

GASB 62 TO GASB 87

Side-by-Side Financial Statement Impact

The new lease accounting standard materially affects the financial statements of most entities, primarily due to the change in the treatment of operating leases. Because it can be easier to understand this significant change with examples, we are offering this side-by-side to show the impact to both the statement of net position and revenue/expense categories.

Transitioning an Operating Lease

Operating leases changed significantly under the new lease standard. Under GASB 62, lessees recognized an expense as payments are made. Under GASB 87, all leases are booked on the balance sheet with the following entry upon commencement of the lease term:

- A) Lease Liability** is the present value of lease payments, and
- B) Lease Asset** is the value of the Lease Liability increased by prepayments and reduced by incentives received from the lessor

Concepts like deferred or prepaid rent go away for these leases.

Under GASB 62, lessors recognized revenue as payments were received. Now, under GASB 87, lessors must book the following entry upon commencement of the lease term:

- A) Lease Receivable** is the present value of lease receipts and
- B) Lease Deferred Inflow of Resources** is the value of the Lease Receivable increased by prepayments received and reduced for incentives paid to the lessee.

| LESSEE | | LESSOR | |
|--------------------|-----|--------------------------------|-----|
| DR Lease Asset | XXX | DR Lease Recievable | XXX |
| CR Lease Liability | XXX | CR Defered Inflow of Resources | XXX |

The following shows how operating & capital leases under GASB 62 will appear under GASB 87.

All lease examples have the same start date, term, payments, and discount rate.

Sample Capital/Finance Lease

| | |
|------------------------------|---------------------|
| Start Date | 7/1/2021 |
| Term | 60 |
| Payment Amount | \$1000/month at BOM |
| Present Value Lease Payments | \$56,464 |
| Discount Rate | 2.5% |

Lessee: Operating Lease Under GASB 62

| | 6/30/2022 | 6/30/2023 |
|-----------------------------------|-----------|-----------|
| Statement of Net Position | | |
| Assets | | |
| Cash | -\$12,000 | -\$24,000 |
| <hr/> | | |
| Liabilities | | |
| {none} | \$0 | \$0 |
| <hr/> | | |
| Statement of Activities | | |
| Rent Expense | \$12,000 | \$12,000 |
| Interest Expense (none) | \$0 | \$0 |
| Expenses Related to Capital Lease | \$12,000 | \$12,000 |

Lessee: Capital Lease Under GASB 62

| | 6/30/2022 | 6/30/2023 |
|----------------------------------|-----------|-----------|
| Statement of Net Position | | |
| Assets | | |
| Cash | -\$12,000 | -\$24,000 |
| Capital Lease Asset | \$45,171 | \$33,878 |
| | \$33,171 | \$9,878 |
| <hr/> | | |
| Liabilities | | |
| Interest Payable | \$95 | \$72 |
| Capital Lease Liability - ST | \$10,985 | \$11,263 |
| Capital Lease Liability - LT | \$34,648 | \$23,386 |
| | \$45,728 | \$34,721 |
| <hr/> | | |
| Statement of Activities | | |
| Amortization Expense | \$ 11,293 | \$11,293 |
| Interest Expense | \$1,264 | \$993 |
| | \$12,557 | \$12,286 |

Lessee: Same Lease Under GASB 87

| | 6/30/2022 | 6/30/2023 |
|----------------------------------|-----------|-----------|
| Statement of Net Position | | |
| Assets | | |
| Cash | -\$12,000 | -\$24,000 |
| Lease Asset | \$45,171 | \$33,878 |
| | \$33,171 | \$9,878 |
| <hr/> | | |
| Liabilities | | |
| Interest Payable | \$857 | \$885 |
| Lease Liability - ST | \$10,985 | \$11,263 |
| Lease Liability - LT | \$34,648 | \$23,386 |
| Lease Liability | \$45,728 | \$34,721 |
| <hr/> | | |
| Statement of Activities | | |
| Amortization Expense | \$ 11,293 | \$11,293 |
| Interest Expense | \$1,264 | \$993 |
| | \$12,557 | \$12,286 |

GASB 87:
no deferred
rent or prepaid
rent; all part
of the Lease
Asset

Record
Interest
Payable if
payments
are not EOM

Lessee: Same Lease Under GASB 87

| | 6/30/2022 | 6/30/2023 |
|----------------------------------|-----------|-----------|
| Statement of Net Position | | |
| Assets | | |
| Cash | -\$12,000 | -\$24,000 |
| Lease Asset | \$45,171 | \$33,878 |
| | \$33,171 | \$9,878 |
| <hr/> | | |
| Liabilities | | |
| Interest Payable | \$95 | \$72 |
| Lease Liability - ST | \$10,985 | \$11,263 |
| Lease Liability - LT | \$34,648 | \$23,386 |
| Lease Liability | \$45,728 | \$34,721 |
| <hr/> | | |
| Statement of Activities | | |
| Amortization Expense | \$ 11,293 | \$11,293 |
| Interest Expense | \$1,264 | \$993 |
| | \$12,557 | \$12,286 |

G/L account
names are
different

Calculations
from a capital
lease to
GASB 87 are
the same.

Lessor accounting is a mirror of lessee accounting for operating leases under GASB 87.

Lessor: Same Lease Under GASB 87

| | 6/30/2022 | 6/30/2023 |
|----------------------------------|-----------|-----------|
| Statement of Net Position | | |
| Assets | | |
| Cash | \$12,000 | \$24,000 |
| <hr/> | | |
| Liabilities | | |
| {none} | \$0 | \$0 |
| <hr/> | | |
| Statement of Activities | | |
| Lease Revenue | \$12,000 | \$12,000 |
| Interest Revenue | \$0 | \$0 |
| | <hr/> | <hr/> |
| | \$12,000 | \$12,000 |

Lessor: Same Lease Under GASB 87

| | 6/30/2022 | 6/30/2023 |
|----------------------------------|-----------|-----------|
| Statement of Net Position | | |
| Assets | | |
| Cash | \$12,000 | \$24,000 |
| Interest Receivable | \$95 | \$72 |
| ST Lease Receivable | \$ 10,985 | \$ 11,263 |
| LT Lease Receivable | \$ 34,648 | \$23,386 |
| | <hr/> | <hr/> |
| | \$45,728 | \$34,721 |
| <hr/> | | |
| Liabilities | | |
| Deferred Inflow of Resources | \$45,171 | \$33,878 |
| <hr/> | | |
| Statement of Activities | | |
| Lease Revenue | \$ 11,293 | \$11,293 |
| Interest Revenue | \$1,264 | \$993 |
| | <hr/> | <hr/> |
| | \$12,557 | \$12,286 |

GASB 87:
no deferred
rent or prepaid
rent; all part of
the Deferred
Inflow of
Resources

Lessor assets
are the same
as lessee
liabilities

Lessor
liabilities are
the same as
lessee assets

Transitioning leases when implementing GASB 87

Two additional considerations when an existing lease under GASB 62 is transitioned to GASB 87:

- 1) Operating Leases:** Prepaid lease balances are added to the Lease Asset (for lessees) or Deferred Inflow of Resources (for lessors).
- 2) Lease Capital Leases:** Differences from GASB 62 to GASB 87, such as a reassessment of lease term, are booked as a restatement of beginning net position.

Make it easier on yourself (and your clients)

Navigating the new lease standard can be complex and time-consuming, especially for organizations that have more than a handful of leases. In addition, managing the process manually on spreadsheets becomes quite risky, introducing a significant potential for error as well as complicating the audit process.

LeaseCrunch is an easy-to-use, yet powerful software platform that simplifies the implementation of the lease standard for you and your clients. The platform handles the initial and ongoing journal entries for you, along with quantitative footnote disclosures, amortization schedules, and more. [Learn more](#) or [request a demo](#) now.