

INSIGHTS 2016

AUSTIN, TEXAS

MARCH 21-24

UNLOCK THE POTENTIAL

IS YOUR LEASE SOLUTION FASB READY?

It's here!

Hello!



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Agenda

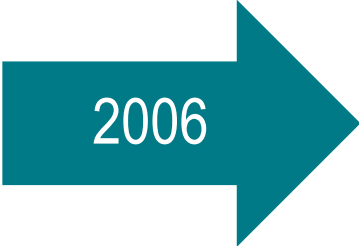
- Brief background summary
- Effective dates
- Product functionality
- Supported platforms
- Upcoming accounting events

HOW DID WE GET HERE?

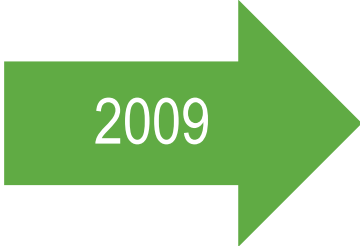
How did we get here?

Timeline of lease project

Memorandum of Understanding
FASB & IASB



Discussion Paper, Leases:
Preliminary Views



Original Exposure Draft Issued
(Aug. 10th)



Revised Exposure Draft Issued
(May 16th)



Comment Period Ended



New Standard Issued



ROI Analysis

Benefits



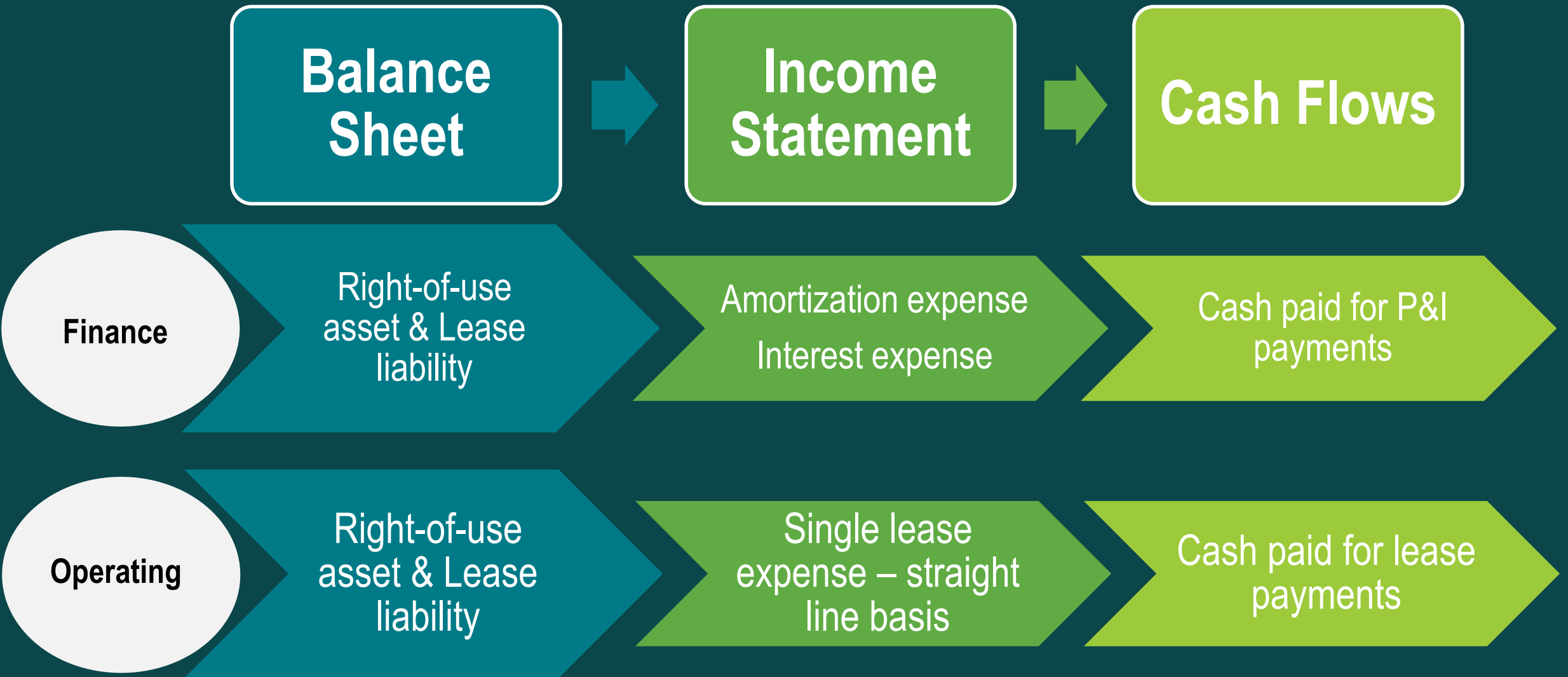
- Eliminates off-balance sheet financing
- Improved comparability
- Financial position of lessee accuracy
- Improvement for prepares

Costs



- Implementation costs: Personnel costs to evaluate existing leases
- Implementation costs: Internal educational costs
- Implementation costs: Inputs available due to footnote requirement
- Recurring costs for sustaining

FASB's Dual Model



FASB Update



UPCOMING DATES

Effective Dates

Transition period



Present comparative periods using modified retrospective method

Public adoption



Fiscal years beginning after December 15th

Private adoption



Fiscal years beginning after December 15th

PRODUCT FUNCTIONALITY

UNLOCK THE POTENTIAL

What can we do?

Transition

Maintain

Analyze

What can we do?

ASC 842: Transition

Does it meet any of the following:

- Transfer of ownership
- Reasonable certain option to purchase
- Lease term is a 'major part' of economic life
- Present value of lease payments is 'substantially all' of the fair value

Transfer Leases

Interest Rate

Lease Classification

Initial Measurement

PRODUCT DEMO

UNLOCK THE POTENTIAL

Lessee Accounting

Finance



- Liability measured at present value
- Front loaded expense
- Right-of-use asset initially measured at cost
- Right-of-use asset generally amortized on straight-lined basis

Operating



- Liability measured at present value of remaining lease payments
- Straight-lined expense
- Measure right-of-use asset at amount of lease liability and adjust
- Recurring costs for sustaining

Example lease

Description	Details
<i>Lease term</i>	10 years (no renewal option)
<i>Economic life</i>	39 years
<i>Purchase option</i>	None
<i>Rent payments</i>	\$1,000, escalating 5% every year
<i>Interest rate</i>	5.0%
<i>Initial cost</i>	None
<i>Residual value guarantee</i>	None

Example

Balance sheet, beginning of year	Operating lease	Finance lease
Right-of-use asset	116,232.90	116,232.90
Lease liability	(116,232.90)	(116,232.90)
Income statement		
Lease expense	1,257.79	
Amortization		968.61
Interest expense		484.30
Income before tax	(1,257.79)	(1452.91)
Cash flow statement		
Operating activities	(1,000)	(484.30)
Investing activities		
Financing activities		(515.70)
Balance sheet, end of year 1		
Right-of-use asset	106,007.40	103,641.00
Lease liability	(109,308.66)	(109,308.66)

What can we do?

ASC 842: Maintain

Leases required to adopt new standards following transition:

- *Existing leases at transition*
- *New leases commenced during transition*
- *Leases changed in classification*
- *Specified reliefs*

Subsequent Measurement

Lease Payments

Variable Lease Payments

In-Substance Fixed Payments

What can we do?

ASC 842: Analyze

Lessees will be recording almost every lease on the balance sheet as either:

- Finance (Type A)
- Operating (Type B)

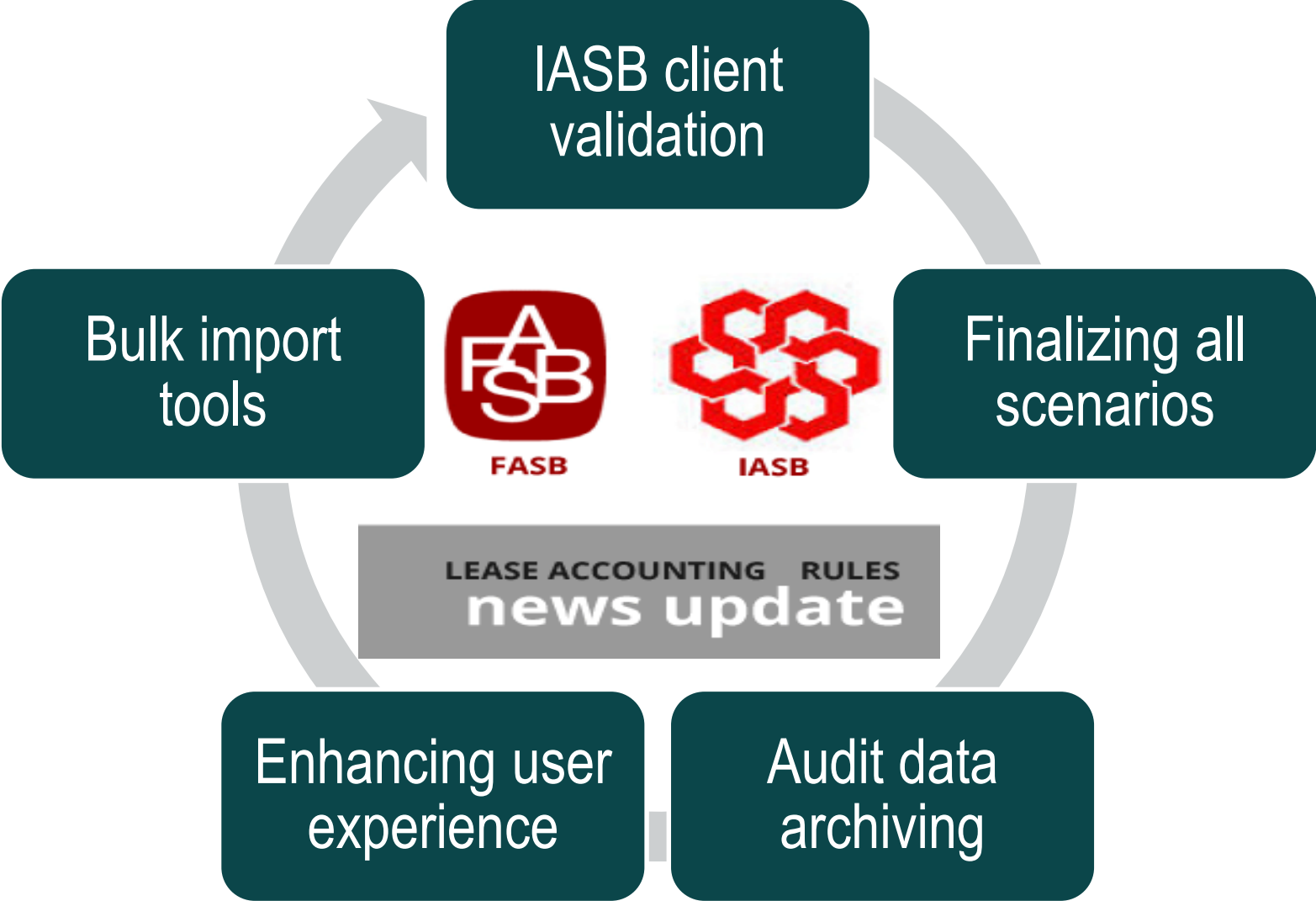
Portfolio Management

Portfolio Analysis

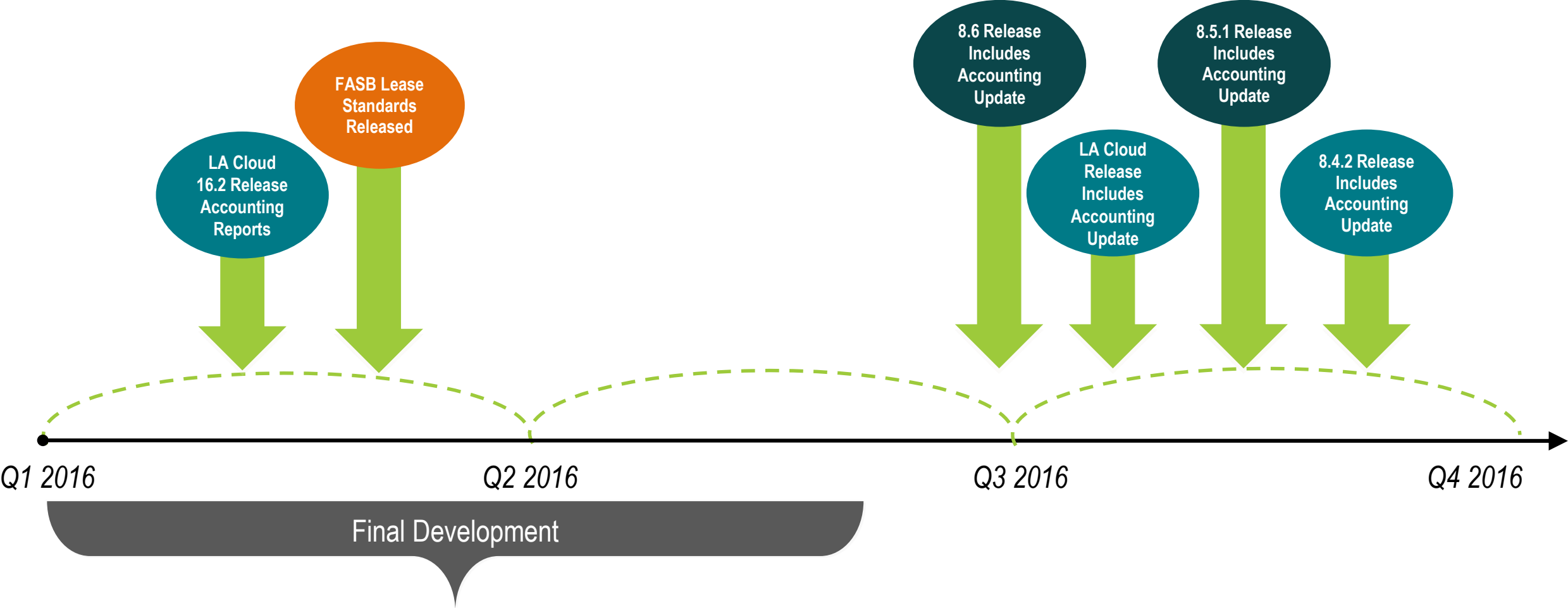
Reporting

GL Integration

What are we continue to work on?

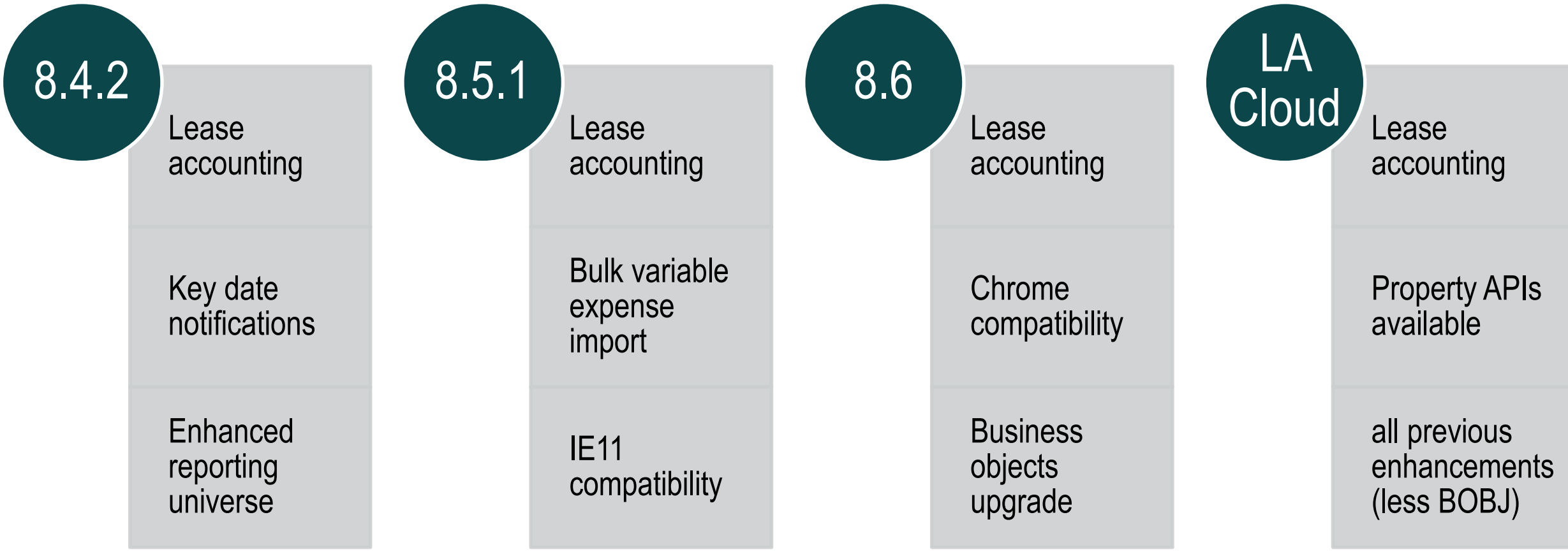


Accruent Timeline



How do we get there?

Supporting versions of lease accounting compliance



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