







## EFFECTIVE DATE AND TRANSITION FOR LESSOR PRACTICAL EXPEDIENT

The amendments in this ASU related to the lessor practical expedient affect the amendments in ASU 2016-02, which are not yet effective but can be early adopted.

For entities that have not adopted ASU 2016-02 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU for the practical expedient are the same as the effective date and transition requirements in ASU 2016-02.

For entities that have adopted ASU 2016-02 before the issuance of this ASU, the transition and effective date of the amendments in this ASU for the practical expedient are as follows:

1. The practical expedient may be elected either in the first reporting period following the issuance of this ASU or at the original effective date of Topic 842 for that entity. For example, a calendar year-end public company that early adopted Topic 842 may elect the practical expedient either during Q4, 2018 (the first reporting period following the issuance of the ASU) or on January 1, 2019 (its original effective date if it had not early adopted).
2. The practical expedient may be applied either retrospectively or prospectively.

All entities, including early adopters, that elect the lessor practical expedient must apply the expedient by asset class to all existing lease transactions that qualify for the expedient at the date elected.

### BDO Observation:

It is important for entities to note that the decision to elect (or not elect) the lessor practical expedient should be made for existing asset classes at the adoption date of the amendments in this ASU. If elected, the transition provisions in the ASU require a lessor to apply the practical expedient to all new and existing lease transactions within that asset class.

For example, a calendar year-end public company that adopts the new leases standard (and the amendments in this ASU) on January 1, 2019 would first need to determine at that date the existing asset classes for which it wishes to elect the practical expedient. Then, for the selected asset classes, the entity would apply the lessor practical expedient to all of the existing leases that are actually eligible for the expedient.

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