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# Narrow Scope Improvements for lessors

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The FASB's recently issued ASU 2018-20, Leases (Topic 842): Narrow Scope Improvements for Lessors, which simplifies how lessors implement the new leasing guidance in ASC 842, Leases.



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ASU 2018-20 amends the guidance in ASC 842 as follows:

- Lessors may elect to account for sales and other similar taxes collected from lessees as lessee costs and to exclude them from the consideration in the contract and from variable payments not included in the consideration in the contract.
- Lessors should exclude from variable payments, and therefore from revenue, all costs paid by lessees directly to third parties.
- Lessors should allocate certain variable payments to lease and non-lease components when the facts and circumstances that trigger the variable payments occur.

An entity that has not yet adopted ASC 842 should apply the amendments in ASU 2018-20 when it adopts the new leasing standard. Entities that have already adopted ASC 842 should apply the amendments in ASU 2018-20 at the original effective date for ASC 842. Alternatively, these entities may apply the amendments either in the first reporting period ending after Dec. 10, 2018, or in the first reporting period beginning after that date.

Source:

Grant Thornton, *On the Horizon* December 20, 2018.

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