SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Guide to Presentation and Disclosure Under ASC Topic 842

Effective on January 1, 2019, calendar-year public business entities adopted the Financial Accounting Standard Board (FASB)'s Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, including numerous related amendments. While most companies have completed their analysis of the quantitative impact of the standard at adoption, questions may still exist as to how the information should be presented in the first quarter financial statements on Form 10-Q or for regulatory reporting on your financial institution's call report. The following information summarizes the key considerations for lessees related to the disclosure implication of the new leasing standard.

Effective Date

Accounting Standards Codification (ASC) Topic 842 is effective for fiscal years beginning after December 15, 2018 (i.e., January 1, 2019) for the following types of entities:

1. Public business entities
2. Not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or exchanged on an over-the-counter market
3. Employee benefit plans that file or furnish financial statements with the Securities and Exchange Commission

Overall Disclosure Guidance

As with many accounting standards, the overall objective is to provide users of the financial statements information that allows them to assess the effect that leases have on the amount, timing, and uncertainty of cash flows. While some lease disclosures overlap with legacy U.S. generally accepted accounting principles (GAAP), there are a number of new disclosure considerations that need to be implemented. Some of the most noteworthy new requirements include:

1. Disclosure of the significant assumptions and judgments made in applying ASC Topic 842, including how the entity determined which contracts contain leases, how nonlease components were treated, and how the discount rates were determined.
    a. This will likely include an update to the entity's significant accounting policies disclosure.
2. Weighted-average assumptions for all finance and operating leases recorded, including the discount rate and term.
3. A reconciliation of the undiscounted cash flows based on the lease payment maturities analysis to the discounted cash flows used in determining the on-balance-sheet lease liabilities.

As with most topics of the accounting codifications, an entity should consider the materiality and complexity of its leasing arrangements when determining the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. (842-10-65-1)

For a full GAAP disclosure checklist, reference Appendix A.

Balance Sheet Classification

One item of common confusion in the initial period of adoption is how the right-of-use (ROU) assets and lease liabilities should be classified on an entity's balance sheet. The accounting standard requires that the ROU asset related to finance leases and operating leases be presented separately from each other and from other assets and that the lease liabilities for financial leases and operating leases be presented separately from each other and from other liabilities. (842-20-45-1)

The most straightforward approach for an entity to accomplish this is to create four new line items on its balance sheet that accommodate each of these four categories: finance ROU asset, operating ROU asset, finance lease liability, and operating lease liability (as applicable). Additionally, an entity may deem it appropriate to include these lines items as a subset of a larger balance sheet classification (i.e., premises and equipment or borrowings), but should disclose them as separate line items within that grouping along with other components of the group (i.e., other premises and equipment or long-term debt). However, if an entity chooses not to present these as separate line items, the entity must disclose in its footnotes which line items in the balance sheet contain those totals. (842-20-45-2)

Regardless of the method selected, the standard prohibits the finance and operating lease ROU assets and lease liabilities from being presented on the same line item. (842-20-45-3)

To further complicate matters for financial institutions, the supplemental call report instructions (as of December 2018) requires the total ROU assets recorded upon adoption (regardless of whether finance or operating) to be reflected in Schedule RC, item 6, "Premises and fixed assets" and the related lease liability to be reflected in schedule RC-M, item 5.b, "Other borrowings." These classifications are consistent with the current call report instructions for capital leases. Because there is no delineation on the call report classifications for finance and operating leases, this may create inconsistency in the balance sheet presentation between regulatory reporting and GAAP reporting for financial institutions with both operating and finance leases.

Based on this guidance, there are several disclosure options available to entities, some of which are illustrated below.

The presentations below show the balance of finance and operating leases as separate line items in the balance sheet, which would eliminate the need to disclose the line items separately within the notes to the financial statements. Presentation 1 displays the finance and operating leases both as a component of premises and equipment with a similar presentation for the related liabilities, which aligns with regulatory reporting. Presentation 2 includes finance leases as a component of premises and equipment and operating leases as a separate line. This aligns more closely with the FASB's view that finance leases are more akin to the purchase of an asset (i.e., proceeds of a loan used to finance the purchase of an asset), while operating leases have a different economic substance.

1

		December 31, 20XX
Assets:		
Premises and Equipment:		
Operating lease right-of-use asset	$	500
Finance lease right-of-use asset		700
Other premises and equipment, net		1,200
Total Premises and Equipment		1,900
Total Assets	$	xxx,xxx
Liabilities:		
Borrowed Funds:		
Operating lease liabilities	$	550
Finance lease liabilities		700
Other borrowings - short-term		200
Other borrowings - long-term		1,600
Total Borrowed Funds		2,500
Total Liabilities	$	xxx,xxx

2

		December 31, 20XX
Assets:		
Premises and Equipment:		
Finance lease right-of-use asset	$	700
Other premises and equipment, net		1,200
Total Premises and Equipment		1,200
Operating lease right-of-use asset		500
Total Assets	$	xxx,xxx
Liabilities:		
Borrowed Funds:		
Operating lease liabilities	$	550
Finance Lease Liabilities		700
Other borrowings - short-term		200
Other borrowings - long-term		1,600
Total Borrowed Funds		2,500
Total Liabilities	$	xxx,xxx

Presentation 3 below shows the ROU assets being netted in with other premises and equipment and other assets, respectively, with the same presentation format applied to the lease liabilities. With this presentation method, the entity is prohibited from including finance leases and operating leases within the same line item.

3

		December 31, 20XX	
Assets:			
Premises and equipment	$	1,900	*(must exclude operating lease ROU asset)*
Other assets		1,200	*(must exclude finance lease ROU asset)*
Total Assets	$	xxx,xxx	
Liabilities:			
Borrowed funds	$	2,500	*(must exclude operating lease liability)*
Other liabilities		1,800	*(must exclude finance lease liability)*
Total Liabilities	$	xxx,xxx	

Additionally, this method requires disclosure in the notes of which line items in the balance sheet contain those totals, which could be displayed as follows in Presentation 4:

4

Lease Type	Balance at December 31, 20XX	Line Item on Statement of Financial Position
Right-of-Use Assets:		
Operating	$ 500	Other Assets
Finance	700	Premises and Equipment, Net
Total	$ 1,200	
Lease Liabilities:		
Operating	$ 550	Other Liabilities
Finance	700	Borrowed Funds
Total	$ 1,250	

Income Statement Classification (842-20-45-4)

For ASC Topic 842, the income statement presentation is more straightforward than the balance sheet presentation. For finance leases, the expense components should be recorded in a manner similar to a transaction involving the purchase of an asset whereby there is interest expense on the related debt liability and amortization of the value of the fixed asset purchased. Operating leases on the other hand should be expensed in a manner similar to the historical operating lease treatment, which is straight-line rent (or lease) expense, generally included in other expenses or occupancy expense.

Finance Leases		Operating Leases	
• Amortization Expense	Include in line items with depreciation	• Lease Expense	Including in line item with historical rent expense or "other" expenses
• Interest Expense	Include in line item with interest expense on debt		

Questions have arisen related to variable lease expenses that are not included in the initial valuation of the lease liability and ROU asset. While the FASB is silent on the specific income statement treatment for these variable period costs, we believe that these costs are generally more akin to the lease expense recorded on operating leases and would generally be included in the same line item of the income statement.

Statement of Cash Flows (842-20-45-5)

Upon the initial adoption of the standard and then going forward at the commencement date of any new lease arrangements, entities will create an ROU asset and a lease liability. Such noncash activity should be disclosed along with the other supplemental cash flow disclosures presented in the financial statements or notes to the financial statements. If the lease is a finance lease, this noncash activity should be labeled as investing (ROU asset) and finance (lease liability).

For operating leases, repayments of liabilities is a component of net income and will therefore be classified in operating activities and generally will not require a separate line item. When the lessee makes lease payments under a finance lease, the lessee should reflect the principal portion of the payments as a cash outflow from a financing activity in the statement of cash flows. The portion of finance lease payment that reflects the interest payment is a component of net income and will therefore be classified in operating activities and generally will not require a separate line item. Amortization expense of the ROU asset is a noncash expense, which should be an adjustment from net income to cash provided by operating activities and included in the operating activity section of the statement of cash flows.

Other Footnote Disclosures

The overall disclosure objective for lessees is to provide information that enables users of the financial statements to assess the effects leases have on the amount, timing, and uncertainty of cash flows. To satisfy this objective, in addition to the items described above, there are a variety of disclosure requirements that lessees must comply with by providing a variety of qualitative and quantitative information about their leases in the notes to the financial statements. Many of these disclosure requirements are new when compared to the disclosure requirements for leases under legacy GAAP. Information that we expect to be impactful for most entities that is not covered elsewhere in this Auditing & Assurance Update include:

- Information about significant assumptions and judgments when accounting for leases in accordance with ASC Topic 842, including those significant assumptions and judgments used in determining whether a contract contains a lease, separating lease and nonlease components, and determining the discount rate used in the accounting for the lease

  We believe this can be most easily satisfied through the description of the entity's accounting policy for leases as described in the "Significant Accounting Policy Considerations" section below.

- Information related to the "lease costs," which includes all costs recorded during the period associated with operating, finance, and short-term leases as well as the costs related to variable lease components and sublease income.

  An example of how an entity may choose to disclose this information is as follows:

		Year Ended December 31, 20XX
Lease Cost		
Finance Lease Cost:		
Amortization of right-of-use asset	$	XXX
Interest expense		XXX
Operating lease cost		XXX
Short-term lease cost		XXX
Variable lease cost		XXX
Sublease income		(XXX)
Total Lease Cost	$	X,XXX

- The weighted-average remaining lease term and weighted-average discount rate, separately for finance and operating leases

  An example of how an entity may choose to disclose this information is as follows:

The following table displays the weighted-average term and discount rates for both operating and finance leases outstanding as of December 31, 20XX.

	Operating	Finance
Weighted-average term (years)	9.5	13.7
Weighted-average discount rate	3.55 %	4.12 %

- A reconciliation of the total lease payments shown in the separate lease payment maturity analyses for finance and operating leases to the separate lease liabilities recognized in the balance sheet for finance and operating leases
  An example of how an entity may choose to disclose this information is as follows:

The following table displays the undiscounted cash flows due related to operating and finance leases as of December 31, 2019, along with a reconciliation to the discounted amount recorded on the December 31, 2019, balance sheet.

	Operating	Finance
Undiscounted cash flows due within:		
2020	$ 28	$ 45
2021	31	45
2022	33	48
2023	41	52
2024	45	65
2025 and thereafter	312	325
Total undiscounted cash flows	490	580
Impact of present value discount	(60)	(120)
Amount reported on balance sheet	$ 430	$ 460

Significant Accounting Policy Considerations

As with many significant changes in accounting policies, entities should evaluate the impact of the standard not only on their financial statements, but also on their accounting policy. Under legacy GAAP, the accounting policies for leases was generally limited; however, entities should consider expanding their accounting policy described in the notes to the financial statements. The primary areas that we believe are most likely to impact an entity's policy are shown in the following table:

Area	Policy Elections
Nonlease Components	Lessees are permitted, as an accounting policy election by class of underlying asset, to not separate lease and nonlease components. Instead, a lessee can elect to account for lease and nonlease components as a single combined lease component. Entities should consider disclosure of this policy election.
Short-Term Leases	A lessee can elect (by asset class) not to record on the balance sheet a lease whose term is 12 months or less and does not include a purchase option that the lessee is reasonably certain to exercise. We expect most entities to make this election as it simplifies the accounting approach for these types of leases.
Discount Rate	A public business entity lessee should use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, a lessee uses its incremental borrowing rate. Nonpublic business entities can make an accounting policy election to use the risk-free rate in lieu of determining an incremental borrowing rate when determining the present value of the lease payments for purposes of calculating the ROU asset and lease liability.

Adoption of Accounting Standard

Generally, when an entity adopts a significant new accounting standard, it would make appropriate disclosure regarding the impact of adoption. An example of such a disclosure is as follows:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) – Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted ASU 2016-02 and its related amendments as of January 1, 2019, which resulted in the recognition of operating and finance right-of-use assets totaling $xxx,xxx and $xxx,xxx, respectively, as well as operating and finance lease liabilities totaling $xxx,xxx and $xxx,xxx, respectively. The Company elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2019, without restating any prior-year amounts or disclosures. The related policy elections made by the Company can be found in Note X (typically Note 1 – Significant Accounting Policies) and the additional lease disclosures can be found in Note X. There was no cumulative effect adjustment to the opening balance of retained earnings required.

Transition Method

An entity adopts ASC Topic 842 by using a modified retrospective transition approach. Under this approach, the standard is effectively implemented either:

1. as of the earliest period presented and through the comparative periods in the entity's financial statements (as initially required by ASU 2016-02) or
2. as of the effective date of ASC Topic 842 (January 1, 2019, for calendar-year public business entities), with a cumulative-effect adjustment to equity (as amended by ASU 2018-11)

The *modified* nature of this transition approach is intended to maximize comparability while reducing the complexity of transition compared with the full retrospective approach, under which financial statements would be prepared as if ASC Topic 842 was always effective. We expect that most entities will elect option 2. above and calculate the ROU assets and lease liabilities as of the date of adoption and should assume the remaining lease term and discount rate as of the date of initial applications. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, *Leases*). An entity that elects this additional (and optional) transition method must provide the required Topic 840 disclosures for all periods that continue to be in accordance with Topic 840.

Other Regulatory Implications for Financial Institutions

In addition to the items discussed under "Balance Sheet Classification" above, the supplemental call report instructions require that banks treat ROU assets under the agencies' regulatory capital rules. Although these rules require that most intangible assets be deducted from regulatory capital, to the extent an ROU asset arises due to a lease of a tangible asset (e.g., building or equipment), the ROU asset should be treated as a tangible asset not subject to deduction from regulatory capital. An ROU asset not subject to deduction must be risk weighted at 100 percent and included in a lessee institution's calculations of total risk-weighted assets. In addition, such an asset must be included in a lessee institution's total assets for leverage capital purposes.

LEASES IN FINANCIAL STATEMENTS OF LESSEES

Lessees—General

1. Have the following been presented in the balance sheet or disclosed in the notes to the financial statements: (NOTE: Right-of-use assets and lease liabilities should be appropriately classified as current and noncurrent in classified balance sheets. Operating lease right-of-use assets and finance lease right-of-use assets cannot be presented in the same line item in the balance sheet. Similarly, operating lease liabilities and finance lease liabilities are prohibited from being presented in the same line item in the balance sheet.) FASB ASC 842-20-45-1 and 45-3
    a. Operating lease right-of-use assets and finance lease right-of-use assets separate from each other and from other assets? ___
    b. Operating lease liabilities and finance lease liabilities separate from each other and from other liabilities? ___
2. If operating lease and finance lease right-of-use assets and lease liabilities have not been presented separately in the balance sheet, has disclosure been made of which line items in the balance sheet include those right-of-use assets and lease liabilities? (NOTE: Operating lease right-of-use assets and finance lease right-of-use assets cannot be presented in the same line item in the balance sheet. Similarly, operating lease liabilities and finance lease liabilities are prohibited from being presented in the same line item in the balance sheet.) FASB ASC 842-20-45-2 and 45-3 ___
3. In the statement of comprehensive income: FASB ASC 842-20-45-4
    a. For operating leases, has lease expense been included in income from continuing operations? ___
    b. For finance leases, has interest expense on the lease liability and amortization of the right-of-use asset been presented consistent with the presentation of other interest expense and amortization or depreciation of similar assets? (NOTE: Interest expense on the lease liability and amortization of the right-of-use asset are not required to be presented as separate lines.) ___
4. In the statement of cash flows: FASB ASC 842-20-45-5
    a. Have repayments of the principal portion of the lease liability arising from finance leases been classified within financing activities? ___
    b. Has interest on the lease liability arising from finance leases been classified according to the requirements relating to interest paid in FASB ASC 230, *Statement of Cash Flows*? ___
    c. Have payments arising from operating leases been classified within operating activities, except for payments representing costs to bring another asset to the location and condition that is necessary for its intended use, in which case the payments should be classified within investing activities? ___
    d. Have variable lease payments and short-term lease payments not included in the lease liability been classified within operating activities? ___

NOTE: The following disclosures should allow financial statement users to assess the amount, timing, and uncertainty of cash flows resulting from leases. To satisfy that objective, qualitative and quantitative information should be disclosed about (1) the entity's leases, (2) significant judgments that were made in applying GAAP related to leases, and (3) the related amounts recognized in the financial statements. Consideration should be given to the level of detail needed to satisfy the disclosure objective and the degree of emphasis placed on each disclosure requirement. Disclosures should be aggregated or disaggregated to ensure that useful information is not obscured by including a large amount of detail that is not significant or by aggregating items with differing characteristics. FASB ASC 842-20-50-1 and 50-2

5. Has information about the following been disclosed: FASB ASC 842-20-50-3
   a. The nature of the entity's leases (with the separate identification of information relating to subleases, as applicable), including:
      i. General description of the leases? ___
      ii. For variable lease payments, the basis and terms and conditions on which the payments are determined? ___
      iii. The existence, terms, and conditions of any options to extend or terminate a lease, including a narrative discussion about the options that are recognized as part of the entity's right-of-use assets and lease liabilities and those that are not? ___
      iv. For residual value guarantees provided by the entity, the existence, terms, and conditions of such guarantees? ___
      v. Restrictions or covenants imposed by leases, such as those pertaining to dividends or incurring additional debt? ___
   b. Leases that have yet to commence but that create significant rights and obligations for the entity, including the nature of any involvement with the underlying asset's construction or design? ___
   c. Significant assumptions and judgments made in the application of GAAP for leases, which may include those relating to the: (Additional disclosures may be required.)
      i. Determination of whether a contract includes a lease? ___
      ii. Allocation of the contract consideration between lease and nonlease components? ___
      iii. Determination of the lease discount rate? ___
6. For each period presented, have the following amounts been disclosed relating to the total lease cost (whether recognized in profit or loss or capitalized as part of the cost of another asset) and cash flows from leasing transactions: FASB ASC 842-20-50-4
   a. Operating lease cost? ___
   b. Finance lease cost, with separate disclosure of the amortization of the right-of-use assets and interest on the lease liabilities? ___
   c. Variable lease cost? ___
   d. Gross sublease income (separate from the finance or operating lease expense)? ___

e. Net gain or loss from sale and leaseback transactions? ___

f. The following, segregated between finance and operating leases:

i. Cash paid for amounts included in the measurement of lease liabilities, separately for operating and financing cash flows? ___

ii. Supplemental noncash information on lease liabilities resulting from obtaining right-to-use assets? ___

iii. Weighted-average remaining lease term? ___

iv. Weighted-average discount rate? ___

7. Have the following been disclosed: FASB ASC 842-20-50-6

a. A maturity analysis of finance lease liabilities and operating lease liabilities separately, with undiscounted cash flows presented on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years? ___

b. A reconciliation of the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recognized in the balance sheet? ___

8. Have the applicable disclosures been made for lease transactions between related parties? FASB ASC 842-20-50-7 ___

9. When the entity has made the accounting policy election to account for a short-term lease by recognizing the lease payments in profit or loss on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred, have the following been disclosed: FASB ASC 842-20-50-4 and 50-8

a. The fact that the election has been made? ___

b. The short-term lease cost for each period presented (excluding amounts relating to leases with a lease term of one month or less)? ___

c. When applicable, the fact that the short-term lease expense for the period does not reasonably reflect the entity's short-term lease commitments, along with the amount of the short-term lease commitments? ___

10. When the entity has made the accounting policy election to not separate lease components from nonlease components when allocating contract consideration, have the following been disclosed? FASB ASC 842-20-50-9

a. The fact that the election has been made? ___

b. Which class or classes of underlying assets to which the election has been applied? ___

Sale and Leaseback Transactions

11. Has the seller-lessee in a sale and leaseback transaction accounted for as a sale made the disclosures required by FASB ASC 842-40-50-1? ___

12. Has the seller-lessee disclosed the following: FASB ASC 842-40-50-2

a. Main terms and conditions of the sale and leaseback transaction? ___

b. Any gains or losses from the transaction separate from gains or losses on the disposal of other assets? ___

Transition Disclosures

13. Have the following transition disclosures been made in the period of adoption of ASU 2016-02: FASB ASC 842-10-65-1
    a. Have the disclosures related to a change in accounting principles specified in FASB ASC 842-10-65-1 been made? ___
    b. For interim periods subsequent to the date of adoption in the fiscal year of the change in accounting principle, the effect of the change on income from continuing operations and net income for the post-change interim periods? ___
    c. If applicable, the fact that the entity used one or more of the practical expedients specified in FASB ASC 842-10-65-1(f), (g), and (gg)? ___

LEASES IN FINANCIAL STATEMENTS OF LESSORS

Lessors—General

NOTE: The following disclosures should allow financial statement users to assess the amount, timing, and uncertainty of cash flows resulting from leases. To satisfy that objective, qualitative and quantitative information should be disclosed about (1) the entity's leases, (2) significant judgments that were made in applying GAAP related to leases, and (3) the related amounts recognized in the financial statements. Consideration should be given to the level of detail needed to satisfy the disclosure objective and the degree of emphasis placed on each disclosure requirement. Disclosures should be aggregated or disaggregated to ensure that useful information is not obscured by including a large amount of detail that is not significant or by aggregating items with differing characteristics. FASB ASC 842-30-50-1 and 50-2

1. Has information about the following been disclosed: FASB ASC 842-30-50-3
    a. The nature of the entity's leases, including:
        i. A general description of the leases? ___
        ii. For variable lease payments, the basis and terms and conditions on which the payments are determined? ___
        iii. The existence, terms, and conditions of any options to extend or terminate a lease? ___
        iv. The existence, terms, and conditions of any options that allow the lessee to purchase the underlying asset? ___
    b. Significant assumptions and judgments made in the application of GAAP for leases, which may include those relating to: (Additional disclosures may be required.)
        i. Determination of whether a contract includes a lease? ___
        ii. Allocation of the contract consideration between lease and nonlease components? ___
        iii. Determination of the expected amount to be obtained at the end of the lease term from the underlying asset? ___
2. Have disclosures been made for lease transactions between related parties? FASB ASC 842-30-50-4 ___

3. For each annual and interim period, has recognized lease income been disclosed in a tabular format that includes: FASB ASC 842-30-50-5
   a. For sales-type leases and direct-financing leases:
      i. Profit or loss recognized (on a gross or net basis) at the commencement date? ___
      ii. Interest income, either in aggregate or by components of the net investment in the lease? ___
   b. For operating leases, lease income pertaining to lease payments? ___
   c. When not included in the measurement of the lease receivable, lease income pertaining to variable lease payments? ___
4. Have the components of the aggregate net investment in sales-type and direct-financing leases (i.e., the carrying amounts of lease receivables, unguaranteed residual assets, and any deferred selling profit on direct-financing leases) been disclosed? FASB ASC 842-30-50-6 ___
5. Has information been disclosed about how the entity manages the risk relating to the residual value of its leased assets, including: FASB ASC 842-30-50-7
   a. Risk management strategy for residual assets? ___
   b. Carrying amount of residual assets covered by residual value guarantees (excluding those guarantees considered to be lease payments for the lessor)? ___
   c. Other ways residual asset risk is reduced, such as through buyback agreements or variable lease payments for use in excess of specific limits? ___

Sales-type and Direct-financing Leases

6. Have lease assets (i.e., the aggregate of the net investment in sales-type leases and direct-financing leases) been presented separately from other assets in the balance sheet? (NOTE: Lease assets should be appropriately classified as current and noncurrent in classified balance sheets.) FASB ASC 842-30-45-1 and 45-2 ___
7. Have the following been presented in the statement of comprehensive income: FASB ASC 842-30-45-3 and 45-4
   a. Income from leases? (NOTE: Disclosure may instead be made in the notes to the financial statements. If lease income is not presented separately in the statement of comprehensive income, disclosure should be made of which line items in the statement of comprehensive income include lease income.) ___
   b. Profit or loss on the lease recognized at the commencement date shown in a way that best reflects the entity's business model? ___
8. In the statement of cash flows, have cash receipts from leases been classified within operating activities? FASB ASC 842-30-45-5 ___
9. Have significant changes in the balance of the entity's unguaranteed residual assets and deferred selling profit on direct-financing leases been explained? FASB ASC 842-30-50-9 ___
10. Have the following been disclosed: FASB ASC 842-30-50-10
    a. A maturity analysis of lease receivables reflecting undiscounted cash flows to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years? ___

b. A reconciliation of the undiscounted cash flows to the lease receivables recognized in the balance sheet (or disclosed in the notes)? ___

Operating Leases

11. Have the underlying assets that relate to operating leases been presented in the balance sheet in accordance with other GAAP? FASB ASC 842-30-45-6 ___
12. In the statement of cash flows, have cash receipts from leases been classified within operating activities? FASB ASC 842-30-45-7 ___
13. Has a maturity analysis been disclosed of the lease payments reflecting undiscounted cash flows to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years? (NOTE: This disclosure should be made separately from the disclosure in Question No. 10 for sales-type and direct-financing leases.) FASB ASC 842-30-50-12 ___
14. Have disclosures been made separately for underlying assets that relate to operating leases from owned assets? FASB ASC 842-30-50-13 ___

Sales and Leaseback Transactions

15. Has the buyer-lessor in a sale and leaseback transaction accounted for as a sale made the disclosures required by FASB ASC 842-40-50-1? ___

Transition Disclosures

16. Have the following transition disclosures been made in the period of adoption of ASU 2016-02: FASB ASC 842-10-65-1
    a. For interim periods subsequent to the date of adoption in the fiscal year of the change in accounting principle, the effect of the change on income from continuing operations and net income for the post-change interim periods? ___
    b. If applicable, the fact that the entity used one or more of the practical expedients specified in FASB ASC 842-10-65-1(f), (g), and (gg)? ___

OTHER DISCLOSURES—LEASES

NOTE: The following disclosures affect other topics as a result of the amendments in ASU 2016-02 and should be completed, if applicable, on the adoption of ASU 2016-02.

Business Combinations

1. Has the following been disclosed for each business combination that occurs during the reporting period or for which the acquisition date is after the reporting date but before the financial statements are available to be issued (the information should be provided in the aggregate for immaterial business combinations that are collectively material): FASB ASC 805-20-50-1(b)
    a. For acquired receivables except loans and debt securities acquired with deteriorated credit quality (disclosures should be provided by major class of receivable, such as loans, net investment in sales-type or direct-financing leases, and any other class of receivables):
        i. The fair value of the receivables (unless from sales-type or direct-financing leases by the lessor; in such cases, the acquirer should disclose amounts recognized as of the acquisition date)? ___
        ii. The gross contractual amounts receivable? ___

iii. The best estimate at the acquisition date of the contractual cash flows not expected to be collected? ___

Interim Financial Statements

1. Has a lessor disclosed a table of all lease-related items in the interim financial statements? FASB ASC 270-10-50-6A ___