



ASC 842 and GASB 87 Leasing Compliance: Six Steps to Prepare



Speakers



Margaret Merritt

Partner, Americas Financial
Accounting Advisory Services
(FAAS), EY



Colleen Tigges

General Manager
EZLease

Agenda

- **What's new for the standards**
- **Challenges**
 - **Abstraction:** How do I read my leases?
 - **Data Entry:** How do I compile the data?
 - **ERP Exports:** How do I post my journal entries?
 - **Ongoing compliance:** How do I comply with the standard?
- **Six steps to get started:** How do I prepare for this project?
- Q&A

ASC 842 – what's new

Accounting & Disclosures

Effective for public companies for fiscal years beginning after December 15, 2018 and for private companies and nonprofit organizations annual reporting periods beginning after December 15, 2021.

Capital leases

= Finance leases

Operating leases –
Lessee now records
on balance sheet

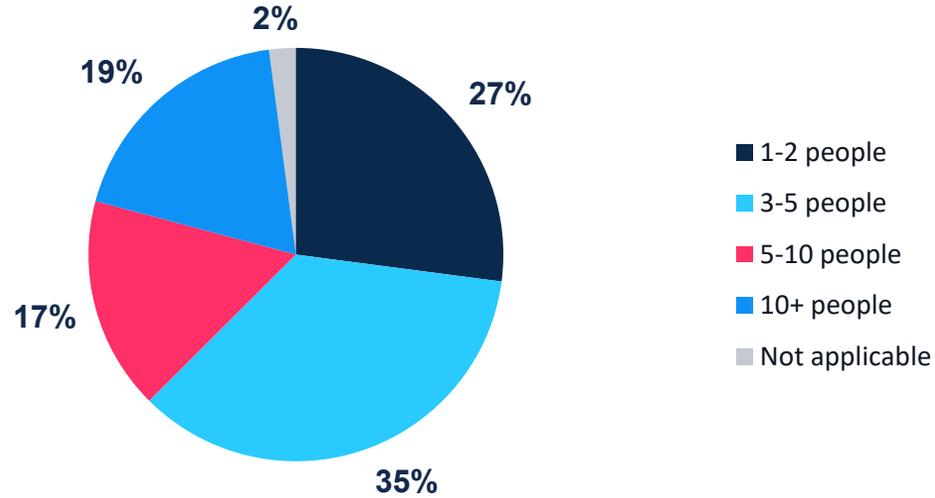
On balance sheet:

Lessees record right-of-
use asset and lease
liability

Income statement:

Rent expense = lease cost
(level over life of lease)

Full-time employees managing leases



Lease portfolio size



Most challenging category of leases to find & analyze

46%

Equipment & Fleet leases



35%

Real estate leases



33%

Embedded leases



15%

International leases



GASB 87 – what's new

Timeframe

Requirements

Challenges

For fiscal years beginning after June 15, 2021

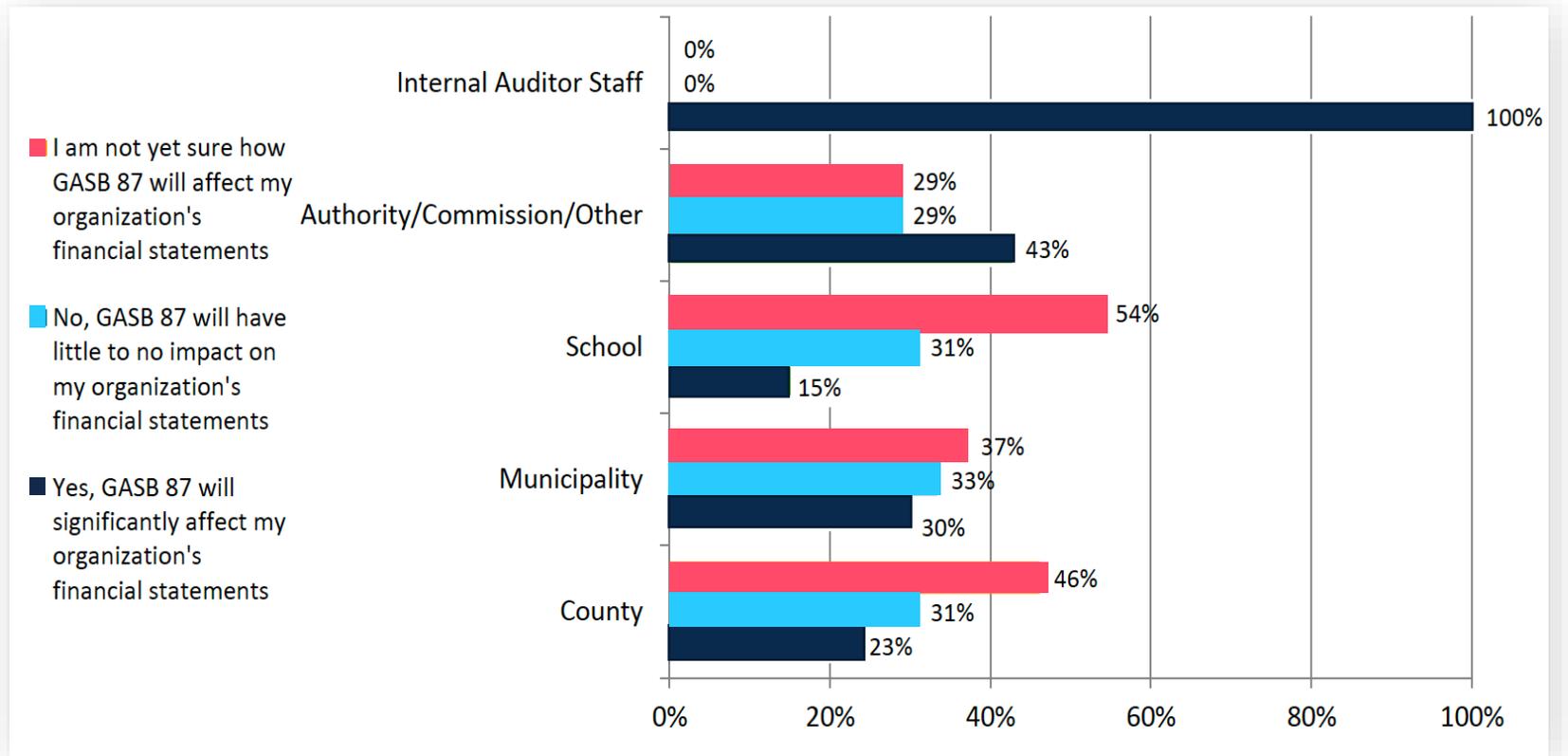
New standard creates a single model whereby most leases will be treated similar to finance leases.

Lessees — At commencement, recognize a lease liability as a right-to-use lease asset. Liability will be measured at the present value of payments.

Lessors — At commencement, recognize a lease receivable and a deferred inflow of resources. The lease receivable is initially measured at the present value of lease payments.

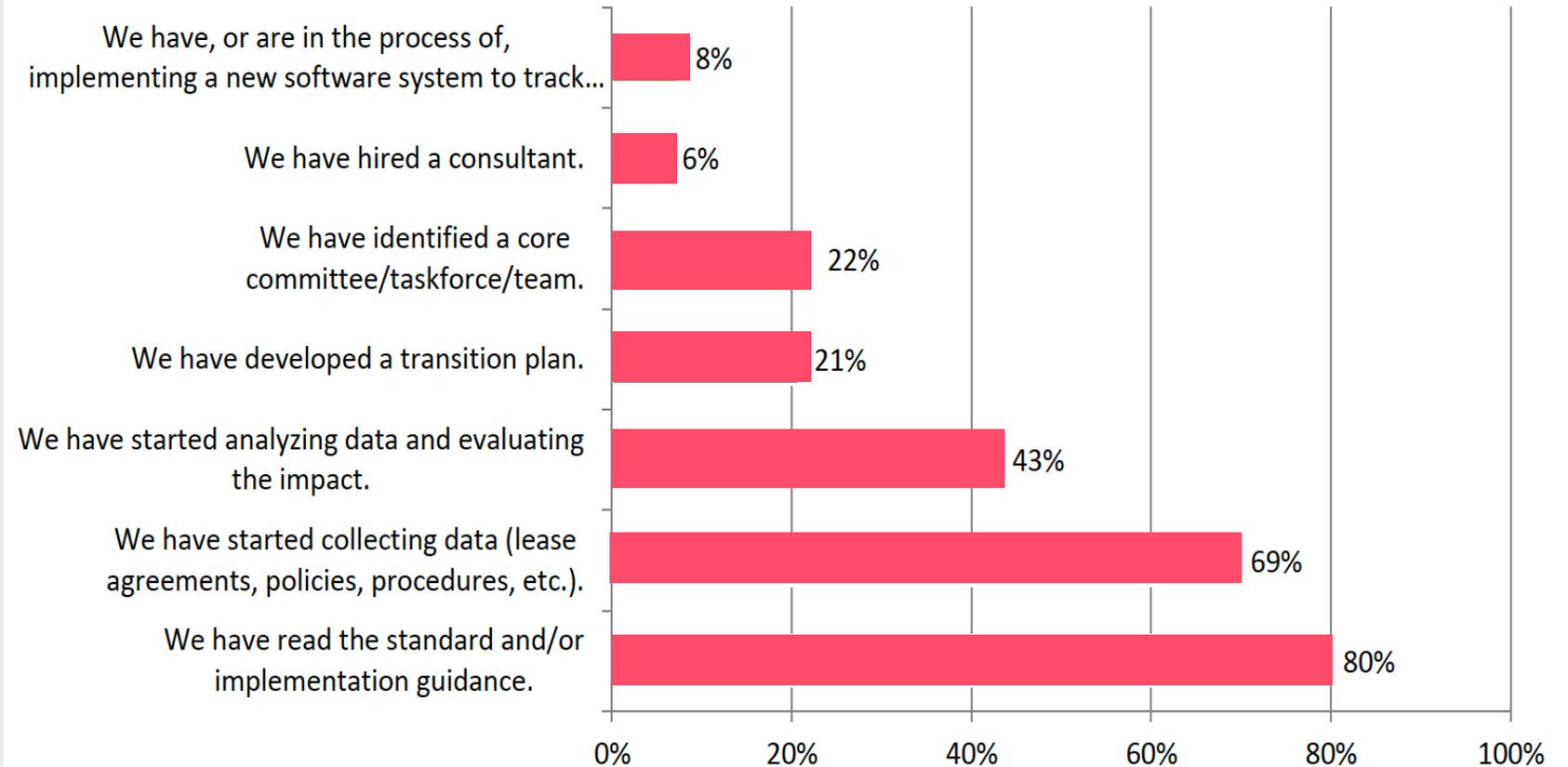
- Full Retrospective Adoption
- Sustained Compliance
- Disparate Data Sources
- Process Implementation
- Cross-Functional Impact

Do you expect GASB 87 to have a material effect on your financial statements?



Source: 2020 Survey from CBH <https://www.cbh.com/guide/articles/2020-local-government-benchmarking-survey-results/>

What steps have you taken to implement GASB 87?



Source: 2020 Survey from CBH <https://www.cbh.com/guide/articles/2020-local-government-benchmarking-survey-results/>



Success stories

Challenges



Complicated accounting



Limited resources



Competing projects



Expensive

Sample Challenge: Loading to ERP



End result



Account numbers



Cost Centers



Format: Excel, csv; layout

Sample Challenge: Accounting & disclosures

How to get started

Standards:
ASC 842, IFRS 16, GASB 87

**Big Four practice
guides (ASC 842,
IFRS 16)**

**Purpose-built
software**

6 steps to finding and loading leases

1

Staff team

2

Confirm required data

3

Find leases

4

Abstract lease data

5

Attest data

6

Load data



Who is involved today? And who will be involved tomorrow?



IT



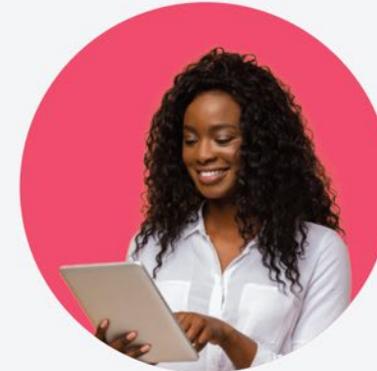
Lessors



Fleet



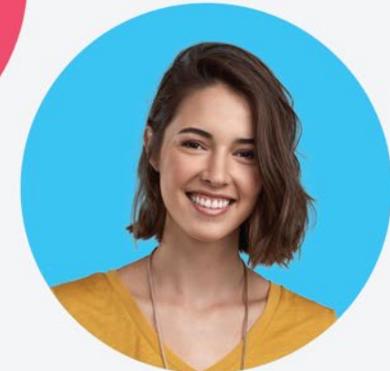
Real estate



Procurement



Treasury

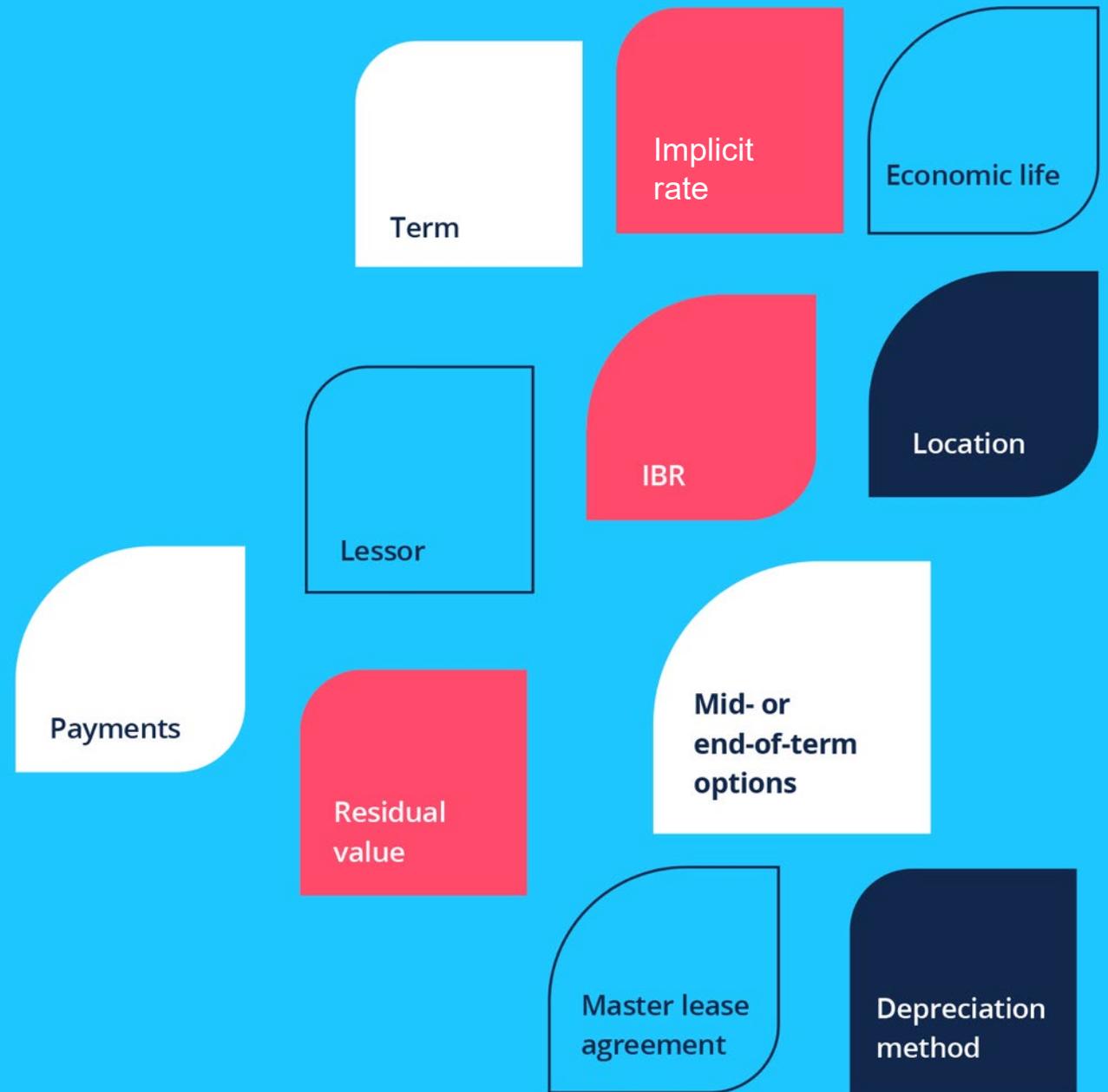


Financial reporting



Accounts payable

Typical leasing data



Typical data sources



IT asset
management system



Fleet management
application



Procurement &
sourcing system



Accounts payable
application



Lessor and landlord
systems



Regional or business
unit spreadsheets



Fixed asset
register



Other random
spreadsheets

Abstraction

Finding all your leases

- Real estate department
- Field locations, especially for equipment
- Accounts Payable monthly charges

Finding all the details of a lease

- Critical dates (begin, end, rent changes)
- Financial information (rent, incentives, fair value)

Data entry



Creating a template



Software options



Shared drive (SharePoint)



Maintaining compliance



COVID – rent adjustments and changes



Master lease agreements



Critical date reminders



Closing your books

And an extra step for luck (and success!): Get ahead of the deadline



Lease project example

- Portfolio size and details
- Data collection techniques employed
- Timeframe / deadlines
- Challenges
- Results & lessons learned

Using software to get compliant



Lease Management, Data Validation

Automation



Loading, classification, validation



Lease Accounting Compliance

Automation



Assignment of policies, such as IBRs, generation of journal entries



Lease Reporting and Analytics

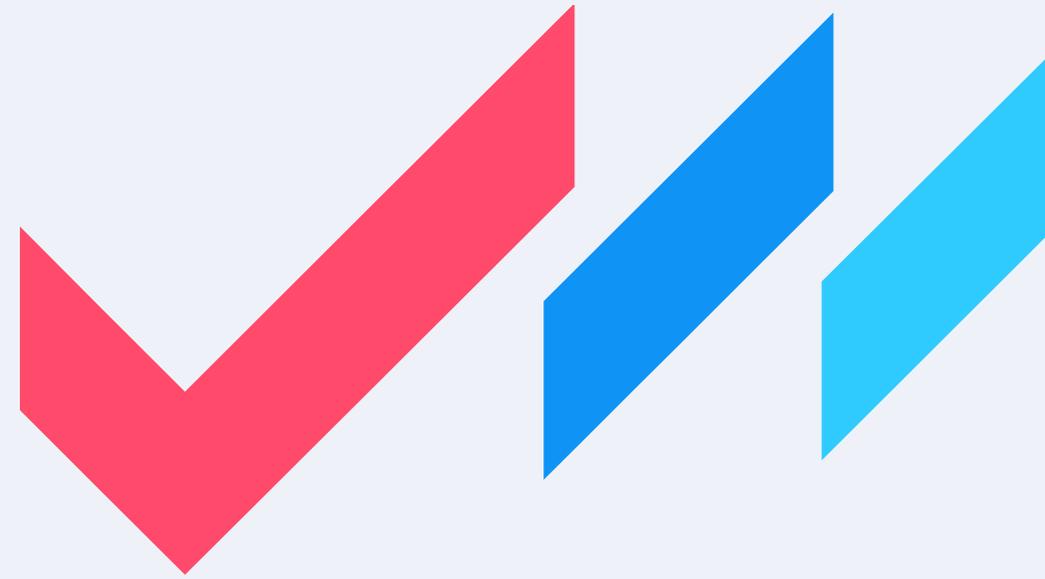
Automation



Push-button reporting

Lessees and lessors

Real estate, equipment & embedded leases



Thank you