

Lease Accounting Standards Checklist

1. Take inventory of all leases - no lease is too small! Include the following details for each lease:

- ☐ Name of leased item
- ☐ Lease term
- ☐ Optional renewal periods
- ☐ Purchase options
- ☐ Monthly payments
- ☐ Other costs included in the lease payments (utilities, taxes, maintenance, etc.)

2. Determine your software needs.

- ☐ **Microsoft Excel:** If you don't have many leases and those leases have straightforward terms, you may be able to track everything in Excel.
- ☐ **New software:** Most companies have a lot of leases with complicated terms. You may need to obtain software that is specifically developed to track leases for the new standard.

3. Define implementation strategies.

- ☐ Will we need new software to track our leases?
- ☐ What should the procurement team do differently to make recording leases more straightforward?
- ☐ How will we transition? Will we use the retrospective or prospective approach?
- ☐ Who will review incoming contracts for embedded leases?
- ☐ Who will create and implement new internal controls for recording new leases?
- ☐ Who will evaluate, categorize and record leases at commencement?
- ☐ What disclosures will we need, and who will draft them?
- ☐ Can our accounting department absorb the new duties, or will we need assistance?

4. Educate key people on the changes.

- ☐ Run your own calculations to understand the impact to debt covenants.
- ☐ Discuss with your lenders how your debt ratios might change with the new standards.
 - ☐ If you will need to renegotiate debt covenants, be sure you allow several months for that process. **Don't wait for your underwriters to flag the problem themselves.**

5. Start making changes as early as possible.

Getting started early allows you to consider strategic changes that might make implementation of the new standards easier, while still achieving your operational objectives. Is it time to reconsider the buy-versus-lease decision? If leasing remains the best option, can you negotiate shorter lease terms? Even if it's not practical to negotiate a short-term lease (the lease standard has strict rules for what qualifies), estimating costs across a shorter time period can ease some of the burden of implementing the new standard.