



Top 5 Tips for Lessees to Prepare for New Lease Accounting Rules

New lease accounting rules approved by the U.S. Financial Accounting Standards Board (FASB) will become effective starting after December 15, 2018 for public companies and after December 15, 2019 for private companies. Companies should use the time wisely to prepare for the transition. What should your company be doing now? You'll want to look at your business processes, collect data and make a plan. The following are areas to address that will help make the lease accounting changes go smoothly for your business:

1. **Inventory all equipment lease and rental contracts.** Knowing the amounts and nature of contractual obligations and terms of your leases will enable you to understand your company's accounting and tracking needs.
2. **Identify IT/software requirements.** To determine if the technology in place will meet the new standards, ask your accounting software vendor how they plan to support the changes.
3. **Review your debt covenants.** Although the lease accounting changes will have limited effect on debt covenants, discuss fully any potential implications with your bank or creditors.
4. **Seek out industry expertise and counsel.** In addition to getting accounting expertise, you'll want to consult with your equipment finance provider. Providers have hands-on experience, informational resources and advice on industry best practices to help you assess the possible impact of the changes on your current and future leasing needs.
5. **Enact a plan.** With the information you've gathered, you can start planning the budget and resources necessary for updates and systems changes to support the new rules. You may want to think about creating a transition timeline and forming a transition team consisting of key members of your staff to guide your transition preparations.

More Information:

To learn more about this topic, visit the Equipment Finance Advantage website at www.equipmentfinanceadvantage.org/newLAR.cfm.

Disclaimer: The information in this document is a summary only and does not constitute financial advice. Readers should obtain their own independent accounting advice that takes into account all relevant aspects of a particular lessor's or lessee's business and products.