



Our Partnership Starts Here



Buu-Linh Tran, CPA
SVP of Financial Solutions
btran@jmtconsulting.com
(845) 273-3072



Pierre van Dalen, ACMA CGMA
Director of Product Management
Pierre.vanDalen@Sage.com



Do you know that Sage Intacct has Lease Accounting module?





What does ASC 842 Accomplish?

- 1. Increase transparency and comparability among organizations by recognizing lease assets and liabilities on the Balance Sheet
- 2. Adds operating leases to the Balance Sheet
- 3. Removes the concept of Deferred Rent, Prepaid Expenses, Capital Lease Asset and Capital Lease Liability
- 4. Requires more detailed Footnote Disclosure
- 5. Requires more judgement





"A contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration." -- ASC 842-10-20, Glossary





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The lease may be a **standalone agreement** or embedded within a broader service or supply contract.





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The **lessee** must have both:

- The right to obtain substantially all of the economic benefits from the use of the asset, and
- The right to direct how and for what purpose the asset is used during the lease term.





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Identified Asset

- •The asset must be **explicitly or implicitly specified** in the contract.
- •It must be physically distinct (e.g., office equipment, office space, or server).
- •If the supplier has **substitution rights** (and can benefit economically from doing so), it might *not* qualify as a lease.





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For a Period of Time

- •Can be defined in days, months, or years.
- •Includes **renewal or termination options** that are reasonably certain to be exercised.





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In Exchange for Consideration

•The lessee provides **payment (cash or non-cash)** in exchange for the right to use the asset.





Exclusions

- > Leases of intangible assets
- Leases of 12 months or less
- > Leases of inventory
- > Leases of assets under construction
- > Immaterial





Exclusion - Lease Maintenance

Under **ASC 842**, **only costs directly related to the right to use the leased asset** are included in the lease liability and right-of-use (ROU) asset calculations. **Costs that are for services** — like **maintenance**, **property taxes**, **and insurance** — are generally considered **non-lease components** and are **excluded** from lease capitalization.

Examples:

Routine equipment maintenance Janitorial services Landscaping services for building





What is the Discount Rate?

The discount rate is crucial because it determines the present value of future lease payments, which in turn affects:

- The initial recognition of the lease liability and ROU asset,
- •The allocation of interest expense over the lease term,
- •And the **overall financial impact** on your balance sheet and income statement.





What Factors into Lease Liability?

- Fixed Payments
- Variable Lease Payments
- Purchase Costs
- > Termination Fees
- Residual Value Guarantees
- > Lease incentives paid after start date (negative payments)





What goes on the Balance Sheet?

1. Right-of-Use (ROU) Asset

- Represents the lessee's right to use the leased asset over the lease term.
- Recorded at commencement of the lease.

2. Lease Liability

- Represents the obligation to make lease payments.
- Measured as the present value of future lease payments, using a discount rate (incremental borrowing rate, implicit rate, or risk-free rate for nonprofits).





Type of Leases and Balance Sheet Treatment?

	Finance Lease	Operating Lease
Lease Liability	✓ Present Value of Lease Payments	✓ Present Value of Lease Payments
ROU Asset	✓ PV of Lease Payments + Initial Direct Costs – Incentives	Same as Finance Lease ROU Asset
Interest Expense	Separately recognized (like debt interest)	X Not separately shown
Amortization Expense	Straight-line over useful life of asset	X Not separately shown
Lease Expense (Income Statement)	▲ Two components: Interest + Amortization	Single straight-line lease expense
Pattern of Expense	Front-loaded (declining interest)	Straight-line over lease term





Example:

Based on ASC 842, what is the present value of lease liability and ROU Asset amount for a 5 year lease with monthly payment of \$1700/month discount rate of 5% and annual increase of 3% commencement date of 10/1/2022 and the term include option with 1 5 year renewal. There is no prepaid lease payment. This is an operating lease.





Lease Terms Summary

- A 10-year lease term (5 years + 5-year renewal)
- Monthly payments of \$1,700 with a 3% annual increase
- A 5% annual discount rate (converted to monthly)
- No prepaid lease payments





Under ASC 842 – Operating Lease

- Lease Liability = Present Value of Future Lease Payments
- ROU Asset =
 - Lease Liability
 - Prepaid Lease Payments
 - Lease Incentives (if any, assumed \$0 here)
 - Initial Direct Costs (none assumed)





Journal Entry at Commencement

Transaction number

1738

 Books
 Journal
 Posting date

 Accrual
 LAJ
 10/01/2022

Description

Lease Put in Service - JMT1

Reference number Source entity Attachment

2894407

 Last modified by
 Last modified date and time
 State

 SvcUser[intacctps]pierre.vandalen
 04/28/2025 09:30:59
 Posted

Show spend insight

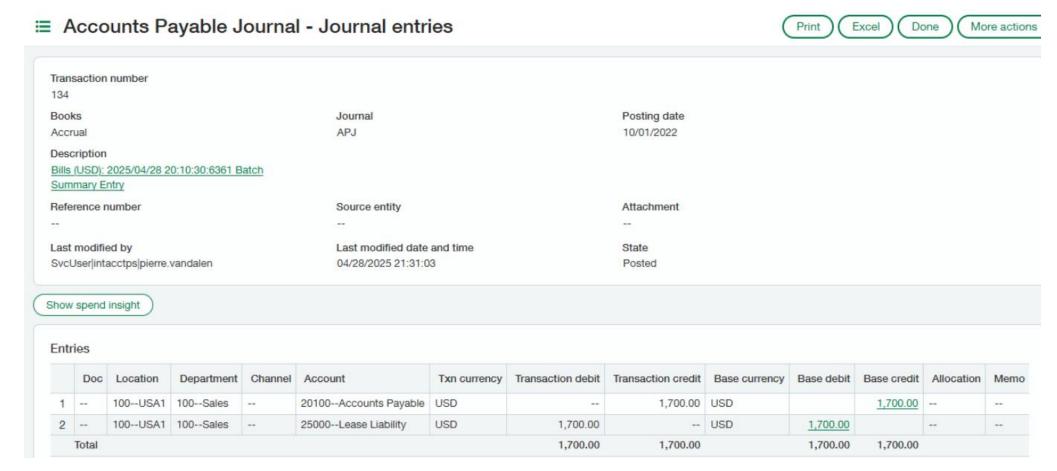
Entries

	Doc	Location	Department	Channel	Account	Txn currency	Transaction debit	Transaction credit	Base currency	Base debit	Base credit	Allocation	Memo
1		100USA1			15700Right-of-Use Asset	USD	166,442.13		USD	166,442.13			Lease Put in Service - JMT1
2		100USA1			25000Lease Liability	USD		166,442.13	USD		166,442.13		Lease Put in Service - JMT1
	Total						166,442.13	166,442.13		166,442.13	166,442.13		





Accounts Payable and Lease Payment Entry for month



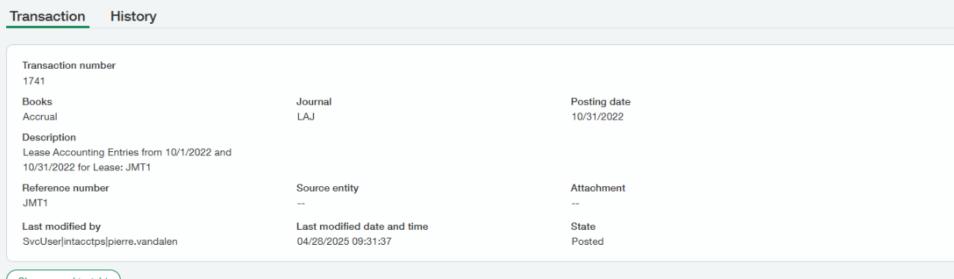




Interest Component of Lease Expense – Month #1

■ Lease Accounting Journal - Journal entries





Show spend insight

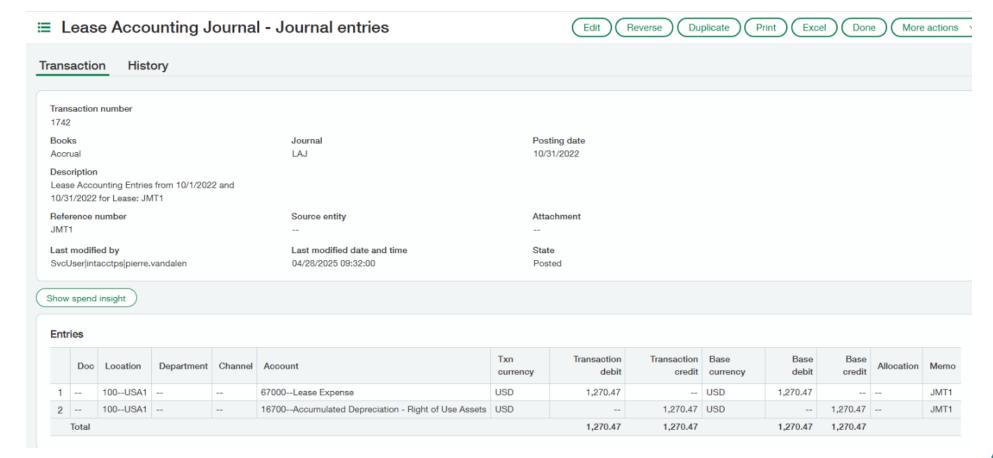
Entries

	Doc	Location	Department	Channel	Account	Txn currency	Transaction debit	Transaction credit	Base currency	Base debit	Base credit	Allocation	Memo
1		100USA1			67000Lease Expense	USD	684.08		USD	684.08			JMT1
2		100USA1			25000Lease Liability	USD		684.08	USD		684.08		JMT1
	Total						684.08	684.08		684.08	684.08		





Amortization of ROU Asset – Month 1







Lease Configuration

Lease Configuration

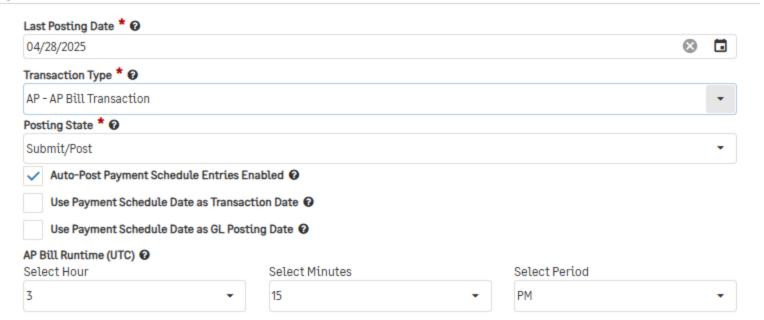




Lease Configuration

Payment schedule

Payment Schedule Transactions



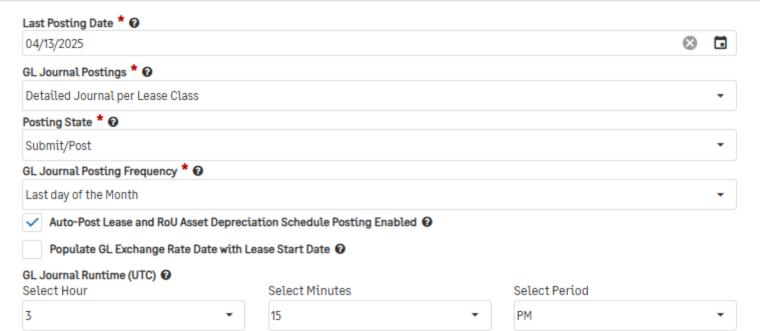




Lease Configuration

Lease & RoU Asset depreciation schedule Transaction

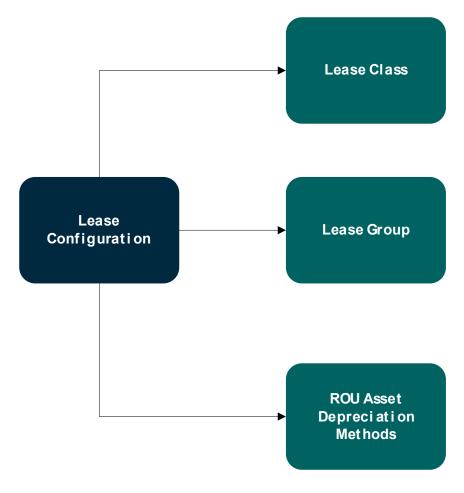
Lease & RoU Asset Depreciation Schedule Transactions







Set up Master Data







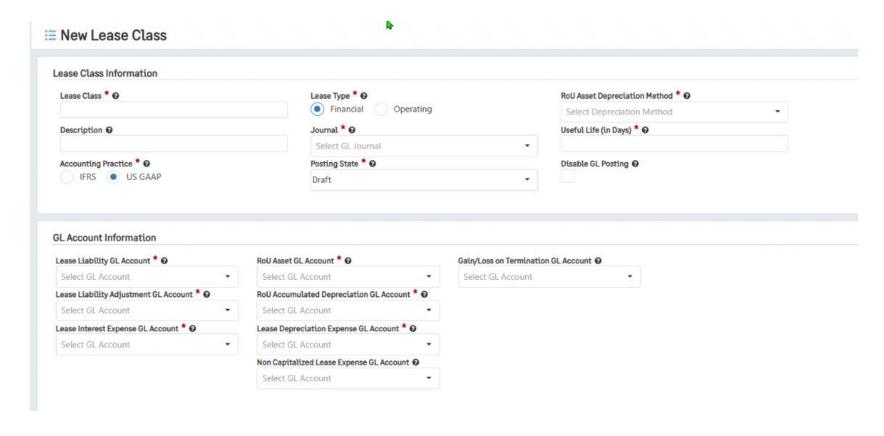
Setup Lease Group

■ Lease Group: [Dekalb County							
ease Group Info	System Info							
Lease Group Informati	ion							
Lease Group @ Dekalb County		Description ② Dekalb County Leases						
Standard Dimensions								
Entity ② 201—Entity 8		Program 99990Administration & Special Projects		Restriction 2—Without Restrictions				
Client ?		Employee •	Donor Budg 	Donor Budget Code ②				
Grant ⊘ IN003—General Overhe	ead-SIT	Task ② 						
Attachments New Attach	nments Download Selected							
Select	Attachment name	Attachment type	Attachment size	Added at				
	No data							





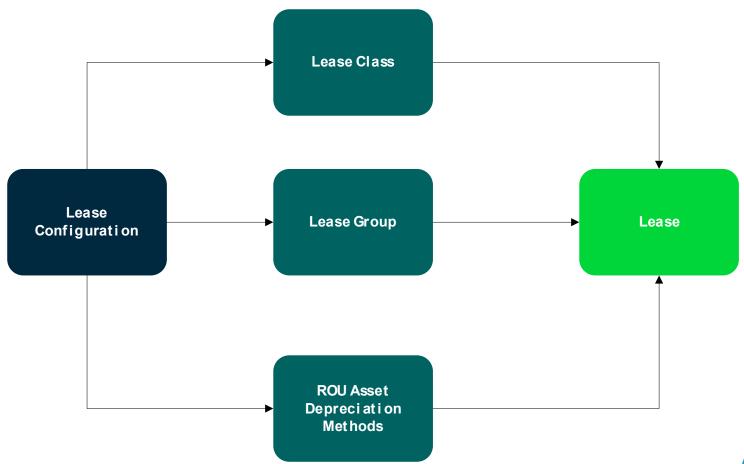
Lease Class







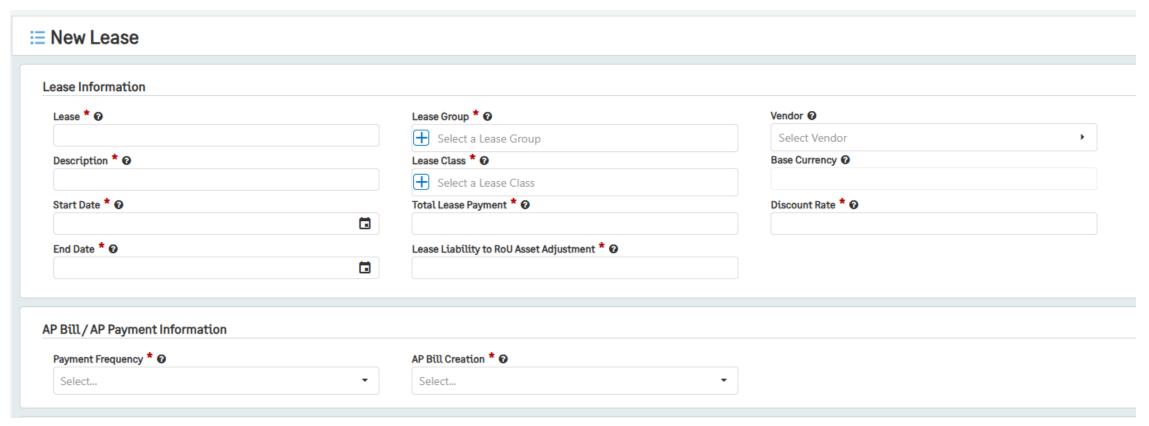
Create Lease Records







Create Lease







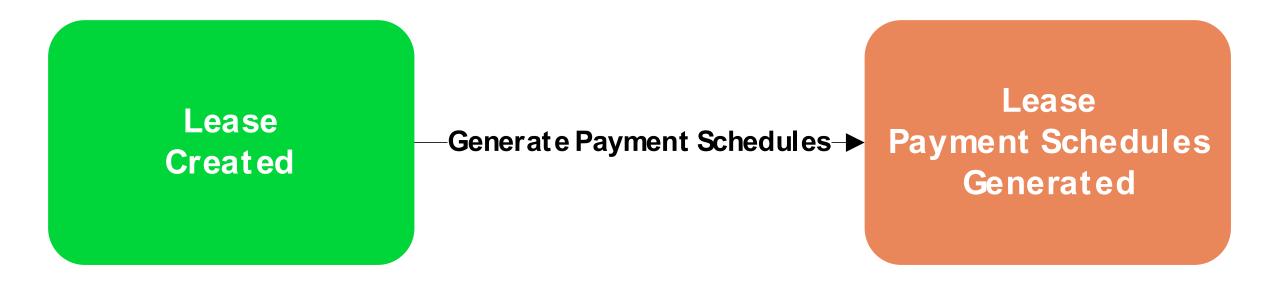
Lease in Created Status

Lease Created





Generate or Import Payment Schedules







Payment Schedules



ease Info	Payment Schedul	Lease Sc	hedule 🐎 RoU Asse	t Schedule 🔆	GL Batches Sys	tem Info				
ease Payment	t Schedule Entries									
✓ Fixed Colu	ımns									
Actions @	Payment Date ② ↑	Status 🚱	Payment Amount ②	Expense Amount @	Total Bill Amount @	Currency @	AP Bill 🚱	AP Bill State 🛭	AP Bill Create Date ②	AP Bill Due Date 🛭
	Q	Q	Q	Q		Q	Q	Q	Q	Q
View	06/01/2024	Posted	1,751.00	0.00	1,751.00		5068	Draft	06/01/2024	06/01/2024
View	07/01/2024	Posted	1,751.00	0.00	1,751.00		5069	Draft	07/01/2024	07/01/2024
View	08/01/2024	Posted	1,751.00	0.00	1,751.00		5070	Draft	08/01/2024	08/01/2024
View	09/01/2024	Posted	1,751.00	0.00	1,751.00		5071	Draft	09/01/2024	09/01/2024
View	10/01/2024	Posted	1,803.53	0.00	1,803.53		5072	Draft	10/01/2024	10/01/2024
View	11/01/2024	Posted	1,803.53	0.00	1,803.53		5073	Draft	11/01/2024	11/01/2024
View	12/01/2024	Posted	1,803.53	0.00	1,803.53		5074	Draft	12/01/2024	12/01/2024
View	01/01/2025	Posted	1,803.53	0.00	1,803.53		5075	Draft	01/01/2025	01/01/2025
View	02/01/2025	Posted	1,803.53	0.00	1,803.53		5076	Draft	02/01/2025	02/01/2025
View	03/01/2025	Posted	1,803.53	0.00	1,803.53		5077	Draft	03/01/2025	03/01/2025
View	04/01/2025	Posted	1,803.53	0.00	1,803.53		5078	Draft	04/01/2025	04/01/2025
View	05/01/2025	Posted	1,803.53	0.00	1,803.53		5037	Draft	05/01/2025	05/01/2025
View	06/01/2025	Created	1,803.53	0.00	1,803.53					
View	07/01/2025	Created	1,803.53	0.00	1,803.53					
View	08/01/2025	Created	1,803.53	0.00	1,803.53					
View	09/01/2025	Created	1,803.53	0.00	1,803.53					
View	10/01/2025	Created	1,857.64	0.00	1,857.64					
View	11/01/2025	Created	1,857.64	0.00	1,857.64					
View	12/01/2025	Created	1,857.64	0.00	1,857.64					
View	01/01/2026	Created	1,857.64	0.00	1,857.64					





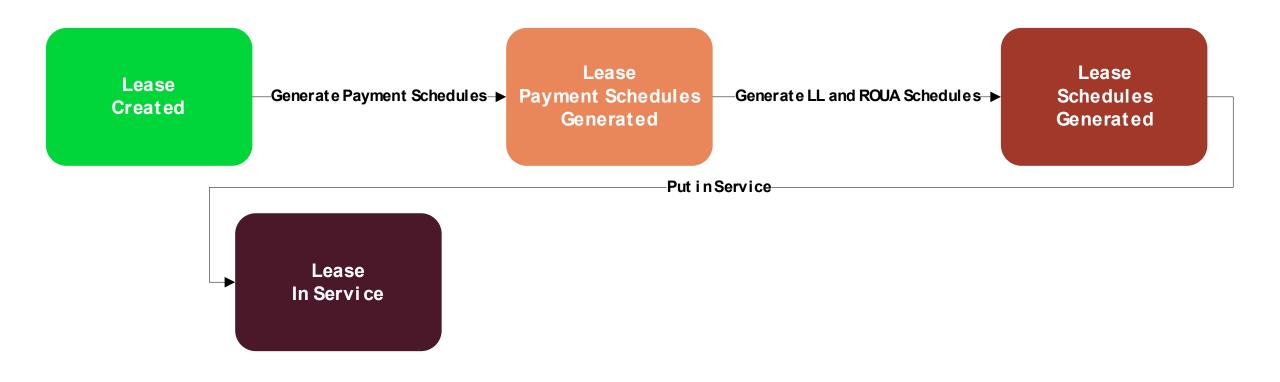
Generate Liability and ROU Asset Schedules







Put Lease in Service

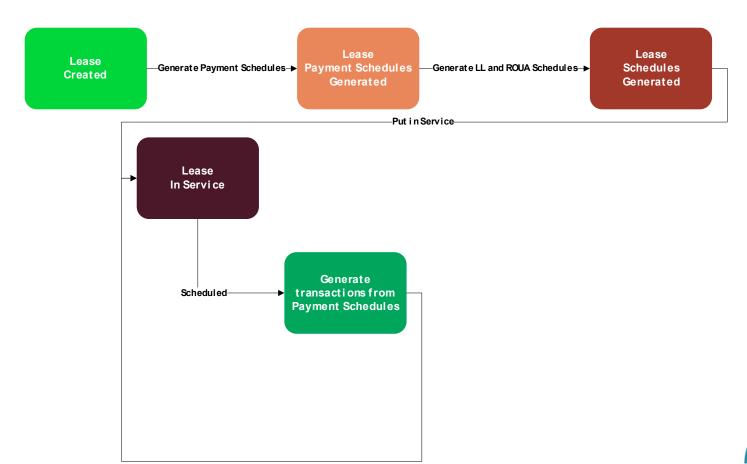






Auto Payment Schedule Processing

Daily

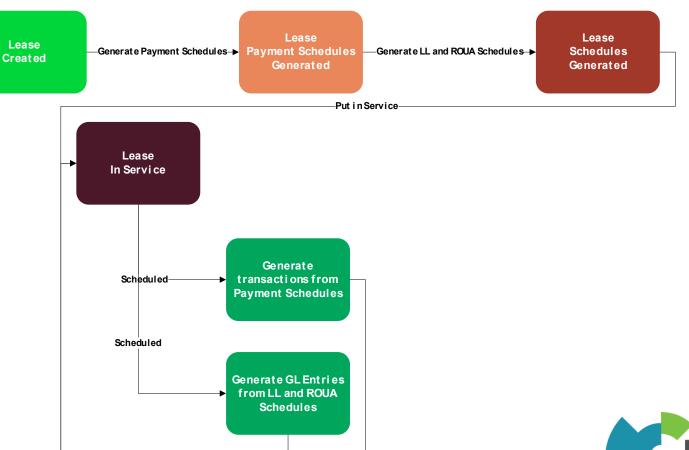






Auto Generate Expense GL Journals

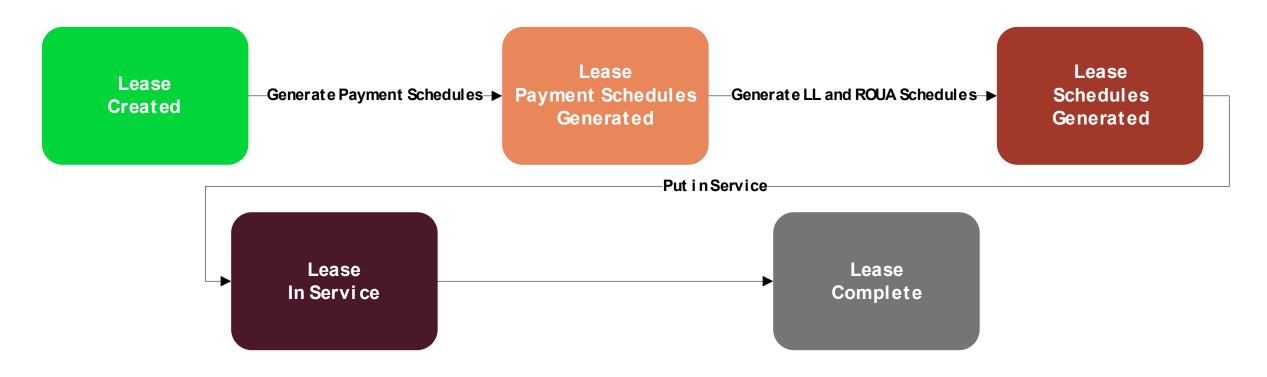
Periodically







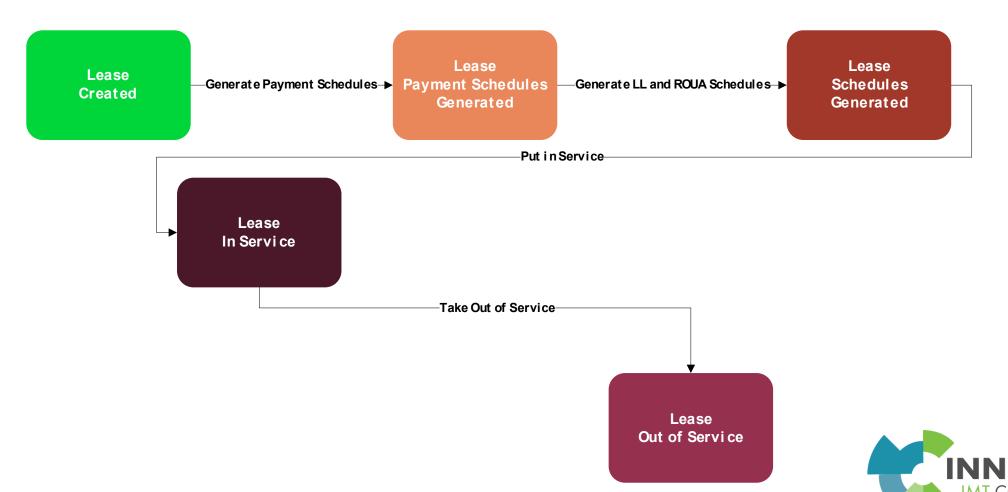
Lease Completion







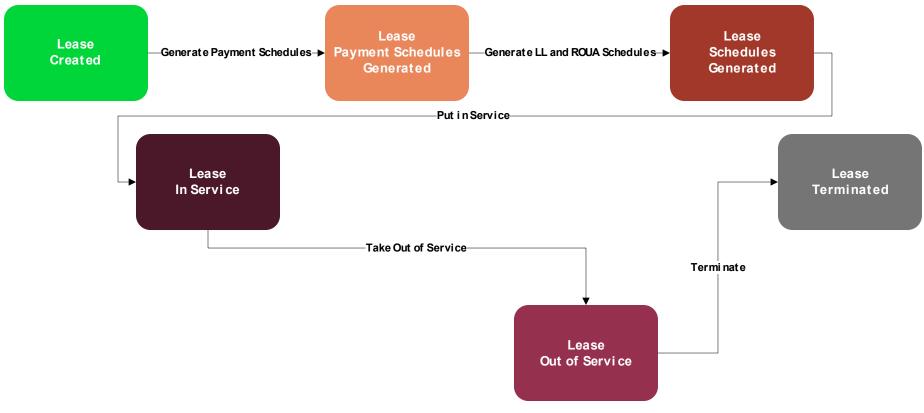
Take Lease Out of Service



MAY 5-7, 2025



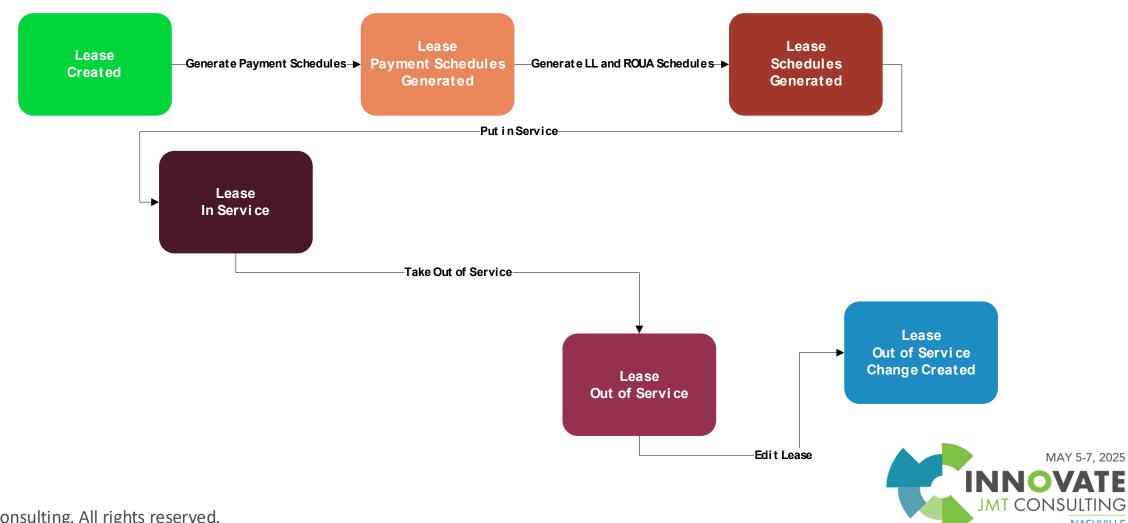
Lease Termination





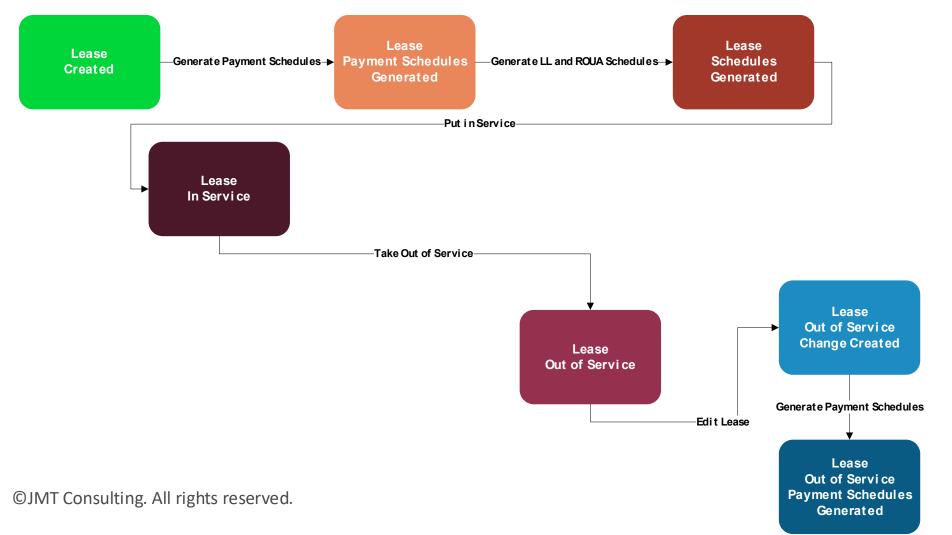


Change Lease Attributes





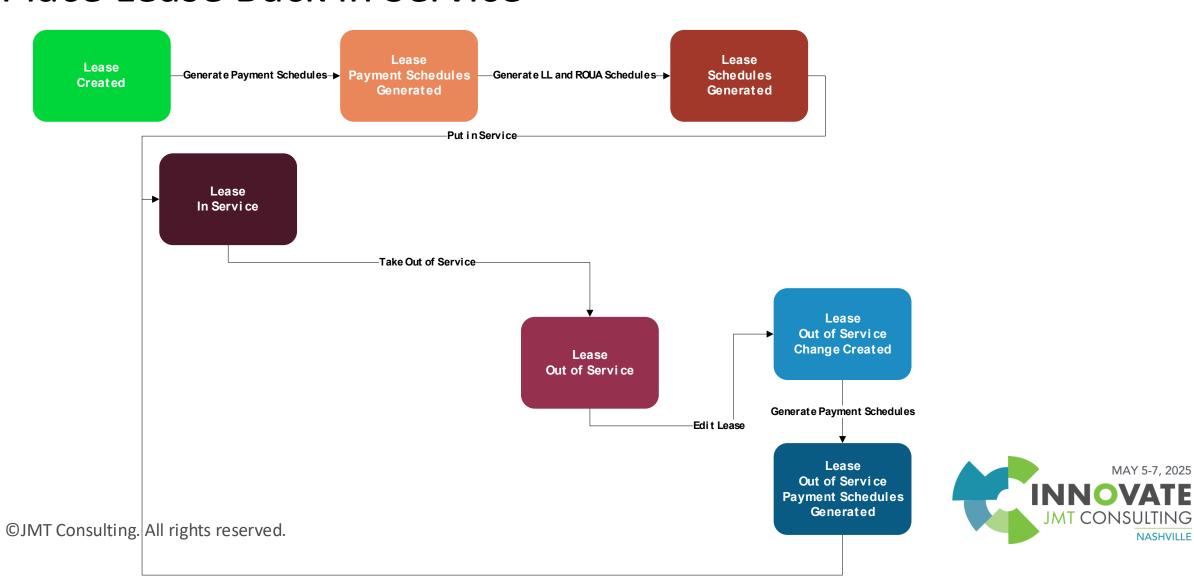
Generate/Import Payment Changes





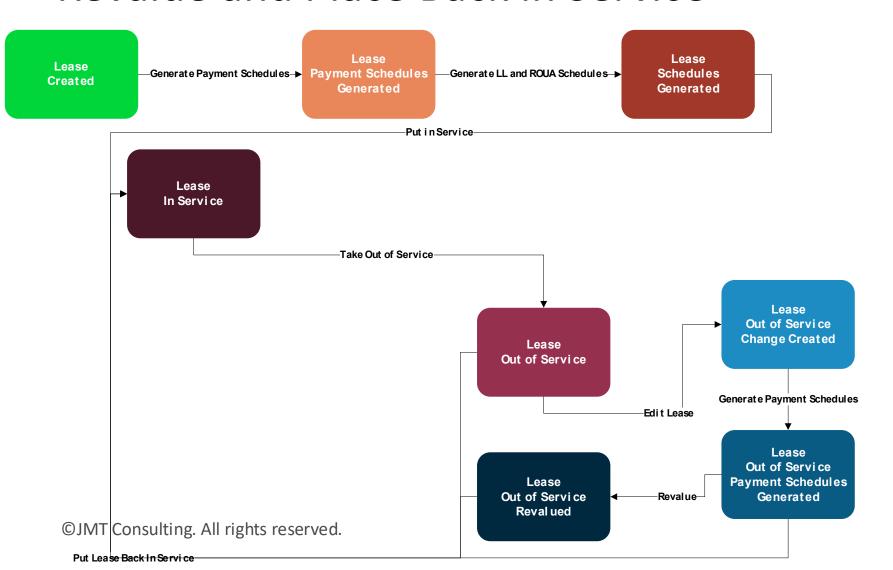


Place Lease Back in Service





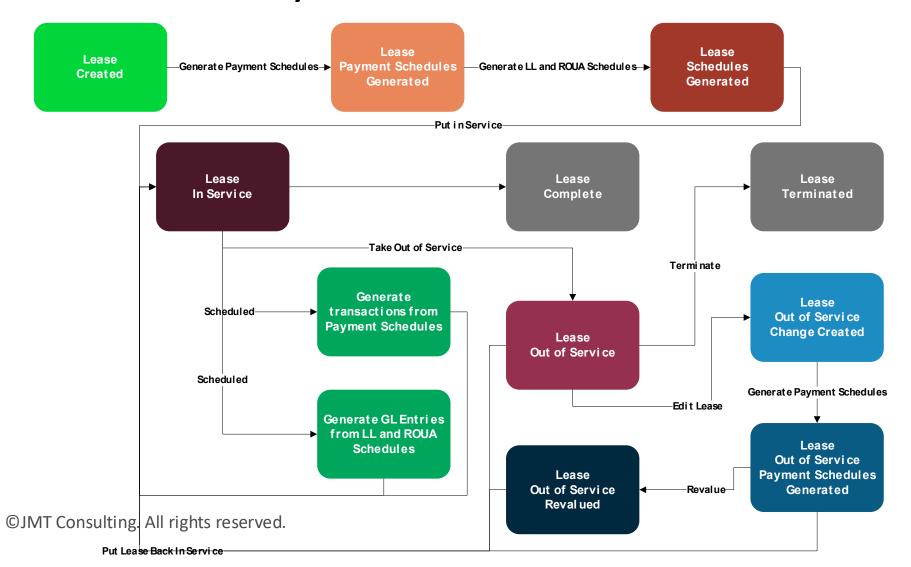
Revalue and Place Back in Service







Full Lease Lifecycle







Product Roadmap

- ➤ User Defined Fields (Just came out)
- Custom Dimension (Just came out)
- ➤ New import center & data tool (May 2025)
- ➤Out-of-the-box Disclosure Reporting (come see it at Sage Future!)





Product Roadmap

- ➤ Long-term/Short-term Liability split in GL
- **≻**Allocations
- ➤ Different Dimensions/Allocations for Income Statement and Balance Sheet
- ➤ Payment Schedules options to create PO docs, GL Journals, Cash Payments, Credit Card Payments on top of AP Bills



Questions?







Thank You

Our mission is to make you more effective and streamlined. You need to focus on your mission and constituents instead of your software.

Address

1982 Providence Pkwy Suite 258, Mt. Juliet, TN

37122

Telephone

(888) 368-2463

Website

jmtconsulting.com

