Proper **Lease Analysis** + Proper **Technology** =

Successful Implementation

Designed by Former Big 4 Auditors

Built for Audit Efficiency

Key Design Principles – Ease of Use & Security

Advisory Board Consists of Former Big 4 Audit Partners, CFOs,
Former FASB Staff, and Lease Accounting Experts

ASC 842 Lease Standard Is a Challenge

Pervasive - Affects any client that follows GAAP and has basic operating leases, like renting office space or leasing copiers/vehicles.

Complex - With a detailed footnote and policy elections driving complicated calculations, spreadsheets will not work.

Lower Priority - Revenue recognition ASC 606 has absorbed attention of clients and CPA firms alike.

Lease accounting is causing concerns
Nearly half of execs are concerned about implementation

● Percent

Category	Percent
Somewhat concerned	41.3%
Not concerned	39.4%
Very concerned	5.8%
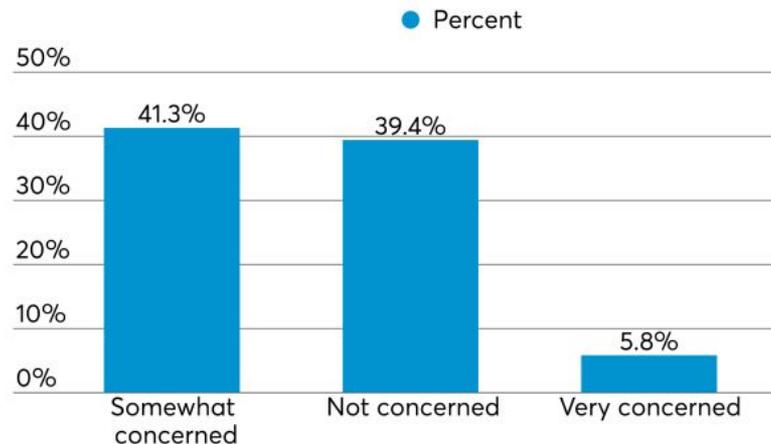
Source: Deloitte

LeaseCrunch:
Simplifying the Standard

Complex: Identifying the Lease Term

Initial Term - Some leases provide start and end dates, others provide a start date and the term in months or years. Need the flexibility to calculate the initial term with either information.

Renewal Options - if an organization is reasonably certain to exercise a renewal option, calculations should be based on the end of the renewal term.

Early Termination - conversely, if the lease will probably be terminated, calculations should be based on that earlier date.

Simple: LeaseCrunch Term Wizard

Lease Term Wizard ❓

1 START / END   **2** EARLY TERMINATION   **3** RENEWAL   **4** FINISH

Enter the Start (Commencement) Date and End Date below. These should be on the first page or in the "Term" section of the lease. Note: The Start Date is not necessarily the date the lease was signed.

Start Date: 11/28/2017 📅 *   **End Date:** 11/28/2020 📅 *

If the lease DOES NOT have a **specified** End Date, enter the term below in months:

Term (months): 37 *

[Next]

Lease Term Wizard ❓

1 START / END   **2** EARLY TERMINATION   **3** RENEWAL   **4** FINISH

Are you reasonably certain you will bypass any early termination option(s)?

◉ Yes   ○ No

Are you reasonably certain to exercise a renewal option(s)?

◉ Yes   ○ No

Enter the End Date of the renewal option(s).

(e.g. for a 1 year from 1/1/18 - 12/31/18, enter 12/31/18 as the End Date)

(e.g. for two 1 year renewal options: 1/1/18 - 12/31/18 and 1/1/19 - 12/31/19, enter 12/31/19 as the End Date)

End Date: 11/28/2021 📅

This is the new End Date of your lease. Next, you will be asked to enter Lease Payments through this date.

[Previous]   [Finish]

✓ Guide user through appropriate questions.

✓ Adjust calculations appropriately.

✓ Save responses for audit review.

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Complex: Classifying Each Lease

Finance or operating lease? There are now **five criteria** to ensure are considered for each lease:

1. **Ownership transfers** at end of term.

2. Reasonably certain to exercise a **purchase option**.

3. Lease term is a **major part** of the asset's economic life.

4. Present value of payments and residual value are **substantially all** of the fair value.

5. Asset is so specialized it has **no other use** for the lessor afterward.

How do you know if all factors are considered?

Simple: LeaseCrunch Classification Wizard

Lease Classification ❓

Will ownership transfer to Lessee at the end of lease term?

● Yes   ○ No

Is Lessee reasonably certain to exercise a purchase option?

○ Yes   ● No

Will leased asset have no alternative use to the lessor at the end of the lease?

○ Yes   ● No

Is the lease term a major part (>=75%) of the economic life of the underlying asset? Answer "No" if the lease start date is within the last 25% of the life of the underlying asset?

● Yes   ○ No   Calculate

Does the present value of lease payments equal (or exceed) substantially all (>=90%) of the fair value of the leased asset?

○ Yes   ● No   Calculate

Cancel   Finish

✓ Guide user through appropriate questions.

✓ Adjust calculations appropriately.

✓ Save responses for audit review.

Classification

Classification: ❓   Finance Lease

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Complex: Policy Elections

The new lease standard requires each organization to make - *and follow* - certain policy elections:

Short-Term Leases - how will they treat leases that are 12-months or shorter?

Nonlease Components - will costs like Common Area Maintenance be included in lease payments?

Discount Rate - will they calculate an incremental borrowing rate or use a risk-free rate?

Classification Criteria - how will they determine what is a "major part" of an asset's economic life or "substantially all" of an asset's fair value?

Presentation of Right-of-Use (ROU) Assets & Lease Liabilities - where will they present these items?

Transition Reliefs - will they elect certain practical expedients offered by the FASB to simplify accounting during the transition period?

Simple: LeaseCrunch Policy Templates

| Users | Policies | Companies | Customization | GL Accounts |

Lease Accounting Policy Documents

Below are Lease Accounting Policy Templates. You are encouraged to review, edit and upload your own lease accounting policy for users to follow.

FASB ASC 842 Lease Accounting Policy Template
IFRS 16 Lease Accounting Policy Template
FASB ASC 842 and IFRS 16 Lease Accounting Policy Template

Document Name	Date Uploaded	Size	Actions

Upload

✓ Guide user through appropriate questions.

✓ Clarify advantages and drawbacks for each choice.

✓ Save responses to guide all users.

Go beyond the basics when considering software solutions

ESSENTIAL FEATURES

Compliance with both IFRS and FASB

All lease types (real estate, equipment, vehicles, copiers)

Ability to attach documents

Reporting and exporting

Error free amortization schedules & journal entries

Anywhere and anytime access

Go beyond the basics when considering software solutions

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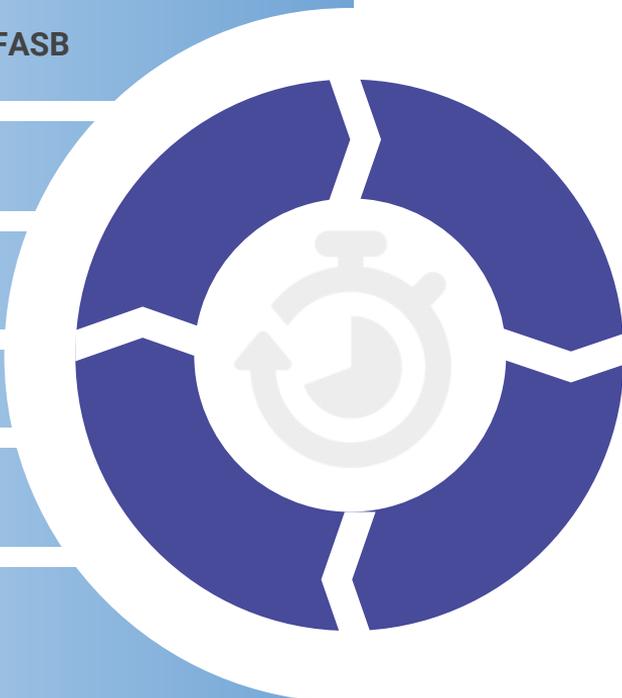
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INNOVATIVE FEATURES

Policy election templates for FASB and IFRS

Classification & lease term wizards

Tooltips & hints throughout the application

User interface designed for simplicity and speed

Automated quantitative footnote disclosures

Delivers required documentation for external auditors, streamlining audits and managing related audit fees
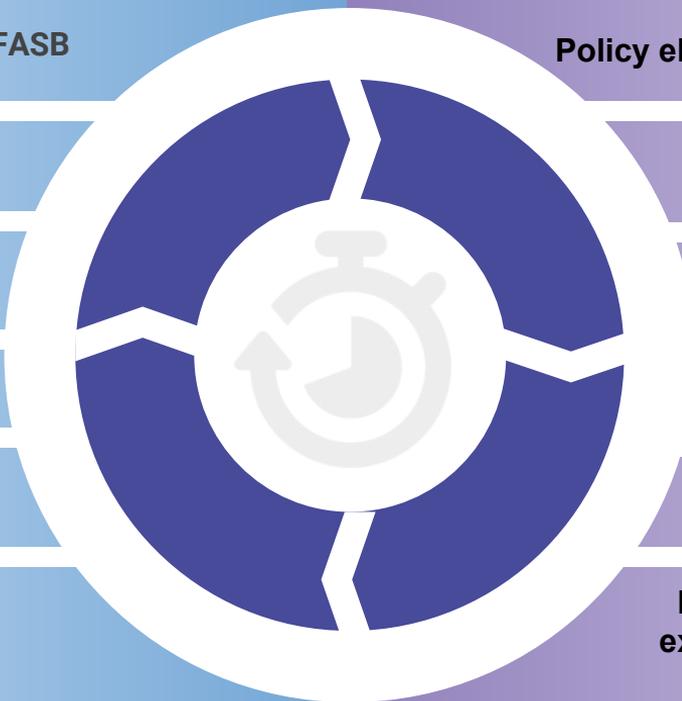
Thank you!

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