



Lease Accounting Software Developed by Accountants. Change is inevitable and can be challenging. The new accounting standard for leases represents a major change for nearly all organizations, but it doesn't need to be disruptive. Schneider Downs Technology Advisors has developed a web-based software solution that can simplify your transition to the new standard. The program was produced with insights from our own accounting professionals, ensuring that it is current, compliant and easy for our clients to implement. We've simplified lease accounting so you can focus on the next big change on the horizon.

The Solution:

- » Guides the user through user-friendly wizards, asking questions to assist with the appropriate treatment of each lease.
- » Generates amortization schedules for finance and operating leases, in accordance with Lease Accounting Standard Update 2016-02.
- » Interfaces with accounting systems to automate the process of posting requisite journal entries.
- » Interfaces with fixed asset software to automate the process of creating the right-of-use assets (ROU).
- » Includes services to assist with transitioning existing finance and operating leases to the new solution.
- » Helps efficiently manage and inventory finance and operating leases, both new and existing.

This web application will be branded to your organization and accessed through a secure portal. It will help you:

- » Automate the process of inputting the key terms of lease agreements.
- » Easily determine if your contract is a lease that needs to be capitalized.
- » Determine whether it is a finance (capital) lease versus an operating lease.
- » Calculate present and future values of the asset/liability, generating the necessary amortization schedules.
- » Generate standard reports, such as lease listing, amortization schedules, roll-forward of liability balance and future payment schedules for operating leases.
- » Manage ongoing lease details, such as changes to existing lease terms, lease terminations, etc.



Big Thinking. Personal Focus.

For more information on how you can simplify the process of managing lease accounting, please contact Jason Reljac at 412-697-5483 or jreljac@schneiderdowns.com.

Learn more at www.simpleaseaccounting.com.

powered by SD inSITE



GENERAL ACCOUNTING

Do all leases go on the balance sheet under the new lease accounting standard?

With the implementation of the new lease accounting standards, substantially all leases will now go on the balance sheet. This includes both operating and finance (previously referred to as capital) leases. There are, however, certain leases that will be scoped out or may be exempt. Some of these exclusions are leases for inventory, assets under construction, intangible assets, or biological assets. There is also an accounting policy election to exclude those leases that have a term of less than 12 months and no purchase options or renewal period that is reasonably certain to be exercised.

Does the new lease accounting standard require me to change how I account for existing leases?

Yes, the new lease accounting standards will significantly change how existing leases are accounted for today. There is no grandfathering of previous leases. Upon implementation of the new standards, all leasing arrangements will have to be accounted for under the new guidance.

Under the new guidance, what is an operating lease?

Under the new lease accounting guidance, from the perspective of a lessee, an operating lease will be any lease that does not meet the definition of a finance lease (see definition of finance lease below).

Under the new guidance, what is a finance lease?

Under the new lease accounting guidance, from the perspective of a lessee, a finance lease (previously referred to as a capital lease) is a lease that meets one or more of the criteria below:

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
3. The lease term is for the major part of the remaining economic life of the underlying asset.
4. The present value of the sum of the lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.
5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

When does my company need to implement the new lease accounting guidance?

Public business entities are required to adopt ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e. calendar year 2019), and non-public business entities the following year (i.e. calendar year 2020). However, the amendments are required to be presented retrospectively to all periods presented in a company's financial statements, so a company presenting two years of financial information will need to implement the new rules under ASU 2016-02 the year prior to the effective date.

I am a small business owner (privately held company) that leases office equipment. Do I need to be concerned with changes in lease accounting?

Yes, the scope of ASU 2016-02 does not provide for an accounting alternative for privately held companies.

I generally only lease equipment for less than 12 months, does the new lease accounting guidance impact me in any way?

A lessee is permitted to adopt an accounting policy by asset class to not recognize lease assets and lease liabilities for leases with terms of 12 months or less, including any renewal periods that are reasonable certain to be exercised. Leases with initial terms of less than 12 months and have with renewal periods that are reasonably certain to be exercised are required be accounted for under ASU 2016-02.

My company leases land for the exploration of natural resources (i.e. oil and natural gas), are we impacted by the new lease accounting standard?

Certain leases are excluded from the scope of ASU 2016-02, including leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources. These types of leases will continue to be accounted for under Topic 930 Extractive Activities-Mining and 932 Extractive Activities-Oil and Gas. Leases of intangible assets, biological assets and assets under construction are also excluded from the scope of ASU 2016-02.

Does the new lease accounting standard impact real estate leases?

Yes – there is very little that is scoped out of the new lease accounting standards. Leases involving property/buildings, property improvements and real estate are all covered under the new standards.

Will the lease accounting changes impact my bottom line?

We anticipate very little if any impact on the bottom line / net income as a result of the accounting changes. However we do anticipate there could be some additional costs associated with preparing for the implementation for organizations that have significant leases. Those costs could include but not be limited to, additional internal staffing / resources, lease accounting software as well as outside consultants to assist with the implementation.

Will the lease accounting changes impact my taxes?

We don't anticipate an effect on net taxes.

APPLICATION-SPECIFIC

Is my data safe in simpLEASE Accounting (simpLEASE)?

Yes, all of your data is encrypted from the moment it is entered into the system (this includes uploaded documents).

Can work be distributed among users using simpLEASE?

Yes, simpLEASE has built in work-flow that allows users to enter lease data which is then reviewed and approved before it is sent to your accounting system. Users can be entering and reviewing leases simultaneously.

Can simpLEASE interface with my current accounting system?

Yes, simpLEASE can provide data in a wide array of formats for easy importing into most accounting systems. simpLEASE can also get data electronically from your accounting system that can be used for data validation and exporting.

Can simpLEASE help me track my leases in any way?

In addition to storing active lease details in regard to the new accounting standards, simpLEASE can track a wide variety of details about each lease. With an unlimited number of user-defined fields, you can track each lease and associated relevant data. Additionally, additional payments and estimated taxes and due dates can be tracked for each lease.

Can I store lease agreements and other documents associated with the lease in the system?

Yes, simpLEASE allows for an unlimited number of uploaded documents for each lease. The system has a definable data retention period that can automatically purge data as per your document retention policy.

Can I use simpLEASE to help me ensure there are internal controls over lease accounting?

Yes, simpLEASE can help you ensure that your leases are accounted for in accordance with the guidance.

Where is my data housed in simpLEASE and is there a SOC report available?

Data is housed at a third-party service organization's data center which does have a SOC report covering controls.