

A large graphic featuring the letters 'Q&A' in a bold, sans-serif font. The 'Q' and 'A' are black, while the ampersand is a lighter gray. The entire graphic is enclosed within a blue bracket-like frame.

*Numerous changes occur in the U.S. financial accounting and reporting standards each year, but only a handful affect every company—large or small, technology-based or traditional service providers—and one of those takes effect soon.*

*Companies starting in the next couple of years must list all of their leases on annual accounting reports, a change that could affect their ability to secure lines of credit, among other financial ramifications. Navigating the change and others on that scale requires professional service providers, such as accountants, to help companies carry out sound due-diligence procedures.*

*The Business Journal's Michael de los Reyes asked local accounting firm executives to share their thoughts on the new lease accounting requirements enacted by the Financial Accounting Standards Board.*

*Here are edited excerpts of their responses:*

**Wayne Pinnell**  
Managing Partner  
Haskell & White  
Irvine

The new lease accounting standard dramatically shifts the landscape in financial reporting by changing a long-standing practice

where operating leases were disclosed as commitments in the footnotes. The new standard essentially treats leases for property and equipment of a finance or operating nature as an asset and related liability that must be recorded on the balance sheet.



With public company implementation dates for this standard in 2019 (with retrospective treatment to as early as 2017), there is a lot of education and information gathering that should be under way as soon as possible. Private companies have an extra year in this process, but they should give early consideration to the underlying complexity of this project.

Our firm is actively educating our staff, clients and members of the community on the challenges this standard will bring to the classification of leases and the related evaluation of the underlying assumptions, such as the term, lease options and the components of the lease payment structure. An additional complexity is that leases may be embedded in other service agreements that will need to be identified and accounted for separately, an area that will likely catch many by surprise. All in all, companies are likely to underestimate the time and resources that will be needed to locate all of the relevant leasing documents—especially if they have disaggregated operations—evaluate the number of assumptions that must be made, and determine the effects on their financial reporting.

Further education will be needed for users of the financial statements, such as investors, banks and other business partners. The effects of this standard will result in significant changes in fi-

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financial ratios and presentation that could affect how financial statements are understood, contracts are negotiated and financial analysis is performed for transactions.

# ACCOUNTING FIRMS

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Rank	Company -Address -Phone	Headquarters -Website -Email	OC employees -yearly % change	Firmwide employees -yearly % change	OC CPAs -yearly % change	OC partners -yearly % change	OC management consultants -yearly % change	Percent breakdown of accounting			Primary industries served	Top local official(s) -Title -Phone/fax
								Audit	Tax	Other		
<b>18</b> (19)	Haskell & White LLP 300 Spectrum Center Drive, Ste. 300 Irvine 92618-4987	Irvine hwcpa.com inquiries@hwcpa.com	63 3%	67 2%	36 20%	8 14%	0 NA	50%	50%	0%	Real estate, manufacturing/distribution, technology, medical/biopharmaceuticals, nonprofit, mergers/acquisitions, SEC	Wayne Pinnell managing partner (949) 450-6200/(949) 450-6201