

# Audit Alert: New standard on lease accounting approved

The Board recently [issued](#) ASU 2016-02, *Leases (Topic 842)*, which requires most lessees to record a lease liability and a right-of-use asset on their balance sheets.

On February 25, the FASB released ASU 2016-02, *Leases*, completing its project to overhaul lease accounting. The ASU codifies ASC 842, *Leases*, which will replace the guidance in ASC 840.

Entities should be aware of the following key points about the new FASB standard:

- lessees will be required to recognize most leases “on balance sheet.”
- the new guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as “capital” and “operating” leases for lessees.
- lessors will focus on whether control of the underlying asset has transferred to the lessee to assess lease classification.
- a new definition of a “lease” could cause some contracts formerly accounted for under ASC 840 to fall outside the scope of ASC 842, and vice versa.
- a modified retrospective transition will be required, although there are significant elective transition reliefs available for both lessors and lessees.

The new guidance is effective for public business entities in fiscal years beginning after December 15, 2018. The effective date for most other entities is deferred for one year, meaning that most calendar-year private companies will be required to adopt the new standard in 2020. Early adoption is permitted for all entities. –

The FASB is providing the following resources to help entities learn more about the new leasing guidance:

Read *FASB in Focus*, “[Accounting Standards Update No. 2016-02: Leases \(Topic 842\)](#)”

Read “[Understanding Costs and Benefits](#)”

Register for the live webcast “[IN FOCUS: FASB Accounting Standards Update on Leases](#)”

*Source: Grant Thornton, On The Horizon, March 3, 2016*

**Please contact our Audit Department if you need assistance with the implementation of this standard. We are committed to keep you updated of all developments that may affect the way you do business in Puerto Rico.**



## Contact us

For assistance in this matter, please contact us via [aida.ramirez@pr.gt.com](mailto:aida.ramirez@pr.gt.com) or [iohanna.perez@pr.gt.com](mailto:iohanna.perez@pr.gt.com)



Adding true value means exceeding our clients' expectations, anticipating their needs and being proactive and innovative in the accounting profession.

Through the **Kevane Grant Thornton business and tax application for mobile devices** you will have access to our Alerts, Tax News and other related matters, plus a customized tax calendar for individuals, businesses and other entities, thus providing an excellent tool to manage filing and payment due dates with government agencies in Puerto Rico.

Download for free the application. Available for iPhone, Motorola and all tablets.



Follow us on  and 

**March 22, 2016**

**DISCLAIMER:** This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update.

© 2016 Kevane Grant Thornton LLP All rights reserved.  
Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit [www.kevane.com](http://www.kevane.com) for further details.