

COVID-19

TRIGGERS NEW FASB GUIDANCE ON LEASE ACCOUNTING



ANTICIPATED BUSINESS DISRUPTIONS DUE TO THE COVID-19 PANDEMIC

prompted the FASB on
April 8, 2020 to formally propose
the following delays in the
effective dates for implementing
Topic 842, Leases:

- For private companies and private not-for-profit (NFP) entities to fiscal years starting after December 15, 2021.
- For NFP entities that have issued or are conduit bond obligors for securities that are traded, listed or quoted on an exchange or an over-the-counter market and which have not yet issued financial statements to fiscal years beginning after December 15, 2019.

Critical Lease Accounting Topics Affected by COVID-19:

- ▶ **Short or long term lease concessions:**
 - Do you have enforceable rights in your contracts for lease concessions?
 - Will there be changes that result in lease modifications and lease re-measurements?
 - If there are concessions, how will that affect your financial statement disclosures?
- ▶ **With interest rates dropping, a lessee's incremental borrowing rate (IBR) may be impacted when calculating right-of-use (ROU) assets and lease liabilities:**
 - How will this affect balance sheets when entering into new leases or re-measuring existing leases?
- ▶ **With commercial real estate values and discount rates dropping, how will this affect the fair value and lease classification as either finance or operating leases are reassessed?**
- ▶ **Other considerations stemming from the COVID-19 pandemic and the economic downturn could impact the likelihood of exercising renewal options, terminations or purchase options.**

If You Have Questions or Need Help, CONTACT US TODAY!

We are here to help you navigate through all of these economic changes and the complex decisions you need to make in order to comply with Topic 842.

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