

ASK THE CPA



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Q How can I keep my business in step with the new lease accounting standard?

A If you own or operate a business and lease property or equipment, the new lease standard, ASC 842, may directly impact you. As a public company, you must work quickly to determine how these changes in the accounting treatment of leases under U.S. GAAP will influence your financial statements, as the implementation date is January 1, 2019. Nonpublic companies have until 2020 to conform. Companies with operating leases and companies that report ratios and covenants (e.g., ROI, EBITDA, interest coverage, etc.) will be affected the most. The vast majority of operating leases will be reported on the balance sheet. Your company must gain an understanding so it can begin incorporating changes to the agreements (such as debt). Significantly, the *Wall Street Journal* reported that corporate balance sheets could swell by as much as \$2 trillion.

Please contact Shaji Varghese, CPA, Partner, at SVarghese@friedmanllp.com or reach out to a Friedman advisor for help navigating the new reporting standards.

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This general information is not intended to provide individual advice. Schedule an appointment with a professional to discuss your particular situation and needs. Questions sent to these professionals may be answered in future issues.