



Generally Accepted Accounting Principles (GAAP) New Lease Standard FASB ASC 842

What is the Impact?

As you'd expect, implementing the new lease standard means you will change how you think about and account for individual leases. There are a few additional considerations to keep in mind.

Debt Covenants

Changing accounting methods doesn't change your organization, but it can affect the way your financial results are viewed by outside parties. In particular, adding significant lease liabilities can impact your compliance with debt covenants. It's critical that you get a handle on the potential impact and start conversations with your bank as early as possible.

Policy Elections

The new lease standard requires organizations to make policy decisions about how they will handle leases. Many of these policies make implementation easier, but often will result in a larger asset and liability on the books. Early on, your organization needs to review and decide on the policies that are right for you.

Process and Controls

In most organizations, operating lease decisions are fairly decentralized, especially when multiple locations are involved. The new lease standard requires these decisions to be documented and available for accounting, which introduces a need for new systems, processes and controls. The good news is that organizations are often finding efficiencies and cost savings with this new approach.

How Rudler, PSC Can Help

Regardless of where your company is in the ASC 842 implementation process, Rudler can help you achieve a smooth transition. Contact your Rudler, PSC advisor for more information on lease accounting at 859-331-1717.