



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

## QUICK REFERENCE:

### Simplifying the New Lease Standard

The FASB delayed the new lease accounting standard until the fiscal year beginning after Dec. 15, 2021 for nonpublic organizations; however, it's essential that businesses start planning now if they haven't already.

### What is the New Lease Standard?

The new lease standard is intended to account for all lease obligations on financial statements, rather than excluding operating leases as has been the standard. This change ensures that a company's financial situation is reflected as accurately as possible within the financial statements.

With the new standard, all leases must appear on the balance sheet as a Right of Use Asset and Lease Liability.

### What Qualifies as a Lease?

To qualify as a lease under the new standard:

- ☐ It must be a physical asset
- ☐ You must have the right to control or use the asset
- ☐ The asset must be explicitly or implicitly defined

Examples include (but are not exclusive to) office rental, copiers, computers and servers, vehicles and equipment. Examples of what is typically not considered a lease under this standard are software subscriptions, leases for intangible assets, lease for exploration or use of non-renewable resources and leases of inventory or assets under construction.

### 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.

