

THE 842 JOURNEY CONTINUES

 ACCOUNTLEASE™





THE 842 JOURNEY CONTINUES

CONGRATULATIONS FOR COMPLETING A MAJOR MILESTONE

Finalizing lease accounting policies, reviewing all contract materials to validate the lease portfolio, preparing supporting documentation, performing the required calculations, and recording the opening entry.

NOW THE REAL WORK BEGINS

Monthly accounting and quarterly reporting updates for a continuously moving lease portfolio target. For some lease portfolios, upwards of 40 – 50% of the leases may change each year. Implementation success will be defined by the ability to stay current with subsequent developments.





THE 842 JOURNEY CONTINUES

NEW CONTRACTS THAT ARE/OR CONTAIN A LEASE

- **Are contracts** with an underlying asset being identified and communicated to the lease accounting team by Stakeholders?
- **Are lease determination,** data extraction, classification, and lease accounting system updates being completed in a timely manner?



LEASE MODIFICATIONS

CONTRACT/LEASE AMENDMENT

Have there been **changes to lease term, lease components, rental rates, underlying assets, fixed or variable rates?**

Has there been an **extension of lease term** by other than exercise of option?

Has there been an **early termination of lease** by other than exercise of option?

RENEWAL/EXTENSION OPTION

Was **exercise of renewal/extension option** included in previous lease term?

Was **renewal/extension option not exercised** that had been previously included in the determination of lease term

EARLY TERMINATION OPTION

Was **exercise of early termination option** included in previous lease term?

Was the **early termination option not exercised** that had been previously been included in the determination of lease term?



LEASE MODIFICATIONS (cont.)

SIGNIFICANT EVENT OR CHANGE IN CIRCUMSTANCES

Has the **renewal/extension option** previously determined to not be “reasonably certain” of being exercised **now been determined to be “reasonably certain”** of being exercised?

Has the **early termination option** previously determined to not be “reasonably certain” of being exercised **now been determined to be “reasonably certain”** of being exercised?

PURCHASE OPTION

Have **circumstances changed** such that exercise of the **purchase is now considered “reasonably certain”**? Will this affect lease classification?

Have **circumstances changed** such that exercise of the **purchase option is no longer considered “reasonably certain”**? Will this affect lease classification?

Has a **triggering event occurred** that affects the “reasonably certain” determination regarding the exercise of a purchase option? Will this affect lease classification?

VARIABLE LEASE PAYMENTS

Has there been **resolution of a contingency** such that what was previously considered a variable lease payment is now considered a “fixed” lease payment for lease accounting purposes?

RESIDUAL VALUE GUARANTEE

Have there been **developments affecting the assessment** of the amount likely to be owed at the conclusion of the lease under a residual value guarantee?



THE 842 JOURNEY CONTINUES

LEASE CHANGES THAT TRIGGER LEASE REMEASUREMENT

- Does the lease modification change the lease term?
- Does the lease modification fully or partially terminate a lease?



LEASE CHANGES THAT TRIGGER RECORDING A LEASE MODIFICATION AS A SEPARATE CONTRACT

- Does the modification result in an additional right not included in the original contract?
- &
- Do lease payments increase commensurate with the standalone price for the additional right?

IMPAIRMENT OF RIGHT-OF-USE ASSETS

- Have there been indicators of impairment for a leased asset or group of leased assets?
- If there have been indicators of impairment, do the updated estimated future cash flows attributable to the right-of-use asset(s) reflect an impairment to the carrying value(s)?





THE 842 JOURNEY CONTINUES

IN ADDITION TO ADDRESSING THE CONTINUING REQUIREMENTS OF SPECIFIC LEASES...

OTHER AREAS OF CONTINUING FOCUS INCLUDE:

- Updates to the lease accounting system
- Recording of recurring lease accounting entries
- Communications with Stakeholders
- Refinement to new business processes to identify leases, modifications, updates
- Updates/refinements to policies and procedures
- New internal controls
- Quarterly reporting and disclosures
- Year End reporting and disclosures
- Coordination with internal auditors
- Coordination with external auditors



**ACCOUNTLEASE™
CAN HELP YOU
THROUGH ALL OF THIS!**

Contact Us Today!

Visit: www.AccountLease.com | **Call:** 619.237.3400 ext 104