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**Lease Accounting Overview Article**

1. **Lease Accounting: Key Challenges in Complying**

Because the new ASU changed the definition of what constitutes a lease, along with the classification criteria, complying with Topic 842 will be much more time-consuming (but less complex) than your recent revenue conciliation process. Do not underestimate the formidable amount of time and resource management required. How are you going to be this done? Major challenges where we can help:

* Handling complex technologies issues. Choosing software and platforms.
* Taking a complete an inventory of your leases. Embedded leases are a major issue and can be difficult to spot in transactions from years ago.
* If your month-to-month leases are worth $5,000 or less, they qualify for an exemption. But U.S. GAAP provides scant guidelines.

1. **Lease Accounting: Risks if You Wait Too Long to Comply**

* Procrastinating will be costly.
* Topic 842 is going to require many, many additional working hours. For a short-term project, do you want to double your company? In addition, you will have to train staff on new policies and procedures.
* Identifying embedded leases is a crucial issue. Do you know where to look for them?
* Interest rates can be an unforeseen issue. Different subsidiaries can have different debt, requiring you to compute the interest rate for each subsidiary.
* You are dealing with a non-negotiable deadline. Time is running out.
* To renegotiate contracts based on changes tied to [debt covenants](https://www.journalofaccountancy.com/news/2017/aug/lease-accounting-standard-implementation-201717159.html), it is vital you ensure with outside vendors that the terms of your lease contracts are compliant.
* Auditors need to approve your financial statements. If the leasing statements are not done appropriately or are non-compliant with GAAP, your auditors cannot deliver an unqualified opinion. A qualified or adverse opinion could hurt you, and since your outside investors and debt holders must satisfy their due diligence needs, bank covenant and capital market problems could spark investor fear.