

Accounting for Leases:

Guidelines for the New Lease Standard

Course Description

Historically, lease accounting has been straightforward: a capital lease vs. an operating lease. An operating lease is treated as an off-balance sheet operating expense. The FASB issued ASU 2016-02, Leases (ASC 842) in response to the growing need for transparency and comparability among organizations. The basic concept of ASC 842 is that leases of all types convey the right to direct the use and obtain substantially all the economic benefit of an identified asset, creating an asset and liability for lessees. Thus, the most significant change requires lessees to recognize the rights and obligations resulting from all leases (greater than 12 months) as assets and liabilities on their balance sheets. Although the lessor accounting is largely unchanged from ASC 840, there are some important changes and more disclosure requirements. For example, certain principles of the lessor model are updated to align with changes to the lessee model and the revenue recognition standard (ASC 606). As a result, ASC 842 brings additional scrutiny from enterprise leaders, auditors, and regulators.

This course is designed to help you navigate the complexities of this standard. It explains financial accounting and reporting requirements for lessees and lessors with specific examples to illustrate the application. It also includes public business entities' reporting responsibilities and explains how ASC 842 affects a company's financial results. Finally, it shares insights that help companies develop a reasonable leasing policy threshold, maintain effective internal control over leases, and prepare for audits.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase.

Level of Knowledge: Overview

CPE Credits: 7 (CPA)

Field of Study: 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 in the leasing practice

3. Identify the applicability of the lease standard
4. Identify key concepts in lease accounting
5. Recognize the difference between U.S. GAAP and IFRS affecting the lease accounting practice
6. Identify the accounting rules for initial direct costs
7. Recognize the methods of accounting for different types of leases by lessees and lessors
8. Identify risks and controls over leasing activities