



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



# Speakers



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# 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.

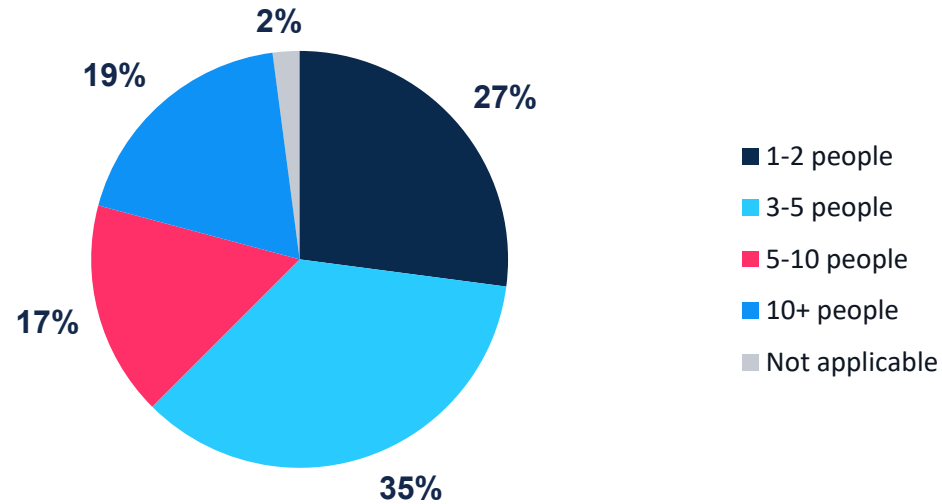
**Capital leases**  
= Finance leases

**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

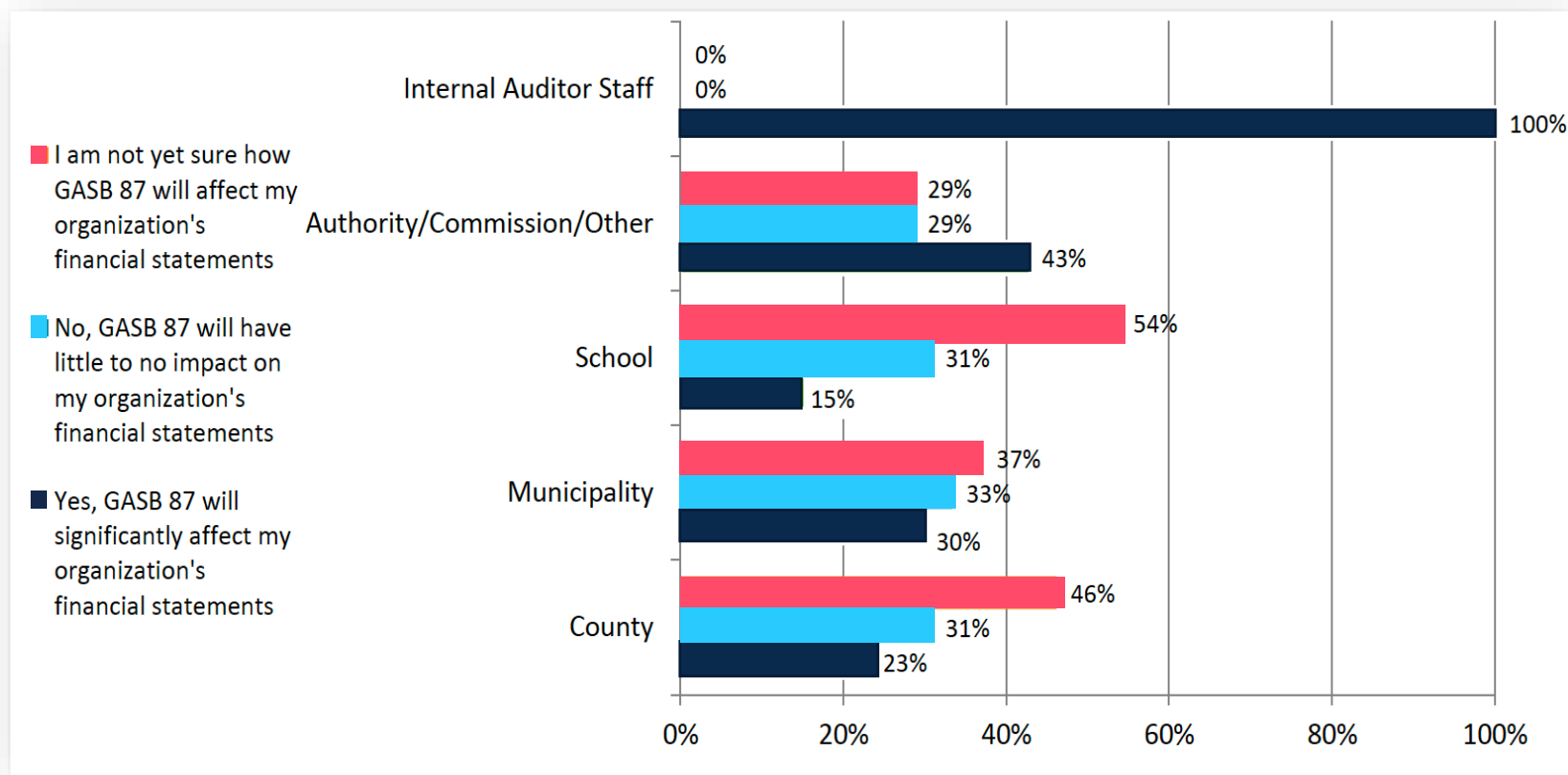
**New standard creates a single model whereby most leases will be treated similar to finance leases.**

**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.

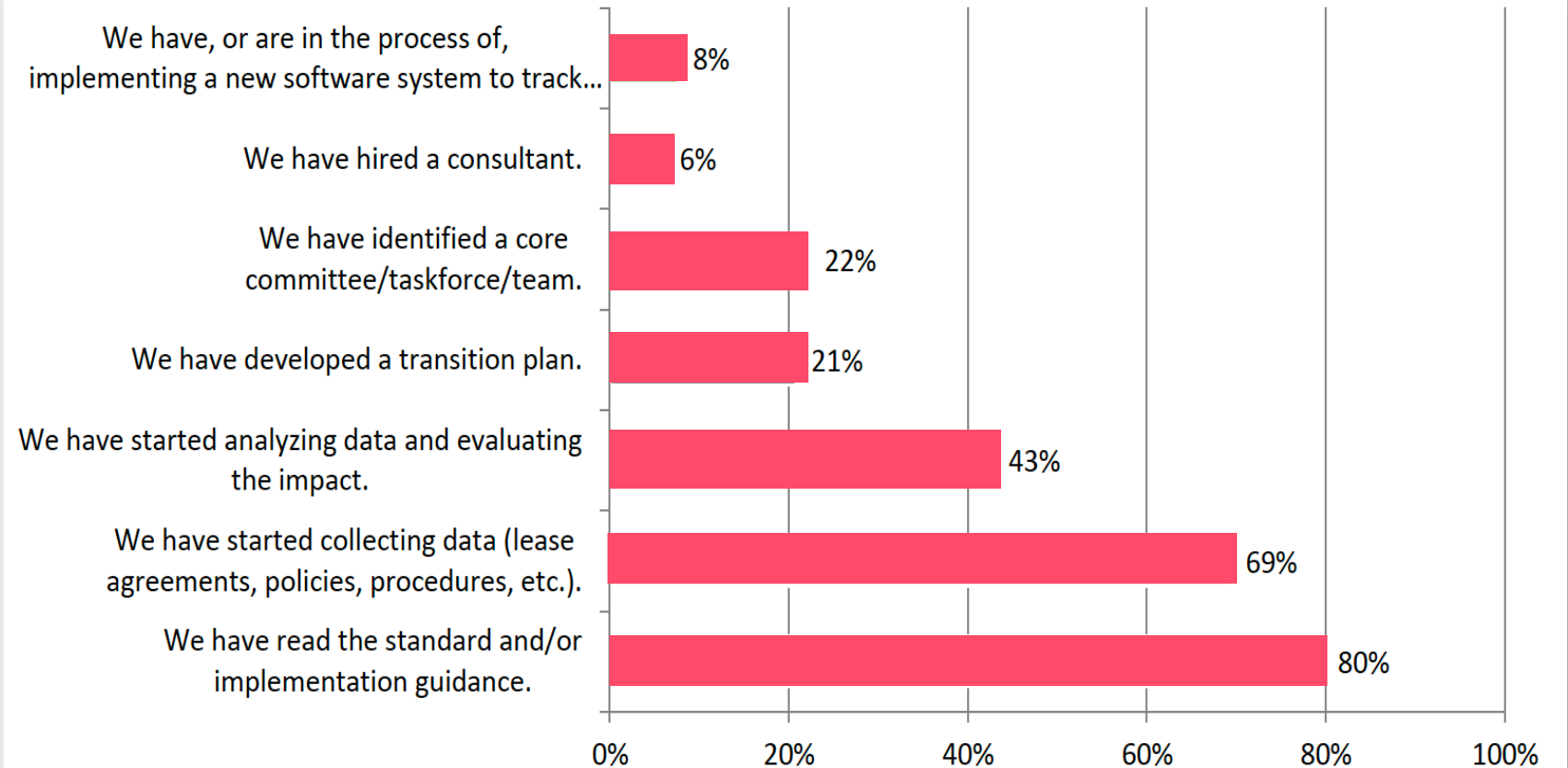
- Full Retrospective Adoption
- Sustained Compliance
- Disparate Data Sources
- Process Implementation
- Cross-Functional Impact

# 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

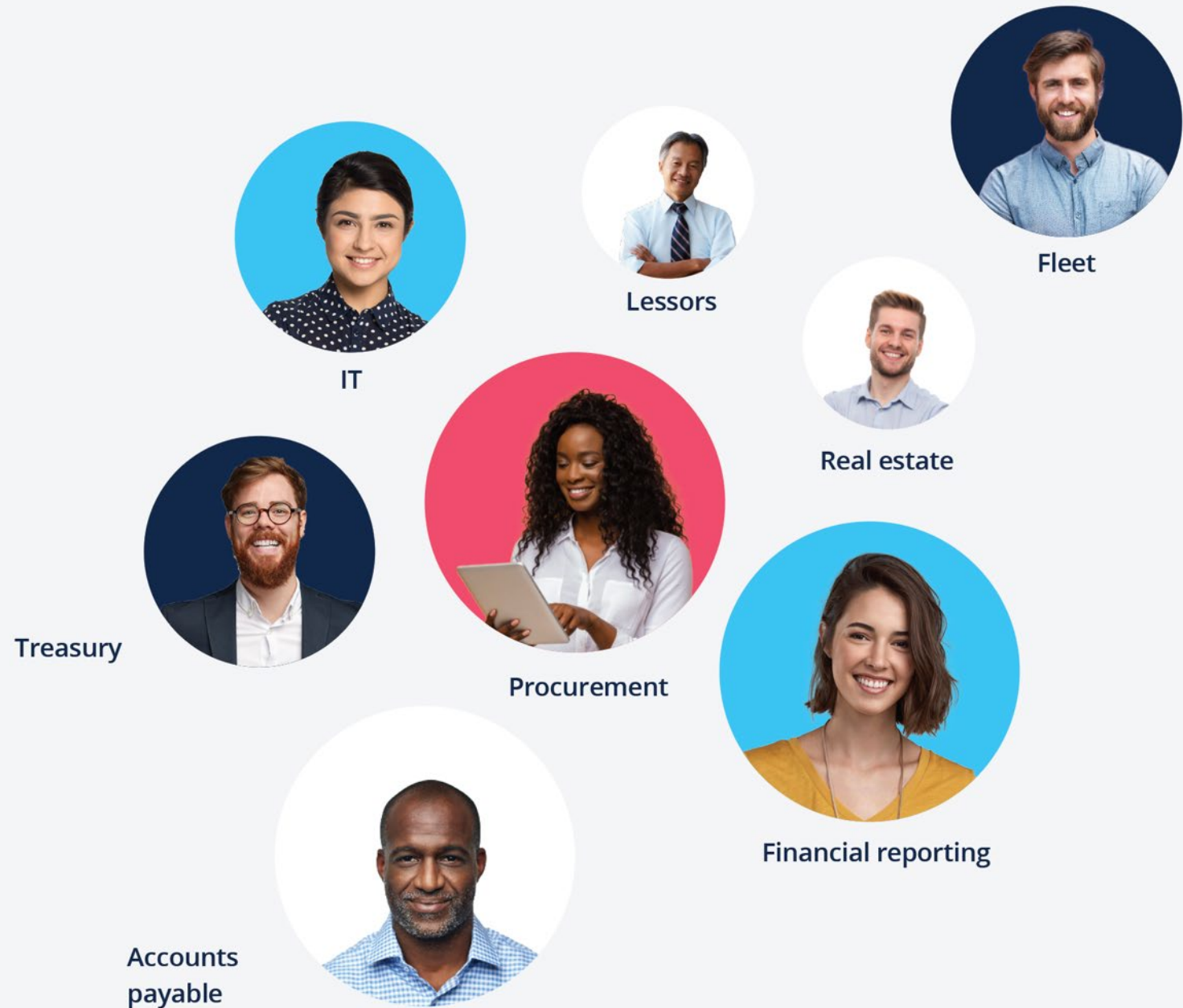
Attest data

6

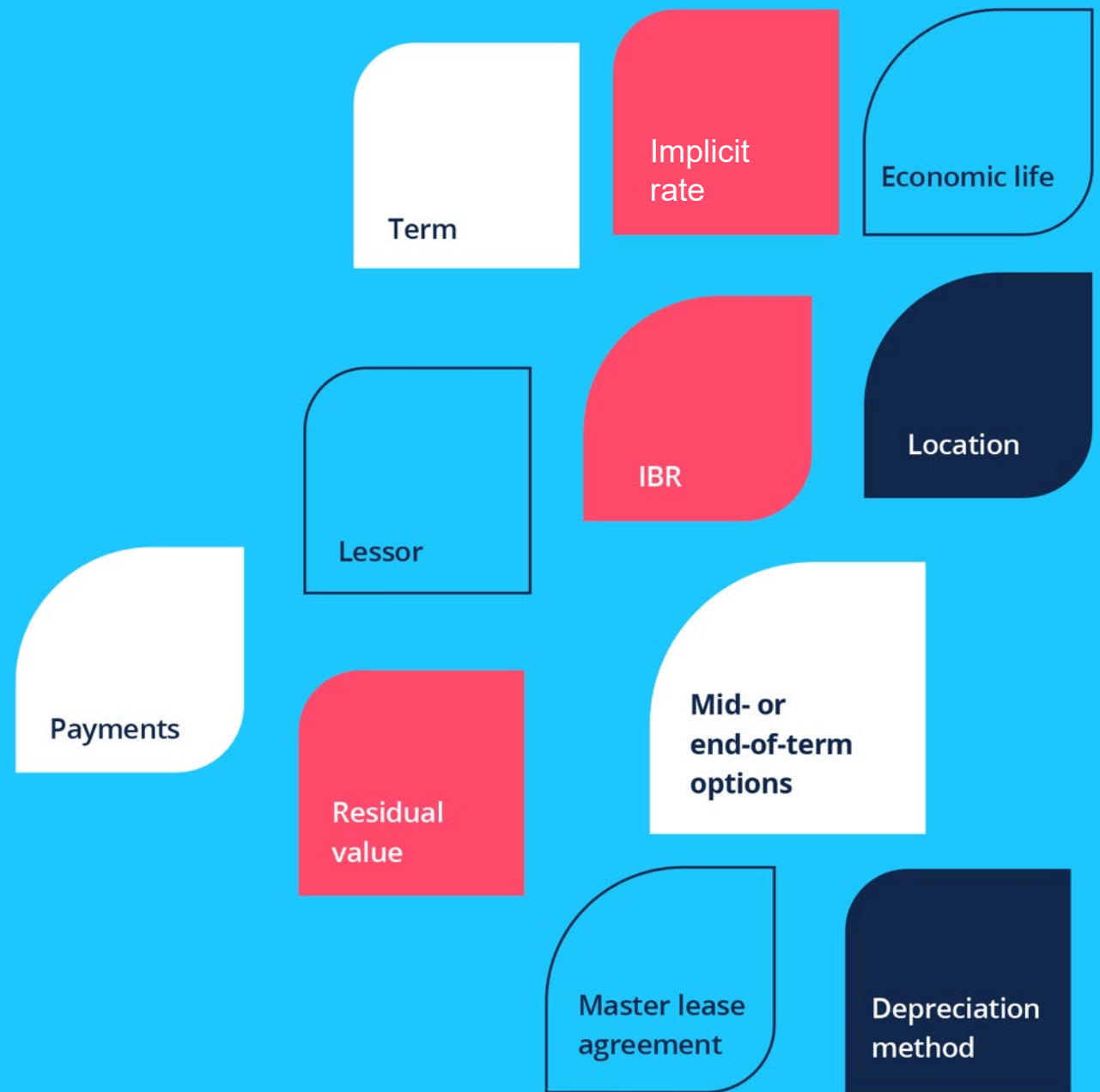
Load data



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



# 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

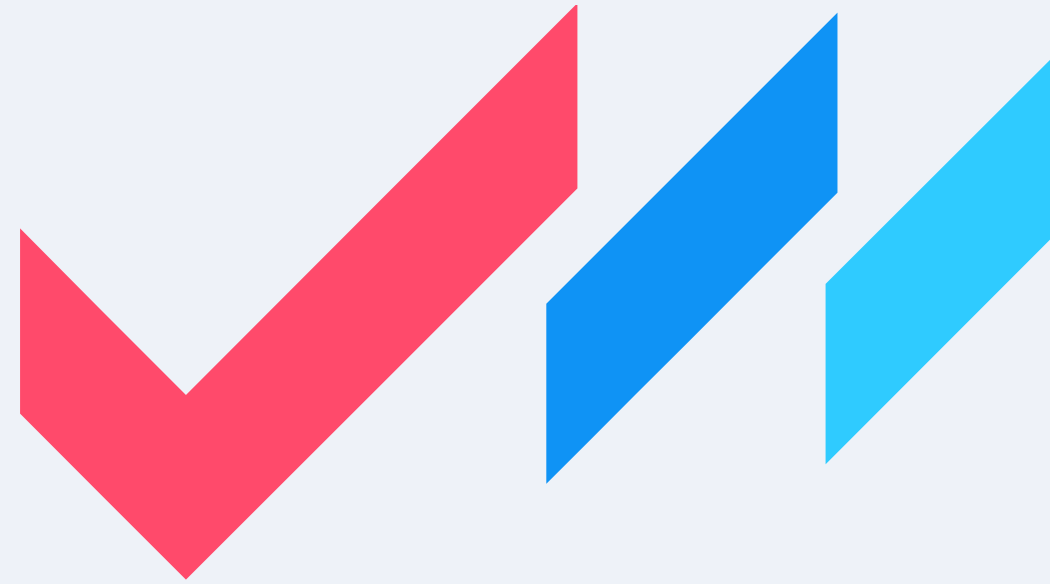
### Automation



Push-button reporting

Lessees and lessors

Real estate, equipment & embedded leases



# Thank you