

The Future of Lease Accounting



Are You Ready for the FASB/IASB Lease Accounting Changes?

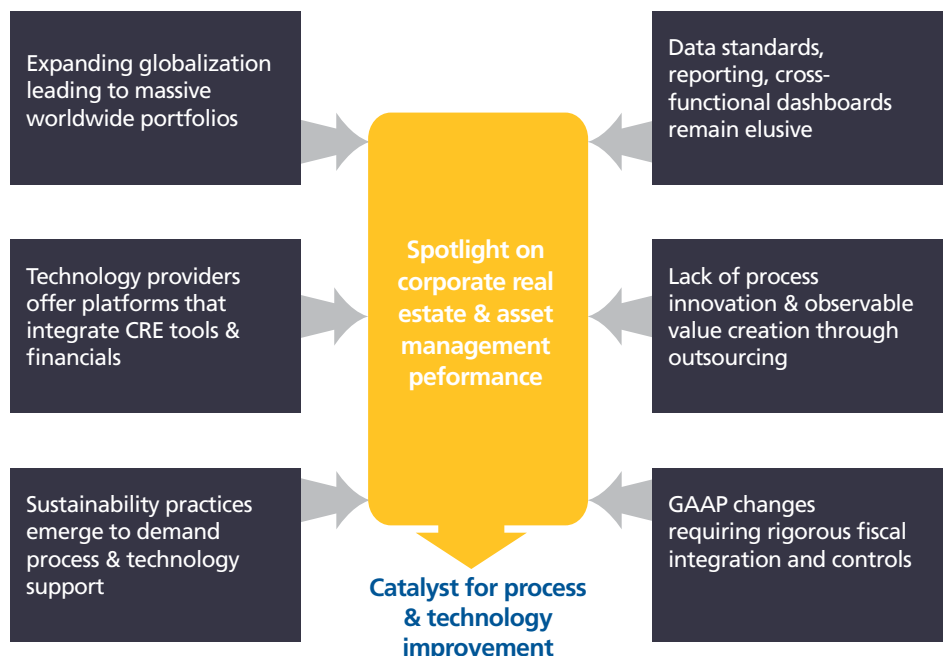
The new lease accounting model, if adopted in its current form, would affect every company utilizing an operating lease. This will change the how corporate real estate and CRE executives operate, are positioned, and think about real estate. Many business and financial factors, such as debt covenants, credit ratings, reserve requirements, lease vs. buy decisions, internal cost allocations, and budgets, will be impacted by the change.

Real Estate's Importance

- 2nd Largest Expense on P&L
- 3rd Largest Asset Class
- 30% of Total Corporate Spend

How Trimble Can Help:
http://programinfo.trimble.com/FASB_IASB_Resources

While there is already a focus on cost management strategies and outsourcing, a convergence of factors are driving more intensive examination of asset management performance and corporate real estate effectiveness:

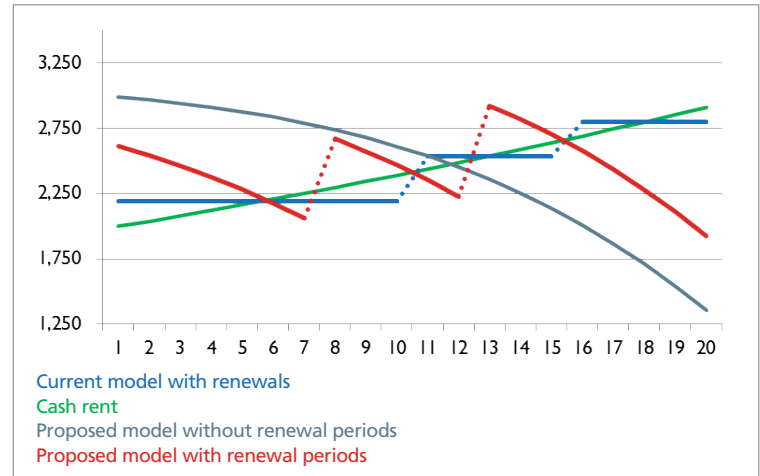


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In Q1 2016, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) will jointly release final standards that dramatically change lease accounting rules. This compulsory event will further heighten the pressures placed on corporate real estate organizations, underscore the importance of asset management on an enterprise's financial performance, and amplify the demand for integrated financial management solutions for real estate.

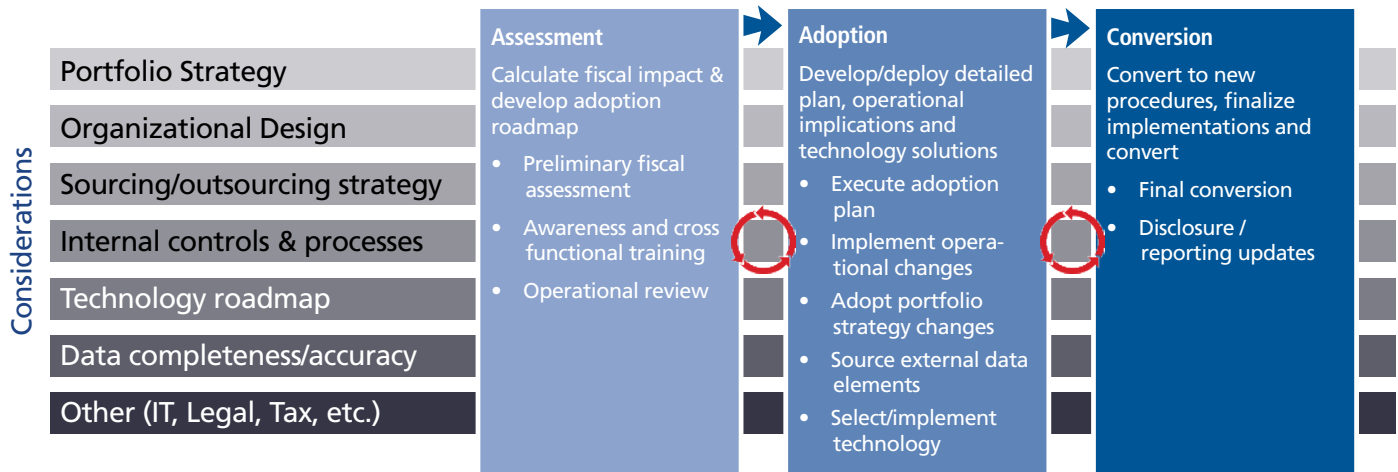
The proposed lease accounting model will have a material effect on the financial statements, processes, policies, and systems of all organizations.

- The new rules will eliminate operating lease accounting and will gross up balance sheets with a lease liability and a right to use assets adding \$1.2 - 2.0 trillion to the balance sheets of companies in the US alone
- Depending on the lease contract, base rents, rent escalations, renewal options, contingent rents, and other expected payments could be affected
- These changes affect ALL tangible assets – airplane engines, trucks, railcars, billboards, copiers, real estate, etc.
- Expense recognition patterns will change dramatically (diagram at right)
- Financial statements could become more volatile
- Existing leases will not be "grandfathered" out



The new standard will render all existing lease accounting technologies obsolete and require organizations to implement new processes and applications to comply – nearly all existing point solutions will be replaced with integrated financial applications.

What You Can Do to Prepare



According to Rob Schafer, Research Director at Gartner, the impact of the FASB lease changes "is going to be pervasive across the C-suite [CFO, CRE, CIO]. It is going to be critical that these three areas especially are tightly aligned and attack this issue with a united front." The value of IWMS in supporting these changes comes in several forms:

- The ability to integrate data between CRE and finance
- The ability to do strategic "what if" scenarios
- The ability to visualize data on dashboards and maps
- Integration between the Real Estate Ledger and your organization's ERP financial system
- Increasingly accurate forecasting through the capture of supply-side and demand-side data

If you would like to learn more about Trimble's real estate and workplace management solutions, please visit <http://realestate.trimble.com> or contact:

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