

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

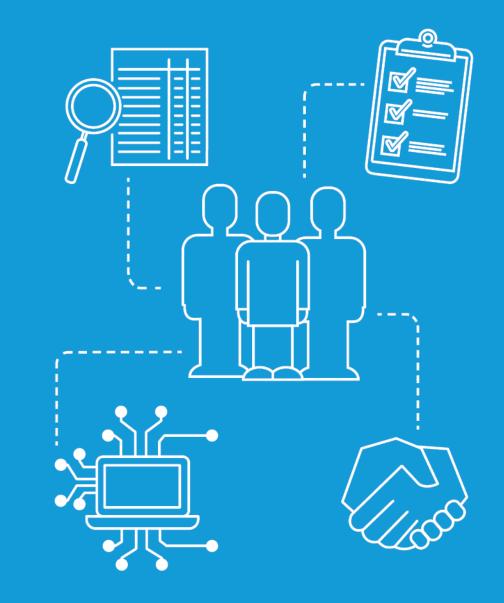
Significant incremental and enhanced disclosures will be required, which may require additional information that is not currently accumulated or tracked. Financial metrics, key performance indicators and capital structure impact (e.g., debt-to-equity ratio, liquidity, debt covenants, EBITDA/EBIT levels,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

IMPACT ASSESSMENT

We will work with you to develop an understanding of your lease portfolio, including volume types of leases, and identify key issues that will need to be addressed in order to develop a detailed, comprehensive work plan to guide the full implementation process.

COMPREHENSIVE IMPLEMENTATION APPROACH

Our team of technical accounting consultants will develop a robust implementation plan and work with you to define the strategy and milestones. We will collaborate with you to support the project through every step of the process.

LEASE **COMPLETENESS**

Our approach to this critical area begins with a risk assessment, focused on current processes and controls over initiating, authorizing, maintaining and tracking leases. We then execute a combination of riskbased procedures that support completeness of your lease portfolio, including evaluation of potential

ACCOUNTING AND FINANCIAL REPORTING

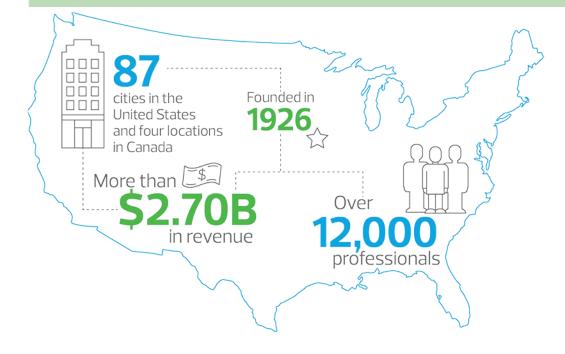
Our team helps to draft key transition and accounting policy memos, including determination of practical expedient and accounting policy elections, tools and templates for ongoing assessments of contracts and leases, and financial statement disclosures.

BUSINESS PROCESSES

We leverage our deep knowledge and experience to identify areas where improvements in operational efficiencies and effectiveness can be achieved. This focus on your operations leads to appropriately designed ongoing lease policies and procedures, including internal controls.

TECHNOLOGY IMPLEMENTATION STRATEGIES

Our technology specialists can help provide insights on the lease accounting software vendor landscape and assist you in makingan informed decision. Our technology strategy is customizable, from advisory support to a full-scale implementation, to align with your needs.



Please contact the following professionals to discuss ASC 842:

ABOUT RSM

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