

First Steps for Companies to Comply with the New Lease Accounting Standard in 2020

- **Identify and quantify your leases and types of leases**
 - Perform a detailed review of all your contracts to identify all leases
 - Consider monthly payments made and whether they are for the use of an asset that may be part of a lease (i.e. if amounts paid are the same every month for a particular item, this may indicate that a lease is present)

- **Consider your accounting needs to maintain and record leasing transactions**
 - Consider how leasing transactions are currently initiated, approved and recorded, and whether the processes and controls will need to change
 - Identify individuals who will be responsible for understanding and implementing the requirements of the new lease accounting standard
 - Assess how you will track and account for leases in the future, how your organization will structure this process, and whether you may need a software solution, or if you should outsource this to a third party
 - Create an implementation plan including assignment of responsibilities, timeline and budget

- **Review your current bank agreements for all financial covenants in order to determine if changes may be necessary to your covenant calculations. This ensures there will be no covenant violations due to adoption of the new lease accounting standard**

Note: These are suggested steps you can take now to create an implementation plan for the new lease accounting standard. DGC's Technical Accounting Advisory team can take you through this process, helping you develop a plan that will ensure you and your business are well-positioned. For more information, contact a member of your DGC client service team or Jonathan Butler, CPA at 781-937-5369 / jbutler@dgccpa.com or Jackie Reinhard, CPA at 781-937-5721 / jreinhard@dgccpa.com.