

## *Compliance with New FASB- A Team Effort*

---

In 2016 the Financial Accounting Standards Board (FASB) and international Accounting Standards Board (IASB) changed accounting rules so that in the near future, companies will be required to show virtually all leases on their balance sheets. This solution will require detailed planning and preparation that all companies will need to address promptly and with collaboration between finance and real estate teams.

Further complicating things is the fact that a significant percentage of companies wither don't have a database of all lease documents at all, or don't have adequate data capture in their existing data bases to ensure compliance with FASB requirements. Furthermore, the new standards reinforce the need for companies to identify and record embedded leases, which are contracts that, while not using a lease format, do however convey the right to use an asset. These are sometimes found in services agreements and other contracts. Also, companies will need new/ updated lease abstracts that provide the key decision-making information for managing leases within the new standards. CRE's database software will need significant updating in most cases to enable much of the new lease administration going forward. Collaboration arrangements will also need to be established with other departments involved in the financial reporting process. Luckily, the heavy lifting is transitional, so it needs to be done just once, although the new rules do contain some reassessment requirements.

The upside of the new FASB-IASB lease accounting process is that it will compel further/ better collaboration between the real estate and finance teams. This integration and convergence will likely have far reaching implications for CRE. Consider these:

- ❖ CRE lease administration personnel will need to be trained.
- ❖ The internal process for the work will be subject to periodic audits.
- ❖ There'll have to be a higher level of trust between the two departments.
- ❖ The reporting line between CRE and Treasury will have to be seamless.
- ❖ Periodic cross-unit conversations will be a key to success.
- ❖ Future staffing discussion will have to account for CRE's public reporting contributions.

*Need to amp up your lease management?  
Call Mike for a free consultation.*

Mike Maroon, SIOR is the Managing Partner of The Acclaim Group, a leading real estate adviser to corporations locally, nationally and globally.