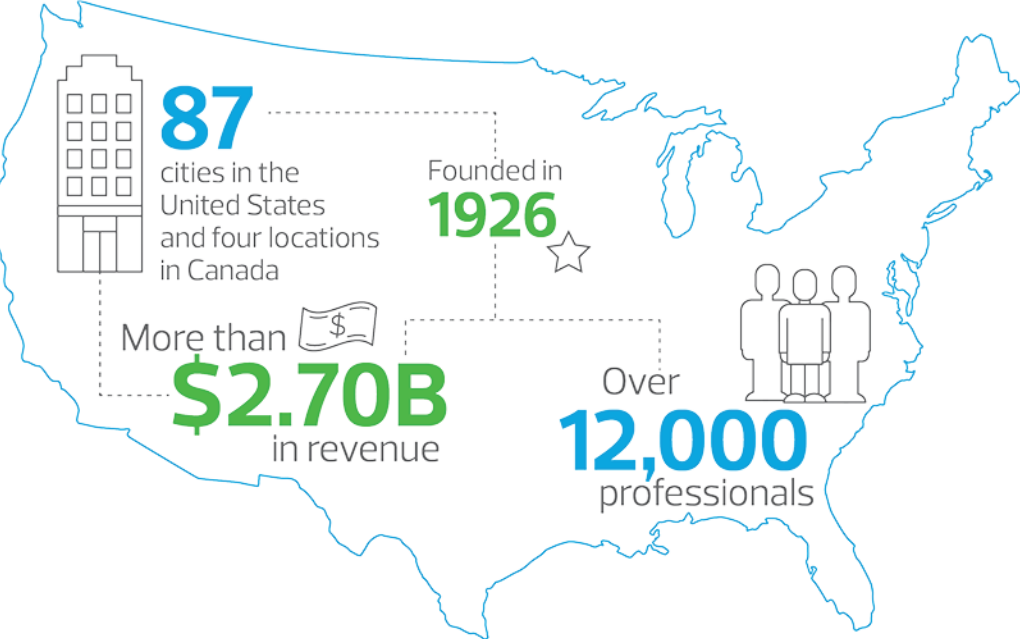
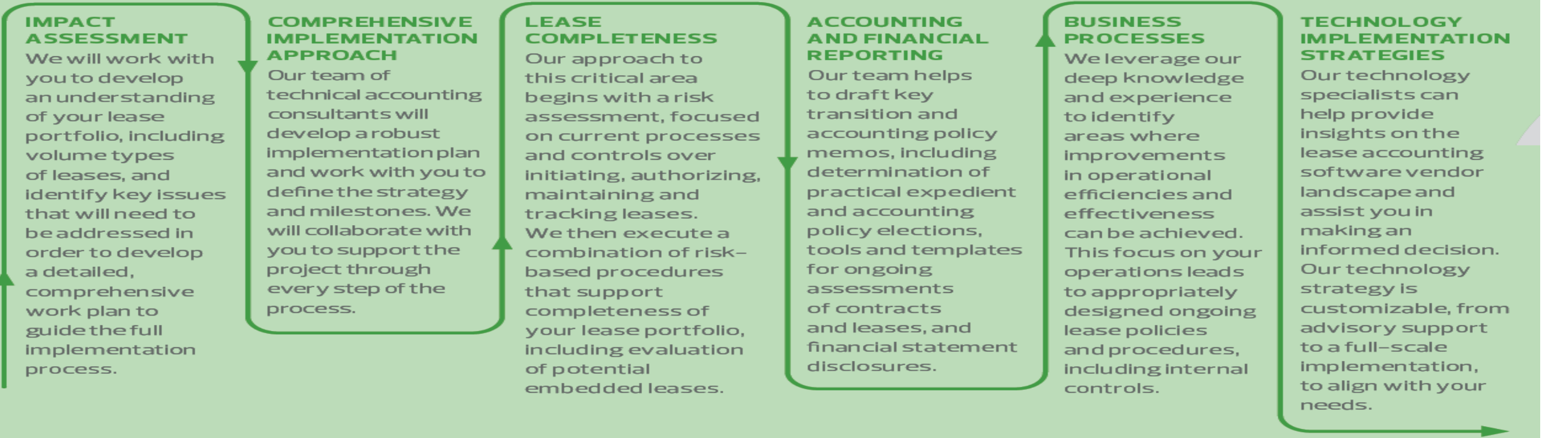
ENGAGING AN EXPERIENCED ASC 842 IMPLEMENTATION TEAM

RSM's lease accounting team consists of dedicated professionals with deep technical expertise and experience implementing ASC 842 at public and private organizations across all industries. RSM's Lease Accounting team is comprised of technical accounting, technology, process and controls, and tax experts with in-depth experience implementing ASC 842. Our experience in assisting public and private organizations is invaluable in implementing the new lease standard, where it is important to find pragmatic, cost-effective operational solutions. We are committed to your satisfaction, and you can expect attentive, in-person service whenever you need us during the project.



PREPARATION FOR A SUCCESSFUL ADOPTION

RSM offers a comprehensive approach to adopting ASC 842 through a multiphased technical accounting and technology assessment. We spend time to understand your operations, lease portfolio and risk environment to design an implementation plan that is scalable to support your organization's needs.



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