



Lease Standard Training Course

FASB Accounting Standards Update (ASU) 2016-02, *Leases*, represents the culmination of a decade long project to overhaul current lease accounting rules. The new standard creates Topic 842, *Leases*, in the FASB Accounting Standards Codification (FASB ASC) and supersedes FASB ASC 840, *Leases*. The new lease standard ushers in significant changes for all entities that are lessees or lessors. Re-evaluating current leasing agreements and other contracts will be necessary, inasmuch as the new definition of a lease may pull in numerous arrangements that today are not accounted for as leases. Understanding the differences between the old and the new lease accounting standards should be a priority for practitioners. Gaining a thorough understanding of ASU 2016-02 sooner rather than later will be advantageous for practitioners assisting clients in implementing ASU 2016-02 and assessing the implications for their clients' businesses.

As outlined below, the CPEA offers its members a comprehensive full-day training course on the new lease standard. Using active learning techniques, this training course delivers a thorough study of FASB ASC 842 by examining the core principles of the new standard, including identification, recognition, measurement, presentation, and disclosure requirements. Participants will be educated in the essential elements of lease accounting and will develop skills to implement the provisions of FASB ASC 842. And, this full-day training course can be adapted to a half-day training course to accommodate members' educational needs.

Training Course Outline

Key topics addressed include:

- **Highlights and Background.** This part of the program covers the main principles of ASU 2016-02 as well as the industries likely to be most affected by the new guidance. Additionally, participants learn about the reasons underpinning the FASB's overhaul of the lease accounting rules, providing context for understanding the changes to the lease standards.
- **Definition of a Lease and Identifying Leases.** With all leases with terms over 12 months being recognized on the balance sheet under the new standard, the

determination of what is a lease takes on much greater significance. Under FASB ASC 842, the focus now shifts as to whether a contract contains a lease or does not contain a lease. In this segment, participants learn about the elements comprising the definition of a lease and how to determine whether a contract is, or contains, a lease.

- **Segregating Lease and Non-Lease Components.** Many contracts contain both lease and non-lease components. Under the new lease standard, segregating lease and non-lease components will have a significant financial reporting consequence. As such, we delve into the specific guidance associated with separating the different components of a lease.
- **Lease Modifications.** FASB ASC 842 prescribes set rules to account for modifications to leases. This portion of the program outlines those rules, including when remeasurement by the lessee is required.
- **Lessee Accounting.** Participants learn how lessees should account for operating and finance leases. An illustrative approach, including journal entries, is utilized. Key learning points are focused on differences between the old and new accounting model, financial statement presentation, variable lease payments, remeasurements, initial direct costs, and financial statement user reactions.
- **Lessor Accounting.** This segment covers the fundamentals of lessor accounting under the new standard. Sales-type, direct financing, and operating leases are addressed, as well as the alignment of the lessor accounting model with the new revenue recognition standard. Participants' learning is reinforced through the use of a detailed example.
- **Sale and Leaseback Transactions.** FASB ASC 842 substantially changes the accounting for sale-leaseback transactions. Under current guidance, sale-leaseback accounting is applicable only to lessees. Under the new standard, sale-leaseback accounting will apply to lessees and lessors and the current specialized guidance for sale-leasebacks of real estate is eliminated. We educate participants about these changes and the new rules for sale-leaseback transactions.
- **Related Party Leases.** This segment runs down the major accounting changes affecting related party leases. Moreover, we offer our views on how the new standard affects common control leasing arrangements.
- **Disclosures.** Participants gain an understanding of the quantitative and qualitative disclosures required by FASB ASC 842 for lessees and lessors.
- **Transition.** Practical expedients to ease the transition to the new lease accounting rules are reviewed in this segment.
- **Implications for Clients.** The CPEA offers our perspective on how the new lease standard affects your clients. Discussion points include the process for identifying lease arrangements, impacts on leverage ratios, lease versus buy decisions, and other considerations.

Please email us at cpea@aicpa.org or call us at (334) 260-2326 to book your firm's training today!

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