

LEASE ACCOUNTING READINESS SERVICES



The new lease accounting standard (ASC 842, Leases) issued by the Financial Accounting Standards Board changes the requirements of financial accounting and reporting for leases held by both public and private companies. For some companies, the new standard will require widespread modifications to the processes and systems used to account for leases. This will alter management's data requirements, measurements, and judgments.

With adoption for calendar year-end companies required in 2019, there are less than three years to think through the potential impact of the new standard. This is especially challenging since it must be applied retroactively to previously issued financial statements. Preparedness is critical. CohnReznick can help.

Challenges Involving the New Standard

The new standard introduces extensive changes to lease accounting that will undoubtedly cause implementation challenges for many organizations during the adoption period. These changes include:

- Lessees are required to account for both operating and finance leases on the balance sheet. This will result in increased transparency in financial reporting, recognizing both the right of use asset and the obligation to make lease payments.

- Higher levels of disclosures will require organizations to identify the nature of leasing transactions, the lease's rights and obligations, assumptions and estimates used by management, and a summary of maturities. This will help investors and financial users better understand the amount and any uncertainty of cash flows arising from leases.
- The definitions and guiding principles in the new lease are closely aligned to the principles used in the new revenue recognition standard.

Other notable changes include an exception for short-term leases, the elimination of leveraged leases, new criteria for reporting sale leaseback transactions, and the re-assessment of lease liability and lease payments.

Look Ahead. Imagine More.

CohnReznick can help your company prepare for the new lease accounting standard well in advance of implementation deadlines. Our lease accounting readiness services are delivered through a range of strategic, financial, operational, and technology-focused solutions that include:

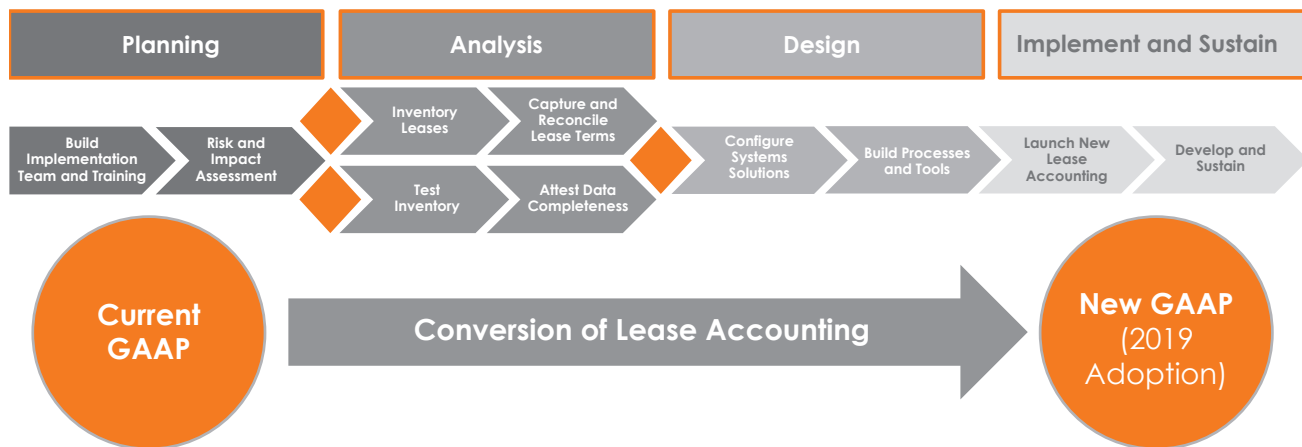
- Educating your stakeholders on key changes involved with the new standard



- Conducting a risk assessment to determine information needs, identify potential gaps, and model the potential impact on financial statements and debt covenants
- Evaluating process optimization opportunities and system requirement needs
- Recommending and implementing the right tools, processes, and technologies based on your specific requirements, market landscape, and industry nuances
- Providing support to effectively manage the inventory, impact and gap analysis, abstraction/collection, and conversion of lease data for FASB compliance
- Training your staff on new accounting policies and operating procedures for ongoing sustainability and administration
- Supporting the redesign of an effective internal control framework capable of addressing change

IMPLEMENTATION TIMELINE		
Company	Public Companies	Nonpublic companies
Effective Date	Required to adopt the new leasing standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.	Required to adopt the new leasing standard for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020.
Interpretation	For calendar year-end public companies, this means an adoption date of January 1, 2019 and retrospective application to previously issued annual and interim financial statements for 2018 and 2017.	For nonpublic calendar year-end companies, an adoption date of January 1, 2020 this means and retrospective application to previously issued annual financial statements for 2019 and 2018.
Early Adoption	The FASB will allow adoption of the new leasing standard upon issuance. The IASB will also permit early adoption, but only on or after adoption of the new revenue standard.	

Along with the significant impacts of market capitalization and credit ratings, the new lease accounting standard brings transition challenges and risks to the companies that must implement it. CohnReznick can help you assess the impact of the new standard on your business, implement the most effective response strategies, and leverage the people and technology needed to build new processes and controls



Companies must adopt the new accounting standard's provisions by using a modified retrospective approach, applying the requirements as of the beginning of the earliest comparative period presented.

About CohnReznick Advisory

In both times of rapid growth and of crisis, organizations face a myriad of issues relative to their strategic objectives. Whether the organization is public, private, not-for-profit, or governmental, it may require specialized resources for a long-term project or highly focused expertise in addressing a complex issue.

CohnReznick Advisory offers a national team of professionals who are dedicated to helping organizations address many different challenges resulting from growth, economic issues, opportunities, or crises. We work side-by-side with your team to identify and implement effective solutions to help your organization optimize profitability and growth, improve workflow and performance,

manage risk and compliance, or respond to a natural or man-made disaster. We also provide specialized services in areas such as forensic accounting, litigation support, valuation, and transactional advisory.

Gain Insight

To learn more about our lease accounting readiness services, visit cohnreznick.com/advisory, or contact Mario Pompeo at mario.pompeo@cohnreznick.com or 862-245-5097.

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