

Accounting for Leases:

Guidelines for the New Lease Standard

Course Description

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which will replace the prior lease guidance in 2019 by providing new requirements of financial accounting and reporting for lessees and lessors. This new standard represents the first comprehensive overhaul of lease accounting since FAS 13 was issued in 1976. The new guidance will affect entities across all industries because most companies enter into contracts that contain leases to support their business operations. Lessees will likely see the most significant changes as they are required to recognize substantially all leases on their balance sheets with a corresponding right-of-use asset. While lessor accounting remains similar to previous guidance in most respects, there are some important changes. For example, certain principles of the lessor model are updated to align with changes to the lessee model and the new revenue recognition standard (ASC 606).

The new lease guidance introduces significant changes to lease accounting, such as lessees' recognition of lease assets and liabilities, an exception for short-term leases, elimination of leveraged leases, new criteria for reporting sale leaseback transactions, increased use of judgment, and expansive disclosures. Moreover, entities are required to use a modified retrospective approach to reflect the effect of the new guidance in the earliest year presented in the financial statements. As a result, implementation of ASC 842 could have significant impact on companies' financial operations - from general accounting and financial reporting, treasury, IT systems, tax, budgeting to forecasting functions. The change in lease standard presents both a challenge and an opportunity to enhance internal control and optimize the lease accounting and administration processes.

To minimize disruptive missteps and costly noncompliance, entities need to take a timely and thorough approach. This course is designed to help you navigate the complexities of this standard, identify the implications of it, and prepare for transition and implementation. It provides a working knowledge of the fundamentals of lease standard that can be applied, regardless of the company size, in the real world.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Basic. This program is appropriate for professionals at all organizational levels.

CPE Credits: 7 (CPA)

Category: Accounting

Prerequisite: Knowledge of GAAP

Advanced Preparation: None

Course Learning Objectives

After completing this course, you should be able to:

1. Recognize the improvement over the lease accounting through the release of ASC 2016-02
2. Cite the key changes of the leasing practice compared to former ASC 840
3. Identify the applicability of the lease standard
4. Note the practical expedients available to organizations
5. Identify key concepts in lease accounting
6. Recognize the difference between U.S. GAAP and IFRS affecting the lease accounting practice
7. Identify the challenges and strategies in implementing the lease standard
8. Recognize the impact of the lease standard on the organizations
9. Identify types of leases for lessees and lessors
10. Identify the accounting rules for initial direct costs
11. Recognize the methods of accounting for different types of leases by lessees and lessors
12. Identify the presentation and disclosure requirements by lessees and lessors