



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: **Implementing the New Lease Standard-2024 #313224**

Recommended CPE credit hours for this course

In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

CPA 10 (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 0004761 (Ethics

#0011467) Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Course Description

The purpose of this course is to review the changes made to lease accounting by ASU 2016-02, Leases, (as further amended by ASU 2018-01, Land Easement- Practical Expedient for Transition to Topic 842), and numerous other amendments, and to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Topics include a review of the new rules for lessees and lessors, the types of leases, how to account for the balance sheet, income statement and cash flows statement impacts of different types of leases, the implementation requirements, and more. This course also addresses newly issued ASU 2023-01, Leases (Topic 842)- Common Control Arrangements, addressing the application of the lease standard to common control arrangements.

Course Content

Publication revision date: 10/23/2023

Author: Steven C. Fustolo, CPA, MBA.

Final exam (online): Fifty questions (multiple-choice).

Program Delivery Method: Self-Study (NASBA QAS Self-Study/interactive)

Subject Codes/Field of Study

NASBA (CPA): Accounting

Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic understanding of U.S. GAAP

Advance Preparation: None

Table of Contents is located on page vi.

Instructions for Taking This Course

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- **You must complete this course within one year** of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **Complete the course by** following the learning objectives listed for the course and studying the text.
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a **printed copy** of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and CDFA credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Learning Objectives

After reading the course material, you will be able to:

- Recognize a key change made to GAAP by the new lease standard
- Identify a type of lease that exists for a lessee under ASU 2016-02
- Recall a type of lease for which the ASU 2016-02 rules do not apply
- Recognize some of the criteria that determine whether a contract is or is not a lease
- Identify some of the types of economic benefits a lessee can obtain from a leased asset
- Recognize a right that ASU 2016-02 states does not prevent a lessee from having the right to direct use of an identified asset
- Identify a threshold for a lease term to be considered a major part of an asset's remaining economic life
- Recognize who an entity might not want to use the risk-free rate to compute the present value of lease payments
- Identify how a lessee should account for initial direct costs
- Recognize items that are and are not components of a lease term
- Recall the method a lessee should use to record interest expense on a lease obligation
- Identify types of leases for a lessor
- Recognize the rate that a lessor should use in performing the 90% test for a direct financing lease
- Recall how a lessor should initially account for initial direct costs for a lease in certain instances
- Identify how a lessor should account for lease payments received on the income statement for an operating lease
- Recall how a lessor should classify certain cash receipts on the statement of cash flows
- Recognize how certain existing leases are accounted for on the implementation date of ASU 2016-02
- Identify how deferred income taxes will be treated for lessees under ASU 2016-02
- Recall the potential impact that the new lease standard might have on a lessee's EBITDA and debt-equity ratios, and
- Recall the IRS rules as when an entity should and should not capitalize a lease for tax purposes.

ABOUT THE AUTHOR

STEVEN C. FUSTOLO, CPA

Mr. Fustolo is a partner with the Boston CPA firm of James J. Fox & Company and Director of the National Tax Institute, Inc. He is a frequent lecturer and author of numerous tax and accounting issues affecting closely held businesses. An AICPA author, Mr. Fustolo's articles are regularly featured in *The Practical Accountant* and other publications. He is the author of *Practice Issues: Compilation and Review*, *Accounting and Auditing Reference Guide*, *Everything You Never Wanted to Know About GAAP*, *Enron: Fraud, Deception and the Aftermath*, *FASB Review for Industry*, and *FASB, SSARS and SAS Update and Review* and numerous other books and manuals that have been published by Practitioners Publishing Company (PPC) and Commerce Clearing House (CCH). He is the recipient of several Outstanding Discussion Leader awards from many professional organizations including the New York and Florida Societies of CPAs. Mr. Fustolo's course entitled *FASB, SSARS and SAS Update and Review* continues to receive accolades and is regarded as one of the top live CPE programs in the country today with ratings that average 4.91 on a scale of 5.0. He speaks regularly for professional groups including being a guest lecturer at the AICPA Advanced Accounting and Auditing Technical Symposium. Mr. Fustolo is the recipient of the Elijah Watts Sells Award (AICPA) and Silver Medal (Massachusetts) for scores received on the CPA Examination.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the author and sponsor are not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought-- From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations.

© Copyright 2023, 2022, 2018, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005: Steven C. Fustolo, National Tax Institute and Professional Education Institute, All rights reserved. Copies of this document may not be made without expressed written permission from the author.

Certain information has been adapted from AICPA *Compilation and Review* and *Audit Risk and Industry Alerts*- 2023, 2022, 2018, 2012, 2011, 2010, 2008/2009, 2007/2008, 2006/2007, 2005/2006, 2004/2005, 2003/2004, 2002/2003, 2001/2002, 2000/2001 and 1999/2000. Copyright ©, American Institute of Certified Public Accountants, Inc. New York, NY 10036-8775.

The New Lease Standard
ASU 2016-02 and Other Amendments
**Guidance for Private Company Implementation and Post-
Implementation Issues – 2024 Edition**
Includes Newly Issued ASU 2023-01- Common Control Arrangements

Table of Contents

I. Background	8
II. Basic Concepts of ASU 2016-02	14
A. General Rules	14
REVIEW QUESTIONS.....	21
SUGGESTED SOLUTIONS.....	22
III. Introduction	24
IV. Definitions used in ASU 2016-02	24
V. Scope and Scope Exceptions.....	27
VI. Identifying a Lease.....	27
REVIEW QUESTIONS.....	56
SUGGESTED SOLUTIONS.....	58
VII. Lessee Rules.....	61
A. Lease Classification - Lessee	61
B. Initial Measurement of Lease- Lessee.....	71
C. Lease Payments - Lessee	83
D. Lease Term and Purchase Options- Lessee.....	93
REVIEW QUESTIONS.....	98
SUGGESTED SOLUTIONS.....	100
E. Short-Term Leases- Lessee	103
F. Subsequent Measurement and Accounting for Leases- Lessee.....	124
G. Other Recognition and Measurement Issues- Lessees	130
H. Lease Modifications - Lessee	141
I. Subsequent Reassessment of Lease Elements- Lessee.....	147
J. Financial Statement Presentation Matters- Lessee	151
K. Disclosures by Lessees	153

REVIEW QUESTIONS.....	181
SUGGESTED SOLUTIONS.....	183
VIII. Lessor Rules	186
A. Lease Classification.....	186
B. Amendments made to Lessor Rules since ASU 2016-02.....	196
C. Accounting for Sales-Type Lease- Lessor	199
D. Accounting for a Direct Financing Lease.....	206
E. Accounting for Operating Leases- Lessor.....	210
F. Disclosure- Lessor Leases	217
REVIEW QUESTIONS.....	221
SUGGESTED SOLUTIONS.....	223
IX. Transition and Effective Date Information	225
A. General- Existing Leases	225
B. Transition to New Lease Standard	225
X. Leases: Sale and Leaseback Transactions.....	240
XI. Leases: Leveraged Lease Arrangements	243
REVIEW QUESTIONS.....	244
SUGGESTED SOLUTIONS.....	245
XII. Impact of Changes to Lease Accounting	246
XIII. Impact of Lease Changes on Nonpublic Entities	255
XIV. Other Considerations- Dealing with Financial Covenants.....	257
XV. Avoiding the New Lease Standard.....	259
REVIEW QUESTIONS.....	274
SUGGESTED SOLUTIONS.....	276
Case Study for Implementation of ASU 2016-02	278
GLOSSARY	306
INDEX.....	309