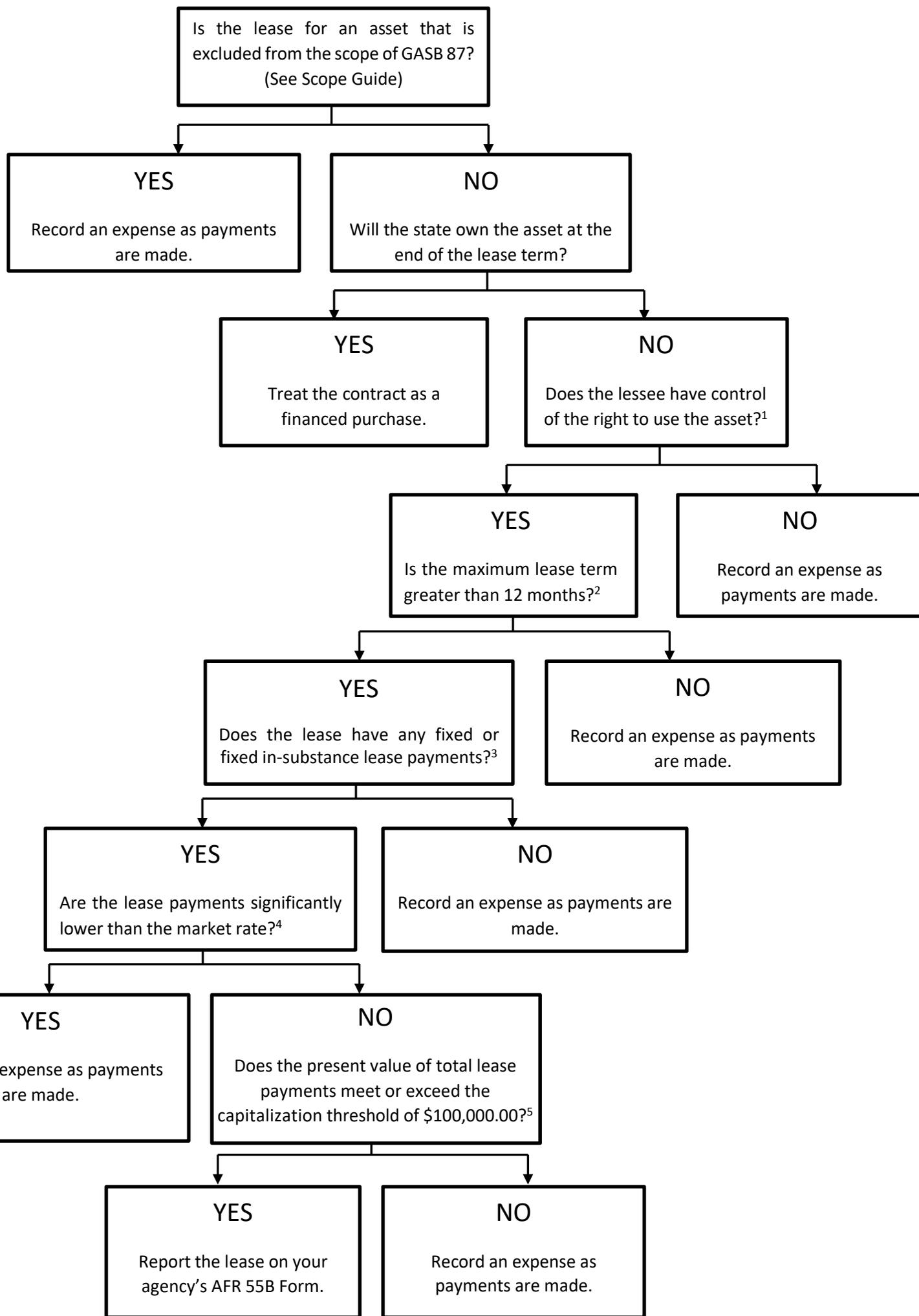


### GASB 87 Lease Accounting Decision Tree – LESSEES



1. A contract conveys control of the right to use the asset when the lessee is provided both the right to determine the nature and manner of use of the asset, and the right to obtain service level capacity from use of the asset.

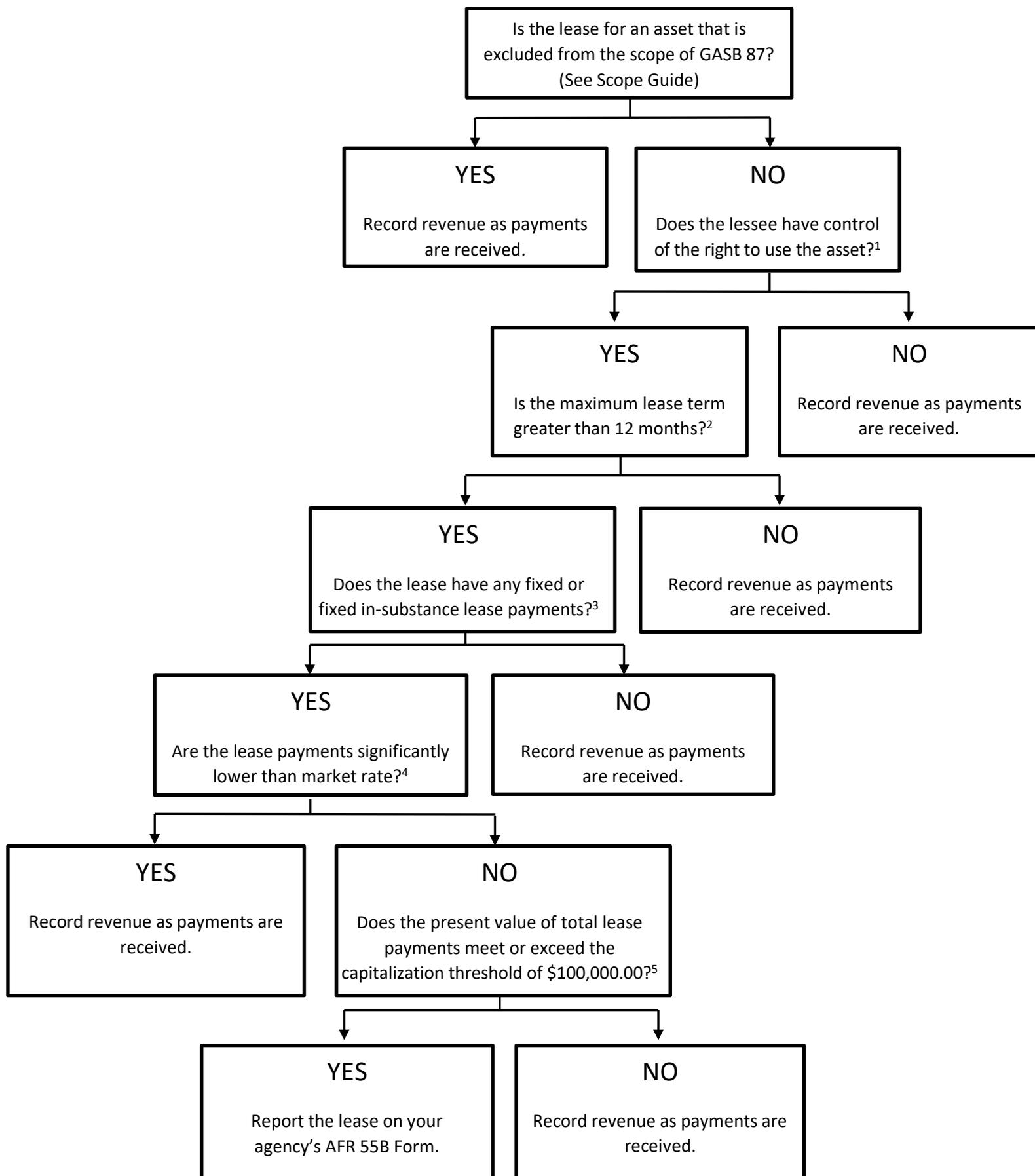
2. Period a lessee has a non-cancelable right to use the asset, plus a lessee or lessor's option to extend the lease if it is reasonably certain the option will be exercised or terminate the lease if it is reasonably certain that the option will not be exercised.

3. Fixed in-substance payments are structured as variable lease payments (based on usage or output of the asset), but which, in substance, are unavoidable.

4. Lower than market rate example: renting the right to use land, which has a market rent of \$100,000 per year, for \$1 per year.

5. If you input all lease information in your agency's AFR 55B form, the present value of future lease payments will be calculated automatically by an Excel formula. Or, you can use the formula  $PV = FV / (1+r)^n$ , where PV is present value, FV is future value, r is the required rate of return, and n is the number of periods.

### GASB 87 Lease Accounting Decision Tree – LESSORS



1. A contract conveys control of the right to use the asset when the lessee is provided both the right to determine the nature and manner of use of the asset, and the right to obtain service level capacity from use of the asset.
2. Period a lessee has a non-cancelable right to use the asset, plus a lessee or lessor's option to extend the lease if it is reasonably certain the option will be exercised or terminate the lease if it is reasonably certain that the option will not be exercised.
3. Fixed in-substance payments are structured as variable lease payments (based on usage or output of the asset), but which, in substance, are unavoidable.
4. Lower than market rate example: renting the right to use land, which has a market rent of \$100,000 per year, for \$1 per year.
5. If you input all lease information in your agency's AFR 55B form, the present value of future lease payments will be calculated automatically by an Excel formula. Or, you can use the formula  $PV = FV / (1+r)^n$ , where PV is present value, FV is future value, r is the required rate of return, and n is the number of periods.