

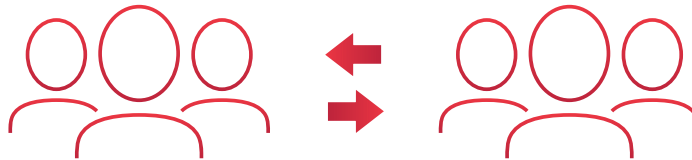
# 5 STEPS

## TO IMPLEMENTING THE NEW FASB/IASB LEASE ACCOUNTING STANDARDS

Under the new FASB and IASB lease accounting standards, companies will need to include the majority of leases on their balance sheet starting in 2019 or 2020. Now is the time to get your lease portfolio in order. **Get started by following these 5 steps.**

STEP

1



### ESTABLISH A CROSS FUNCTIONAL TEAM

Create a team of staff members which represent departments that are impacted by the new standard including Accounting, Real Estate, Treasury, Procurement, and Tax. This team should select a lease administration and lease accounting solution which allows all team members to work together in one integrated system.



### CENTRALIZE YOUR LEASE DATA

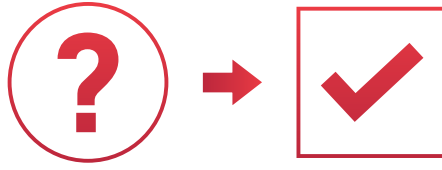
Migrate your data from paper, spreadsheets, and antiquated databases into a modern, web-based central database which includes comprehensive functionality to support the new standards. Selecting an integrated lease admin and accounting solution, that can easily handle real estate and equipment leases, will eliminate duplicate work efforts.

STEP

2

STEP

3



## LEARN THE FUNDAMENTALS

Familiarize yourself with the variables of leases as well as lease contract negotiation and structuring methods that minimize impact on your balance sheet. Your goal is to capitalize the least amount of rent possible while balancing your larger business objectives. Also, learn how to capitalize a lease according to the new standards.



## CREATE A LEASE PLAYBOOK

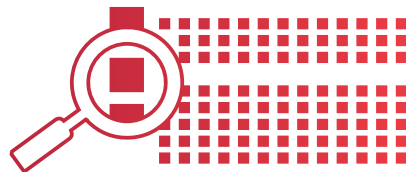
Talk to your auditor and gather input across your company's departments, getting definitive thresholds and tests to capitalize each lease. This information will help you create a playbook that optimizes the lease portfolio to minimize the impact on the balance sheet. Don't forget to share the playbook across your teams.

STEP

4

STEP

5



## CAPITALIZE YOUR LEASES

Start small with a sampling of 5 to 10 leases. Once you've set up capitalization schedules and demonstrated rationale to your auditors, you're set to capitalize all your leases. The process is complex, so make sure your software has comprehensive functionality for the new FASB/IASB lease accounting standards.

# TRANSITION TIMELINE

## EFFECTIVE DATE

The FASB standard (ASC-842) is effective in 2019 for public business entities and in 2020 for all other entities. The IASB standard (IFRS-16) is effective in 2019 for all entities.

## EARLY ADOPTION

Both standards may be adopted earlier than the prescribed effective date. However, IFRS-16 may be adopted early only if the new revenue standard (IFRS-15) has already been adopted.

## PRIOR REPORTING PERIODS

Depending upon which Transition Approach is selected:

- The financial statements for one or two prior periods (2017 and 2018) may need to be restated to reflect the new guidance.
- An adjustment to equity for the cumulative effect of the new standard may be required at either the beginning of the earliest comparative reporting period (2017 or 2018) or at the effective date (2019)

ProLease worked directly with the FASB and IASB over the past decade of deliberations for a deep understanding of the new standards. That allowed us to develop powerful software that navigates the ins and outs of these complicated guidelines. Contact us to schedule a demo today.