

CURRENT VS. NEW LEASE CLASSIFICATION COMPARISON

If a lease meets ANY one or more of the following:

CURRENT RULES (TOPIC 840, F/K/A FAS 13).. CAPITAL LEASE	NEW RULES (TOPIC 842).. FINANCE LEASE
Transfer ownership to lessee at end of term	Transfer ownership to lessee at end of term
Contains a bargain purchase option	Contains a purchase option the lessee is reasonably certain to exercise
Lease term equals 75% or more of the estimated economic life	Lease term is for the major part * of the remaining economic life
Present value of the minimum lease payments equals or exceeds 90% of the fair value	Present value of the lease payment equals or exceeds substantially all ** of the fair value
	NEW... Underlying asset is such a specialized nature that it is expected to have no alternative use to the lessor at the end of term

If a lease does NOT meet any of the above criteria, it is an operating lease.

*One reasonable approach would be to conclude that 75% or more is a major part of the remaining economic life.

**One reasonable approach would be to conclude that 90% or more is substantially all of the fair value.

The above is informational material. It does not affect the terms of any contract with us. It is not intended as, nor does it constitute accounting advice. It is based on assumptions that may not apply in your situation. You should contact your own accounting advisors to confirm how applicable accounting rules apply to your business and your equipment/software acquisition.