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Leases

Honors Thesis

Introduction

In early 2016, the Financial Accounting Standards Board issued updated leasing standards intended to improve the financial reporting of leases. The new standards require lessees to report leases with terms of more than 12 months to be on the balance sheet. The new FASB standards is anticipated to provide a more faithful representation regarding leases to investors and financial statement users. In this study, I will provide a brief discussion about the new leasing standards. Second, I will explore the role technology and information systems plays in overcoming the difficulties with adopting the new leasing standards. Lastly will be an exploration concerning the costs of implementing this new standard.

The topic regarding leases has been on the Financial Accounting Standards Board agenda for quite a while. On February 25, 2016, the FASB issued an Accounting Standards Update planning to advance the financial reporting of lease accounting. A lease is defined as a contract between lessee and lessor whereby the lessee gains the right to use the assets in exchange for payment to the lessor. There are two types of leases: one is an operating lease and the second is a capital lease. Operating leases are short-term leases that are not required to be recognized on the balance sheet because they do not meet the requirements of a capital lease.

If one or more of the following four criteria are met, a lease is considered a capital lease under the U.S. GAAP and must be recognized on the balance sheet of the lessee:

1. Ownership of the asset is transferred to the lessee at the end of the lease term
2. The lease includes an option for lessees to acquire the asset at a bargain purchase price
3. The lease term is 75% or more of useful life of leased asset
4. Present value of lease payments is 90% or more of the fair value of the leased asset

However, with the new leasing standards, the FASB requires lessees to recognize on the balance sheet leases whose term is more than 12 months, thereby identifying the liabilities and assets of the rights and obligations of the leases. Companies may report the changes using the modified retrospective approach. The modified retrospective approach allows lessees to report existing operating leases on the balance sheet at the time the standards are adopted and into the next period which ultimately would result in a full retrospective approach. Companies are not advised to use the full retrospective approach for financial reporting when the standards are adopted. For lessors, the party that leases assets or lends the assets to another party is required under FASB new leasing standard to classify leases into either Type A or Type B leases. Type A leases would generally be similar to today's operating leases and it's divided into three different categories. The first would be leases that have selling profit that could be revenue is recognized or deferred what is known as today's sales-type leases. The second, leases that have no selling profit, which is known as today's direct financing leases. The third and final category is collectible of lease payment is not probable. Type B leases would be in line with today's operating leases.

Over the years, investors and financial statement users have requested companies provide more insight about the company leasing activities but not many companies are willing to disclose the information. The updated leasing standards will increase the comparability and transparency between entities that lease equipment, space, and other assets. The new leasing standards will also provide investors and users of financial statements more understanding on the timing, amount, and uncertainty of the cash flows resulting from lease transactions.

The changes in the leasing standards could influence many different industries ranging from construction, automobiles, food, retail stores, and many more. According to Andrew Gross, Ryan Huston, and Janet Huston, the new leasing standard could impact the companies that are on

the border line of existing debt covenants. Andrew, Ryan, and Janet are the authors of the path of leases resistance academic article where they researched lease accounting topics and examined how the new leasing standard would have impacted the company. Debt covenants are arrangements between a creditor and a company stating that the company cannot breach certain financial ratios. Borrowers use debt covenants to obtain better interest rates whereas lenders use debt covenants to require companies to uphold certain levels of net worth and restrict how many liabilities the company can have. More than 100 correspondences in the comment letters to the FASB stated that the new changes would result in companies being unable to meet debt covenant obligations that the creditor requires. Companies that are near debt covenant violations have less flexibility to pay out dividends and room for growth. Under the new standards, companies might renegotiate their leasing activities to short-term to keep the leases off the balance sheet. Alternatively, they may decide to purchase the assets rather than leasing. The FASB would need to consider the impact of the new standards. The SEC has estimated that about $1.3 trillion of operating lease obligations would be recognized on the balance sheets of affected lessees (FASB, 2016). With these large obligation, companies might have a reason to manipulate financial numbers or even the leasing system to prevent debt covenant violations. There could be potential fraud in the future relating to changes in accounting principles. The next section of the paper will provide insight on how companies react to the new leasing standard.

Comment Letters

Comment letters serve as an interaction and open discussion between the Board and the companies. Comment letters are drafted by the companies in response to exposure drafts, discussion papers, and other discussion documents that the FASB releases to the public for comment. Comment letters are significant resources to the Board because they provide the Board

with feedback of how companies would react and their views on issues raised in a discussion. Comment letters can be found on the FASB website using the search function. In this section of the paper, I will discuss how Koch and IBM responded to the new leasing standard. These two companies responded negatively to the FASB in their comment letter regarding the new leasing standard. Koch Industries is a private company, they are not required to disclose financial reporting to the SEC and Koch operates differently compared to public companies. IBM on the other hand is a software company that works together with the accounting firm to provide the necessary software solutions to different companies to ease the transition. IBM responded negatively in the comment letter which could raise a big flag. If IBM is working with the accounting firm, then I would expect IBM to agree with the new leasing standard but instead, IBM mentioned that the new leasing standard would cause confusion to the financial statement users.

Koch Industries Inc. is a privately held company that participates in trading, operating, and investment worldwide in many different sectors. Koch stated the new leasing standard proposed by the FASB does not enhance transparency to financial statements, rather it would cause confusion to the users of the financial statements and will require the preparer of financial statements to take more effort and time to comply with the new standards. Koch has been using the approach of classifying their lease assets into two categories: one is perpetual business activity while the second is opportunistic activity. Perpetual leases represent leased assets that are necessary to drive Koch business. Koch assigned an estimated value that is nearly the cost of essentially owning the assets in addition to how rating agencies and analysts would view the lease. Opportunistic leases are leases that may be determinate or subleases which Koch accounts for by using the net present value (NPV) approach.

Koch believes that the Board's new lease classification of Type A and Type B along with the reporting guidelines will lead the users of financial statements to find uncertainty about the economic consumption and the underlying assets within the lease. With the classification of leases into Type A or Type B, it will give management or the company an incentive to manage the accounting system results around the structuring of lease transactions. Koch does not believe classifying leases into Type A vs. B or operating vs. capital is significant and support the method of straight line depreciation when accounting for leases to provide consistency between lessor and lessee.

Internal Business Machine Corporations (IBM), also like Koch, does not support the classification of leases into Type A or Type B due to the confusion caused to users of financial statements. IBM believes that leases should be treated using the same principles regardless of the underlying assets. IBM understands the concept of there being recognition of a liability relating to the right to use an asset, but they are not solely convinced on the idea that the right of use model meets the definition of an asset since there is a renewal option that could be added to the lease. The right of use model would not constitute the same degree of control a lessee has over an asset as opposed to owning the underlying asset. Contingencies of the lease are not a legal obligation of the lessee and does not signify an enforceable right for the lessor.

Many companies' main operations could be based solely on leasing and there are many significant judgments that would need to be determined for the lease terms and lease payment at the conception of the lease. The assessment of leases would need to be updated periodically to ensure the proper accounting for the leases. IBM mentioned that the cost to maintain an effective data system of leases would place a burden on the lessee since the cost for the analysis and the system by far outweighs the benefits.

Steps needing to be taken by lessees

The FASB understands the complexity and the nature of the requirements of the new leasing standard, the transition would require companies to dedicate a substantial effort and time. Therefore, the FASB has come up with 9 efficient and timely manner steps process that would assist companies in the transition process. When this 9 step process is followed properly by the company, it would provide a wide range of cost saving for the company, the company would be well prepared and in full compliance when the new standard adopted. The 9 step process is as follows:

- Step 1: Form a Lease Accounting Project Team

The Lease Accounting Project Team should consist of members from different departments ranging from IT, accounting, lease administrator, lease information, specialized team, and finance/treasury. These members are necessary in order to assist the company in smoothly transitioning to the new lease standards.

- Step 2: Arrange Software Designed for the Company Processes and Portfolios

Smaller companies that do not deal with lots of leases can still maintain their leasing system on spreadsheets. However, big companies whose main operation is involved with leases need to adopt an effective data system that accurately captures all existing leases from the legacy system and transitions the leasing data into the new system. For international companies, different and new components of the data system need to contain multiple languages and be able to calculate different currencies.

- Step 3: Create a new Retrospective Lease Information Database

The FASB does not require companies to adopt the full retrospective approach when accounting for the new leasing standard. Nonetheless, the modified retrospective is applied. The

modified retrospective approach means companies would apply the new leasing standard to lease contracts starting on and after the effective date or for contracts that the company is still under obligations for. The modified retrospective approach requires companies to retain two sets of accounting data in the year of adoption to comply with the disclosing requirements of all line items in the financial statements as if the companies were preparing the disclosure under today's guidance. Maintaining two sets of accounting data in the year of adoption would provide financial statement users and investors with comparable financial information.

- Step 4: Automated Lease Accounting Software System

Companies should be able to create reports that allow the company to analyze the leases and the underlying assets, obligations, and expenses in the leasing portfolio. The reports should be automatically updated in the new data system when new lease information is entered.

- Step 5: Generate Savings and Enhance the Data

Companies should generate reports for all lease assets based on certain criteria ranging from end of lease term, renew, or buyout. This way it would save time and effort finding leases that need to be renewed or leases that will end soon.

- Step 6: Maintain Data Accuracy and Completeness

Companies should capture all new leases as they become available. The decentralized nature of some companies could keep them from maintaining data accuracy, but there are a few extra steps that could improve that decentralized nature. One is to send notifications to lessor periodically to test the accuracy of the data and to catch any changes, if any, during the lease term. Second, manage lease transactions for efficiency and provide information to internal users. Lastly, include an option in the lease system to renew or purchase the asset.

- Step 7: Develop an Accurate Procedure to Manage End of Term Effectively

Send an automatic notification in advance to asset owners with request for end of lease term decisions.

- Step 8: Test the Data System, Accept Feedback, and Perform Necessary Updates

Provide training to employees that work directly with leases to accurately account for the leases under the new data system. Start adopting the data system early, so that companies can perform test runs to improve the system.

- Step 9: Report according to FASB and IRFS standards

Challenges with Implementation

The first challenge many companies may face is understanding the type and number of leases the company has. When thinking from the perspective of audits, the assertion that companies might violate is completeness. The question that I have with this topic is how do companies know if they have full population of leases? Processes and controls could also present a potential problem for many companies. How easy is it for companies to reassess and re-measure its leases when payment and leases are modified? PricewaterhouseCoopers (PWC) surveyed 500 businesses which resulted in 75% of the responses indicating that systems are the number one issue with the implementation process. Over 80% of the responses mentioned that extracting the leases would require a manual process. Many companies are currently using spreadsheets to account for their leases; it would be a challenge to for companies to find a system that they could trust and adapt to that method. How much would it cost to adopt the new system? This is a question that has not been disclosed by companies. Would the benefits outweigh the costs of implementing the new system?

The second challenge may be the deadline. With the new standards, it is hard for companies to accurately abstract all leases from current lease data and transfer it into a new lease

data system. After the abstraction process, companies would also need to manually check the process to ensure that the abstraction is complete and accurate. Many accounting firm's professionals suggest that companies should start the implementation process as soon as possible because it could take up to two years to fully complete the process (Individual Interview, 2017). Not many companies are working toward the new lease standards and they hope that the Board would extend the deadline. As information is made readily available and there is more help from accounting firms, the Board would not be likely to extend the deadline. Companies might have trouble with financial reporting within the next few years. It's a trial and error process after the transition to the new lease data system. The new system might not have all the calculations and financial reporting options for companies to use to prepare the companies' financial statements. As time progresses, companies could add or create more elements to the data system to enhance the financial reporting for the following reporting periods.

Help from accounting firm

Many accounting firms have a solution for companies to easily transition into the new leasing standard. Three of the big four accounting firms have a database system that could help companies transfer their existing leases into a new manageable data system that is consistent with the reporting of the FASB new leasing standards.

From interviews with many professions at big four and regional accounting firms, IBM TRIRIGA is one of the main software solutions that the big four accounting firms are using to assist their clients with the new leasing standard. IBM TRIRIGA delivers an integrated workplace management system that increases the financial, operation, and environmental performance of a business. The first pillar of IBM TRIRIGA is real estate management. IBM TRIRIGA Real Estate Management Software supports companies in generating a higher return

from a real estate transaction and to avoid lease overpayments and penalties. KPMG, Deloitte, and PWC have been using IBM TRIRIGA Real Estate Management Software as a base to their software solution and then the big 4 accounting firm added more features into IBM TRIRIGA to make sure that the software has the technical accounting functions and calculations that are necessary to meet the Board's standards. The second pillar is IBM TRIRIGA capital projects which is used to accelerate project schedules and improve capital project planning. The third pillar is Facilities Management. Facilities Management software classifies any unutilized workplace and facilities that can be used more effectively to help reduce costs. The fourth software is Facility Maintenance Software which helps improve efficiency of facility maintenance operations to reduce operations and maintenance costs. Finally, is the energy management software which reduces energy consumption of a business to help that business meet its substantiality goals.

Deloitte has three different software solutions that companies could use to assist them with transitioning into the new leasing standards. The first software is document abstraction software. The abstraction software is a learned software that learns how to identify the clauses and key phrases of a lease contract that hone in on specific data that is necessary to do the calculations. There could be errors presented with using the software, therefore Deloitte would have someone manually look over the data after the abstraction process to ensure that the information has been abstracted completely. After the abstraction of the data, the firm would sit down with the company to discuss and go through a selection process of what service software the company would need to be ready for the new leasing standards.

Second software solution is LeaseController. LeaseController is an in-house software that is designed to be accessed through the web by the clients. The design is simple and focuses

on lessee accounting with technical accounting needs, reporting needs, and then it provides security within the lease. LeaseController is designed to take the lease data and do the necessary calculations, such as classification tests, then it asks for approval to do more calculations. The software would take the old lease data and perform calculations that the new standard requires. The downside of LeaseController is that it does not do current GAAP capital leases. Both the accountants and IT department or personnel would work collaboratively together to bring the software to life, such as the accountants would ask the IT personnel to include the necessary calculation functions in the software and the IT personnel would do the coding for the calculation requirements. Deloitte advises companies to start considering the change and to begin implementing the software that could account for all the leases. A few of Deloitte's clients are using LeaseController as an interim solution for the new leasing standard because the software is quick to adopt and use. The reason some companies are using the software as an interim solution is that the new software takes a while to adopt and if the company is adopting it now, they might not be ready when the new leasing standard is being adopted. Other clients of Deloitte said that they trust Deloitte with the leases and they just want to use LeaseController as a long-term solution for financial reporting purposes. Deloitte has three different solutions that companies could choose from. The different in the solution varies depending on the size of the company, the difficulty of implementing, and the number of leases the company has.

LeasePoint is the third and final software solution that Deloitte provides. LeasePoint is Deloitte’s consulting tool powered by IBM’s leading Watson Internet of Things software TRIRIGA. The consulting team that worked directly with IBM TRIRIGA to build additional accounting and reporting functionality on top of IBM TRIRIGA. Companies that use this software has all the benefits of the leasing administration that IBM TRIRIGA does. Moreover,

this cloud based software gives companies the intellectual property that Deloitte builds that improves the functionality of the user, making user interface better, and improving the calculation. It is designed to be a long-term business solution. It is possible for companies to start out using LeaseController and then in the long run turn to LeasePoint.

Deloitte strategically created three different software that could target many different companies. Compared to PWC and KPMG, Deloitte's software is more accessible and cost efficient. For a small company that does not have many leases, they would only need the abstraction software and they would come to Deloitte for the service rather than coming to PWC or KPMG to purchase the whole software. PWC and KPMG products do not have many target niche markets. PWC and KPMG have only one solution for companies to purchase rather than providing different solution software for companies to purchase. For example, a small company would not go to PWC or KPMG to purchase a new leasing system because the software has way too many functions that the company would need to implement the new leasing standard. It will cost a small company more out of pocket to purchase one bundle leasing software from PWC and KPMG.

The impact of technology on the accounting profession

According to the Journal of Accounting Education, financial accounting from the last thirty years has contributed to a lot of paperwork because there is no great technology that can store all the necessary data (Jordan, 1999). Technology has both positive and negative impacts on the accounting profession. The first positive impact includes detailed and accurate accounting information that can be accessed in a timely manner. Accountants do not have to wait for the finance department to release reports every month; today's technology allows accountants to get the information faster than ever before. Another technological aspect of online payments and

online banking eliminates many clerical duties of accountants. Businesses do not need to make trips to the bank to transfer or deposit money resulting in more efficient work time. Technology is progressing to eliminate the paperwork that slows down transactions, processing, and maintenance. There is no longer a need to keep a paper copy of every transaction that happens as documentation or proof of a transaction can be put in data storage accessed at a click of a button. Artificial intelligence software is being used for tax and audit purposes. Accounting software is being customized for accountants in areas such as tax and auditing. For example, auditors audit the cash account of a company rather than visiting a bank to confirm the cash amount the company has in its bank account. The auditor may use a confirmation website to send confirmation to the bank and confirm the account balance and any possible loans the company has at the bank (Jordan, 1999). Using confirmation software prevents the company from altering audit working papers to manipulate the cash balance.

As there are many benefits to technology in the accounting profession, there are also negative impacts. One negative impact of technology is the reduction of the paper trail. Technology makes it possible to reduce storing paperwork and can be more easily accessed. Without the storage of the original paper work, it's hard to prove whether the transaction occurred because fraudulent activity can occur through technology. When someone alters the original document online, the paperwork is not reliable and accurate, but, some computer systems could be restored to the original state after changes are made. Therefore, if the auditor uses the altered paperwork as a source for the audit, they may not produce an accurate audit report. When information is stored online, such as in a cloud based system, the risk of the information being stolen is high. Technology is an invention of human innovation; therefore, it repeats human errors. Human errors connected with technology can be costly to a company. It

has been estimated that the cost of human errors ranges from $300 to $600 billion. Computer systems are written by people and when a programmer makes an error, it will cause a ripple effect for all people that use the system to make business decisions. The computer system does not indicate the RIGHT answer, but it's an indication of the best answer according to that system.

Not only can technology be categorized into negatives and positives, it also effects the accounting profession. Technology has changed the hiring process, the training and education of accountants, and the profession. In the formal education process, accountants not only need to gain technical knowledge, but also need to be familiar with information technology processes and systems. Companies that efficiently utilize technology and the computer no longer require as many entry-level accounting positions, which causes companies to stop hiring accountants to perform jobs that the computer can do it for a lower cost. Charles Eldridge, a partner of Ernst & Young, mentioned in the Journal of Accounting Education that since 1994, the hiring process for auditors has been on the decline due to the advances in technology (Jordan, 1999). The decline in the hiring process of accountants becomes more prevalent as technology advances. Area requiring more accountants are consulting and advisory. As technology increases, not many boards of directors understand the reports produced by the software, how the business operates and how management can better budget for the upcoming year. Therefore, the requirement for consulting and advisory positions increase as technology advances. In conclusion, the advancement in technology has provided many benefits to accountants such as getting accurate and detailed information in a timely manner. Unfortunately, the accurate and timely information that is provided by technological tools frequently conflicts with business confidentiality and accountability. Overall, the accounting profession has been effected. Companies should consider

the use of technology at a certain level, being careful to consider the cost-benefit of maximizing the use of technology in relation to the actual benefits to the company.

From the discussion with Matthew Hurley, a senior manager in Deloitte Advisory department, suggested that students, especially in the accounting field, should have a moderate IT background to be able to understand the software and the function of it. Since automation is progressing and it will continue to increase over time, there will be a shift in where accountants spend their time. Rather than focusing on the financial side of a company, accountants will be spending most of their time understanding software and being able to explain to clients the implications and the use of software when data is entered. Nonetheless, the accounting background and interpretation will still be required of accountants. Matthew mentioned that throughout the leasing project he had done at Deloitte, one thing that he learned is that great software that's easy to use does not replace the understanding of processes and how software works when data is entered; one must be able to communicate and explain the financial reports that come out of the data to the clients. Technological progress may not be a threat to the accounting profession, but it will definitely shift many of the day-to-day activities of an accountant.

Analysis

For the analysis part of the thesis, I gathered data from the Compustat database. The Compustat database is a data provider that integrates data from files filed with the Securities Exchange Commission (SEC). I wanted to know the total number of operating leases that will be recognized on balance sheets, the impact the new standard has on assets and liabilities, and lastly how the change impacted the overall performance of a company. The Compustat database provides an excel spreadsheet that contains leasing activities of a company for fiscal year 2016.

Any public company that is registered under the SEC must provide and report to the SEC on a regular basis by filling periodic or annual reports. The underlying basis of the requirement is to keep shareholders and financial statement users informed with the operation of the company. For example, companies have to file an annual 10-k report to the SEC which provides an overview of the company's financial performance. The excel spreadsheet contains the company's name, its industry classification code, and 1st through 5th year lease payment, including a thereafter portion of a lease, and information to be able to calculate the total number of operating leases that will be recognized on balance sheet. Mainly, I need to compute the present value of each cash flows associated with the lease arrangement. Before the actual computation, there are two assumptions that needed to be made: First, what to use as the discount rate. For this calculation, the discount rate is assumed to be 7%. An article written by Dillon shows that a high discount rate would result in high lease related expenses, such as an increase in interest expenses in early years of the lease (Dillon, 1979). Also, the present value of the minimum lease payment would be smaller if the discount rate increases. High discount rates result in higher interest expenses in early years, which will be offset by the depreciation expenses of the lease assets. The articles have used a discount rate of 7% as the lowest discount rate and a 15% discount rate as the highest discount rate. Therefore, I based my analysis on using the lower discount rate of 7%. Exhibit 1 will provide a breakdown of the total operating leases that will be recognized on balance sheets for each different industry.

The formula would be similar to:

N= # of years

I/Y= interest rate

PMT= 0

FV= Lease payment

I would use this formula to compute the Present Value (PV) for each year's lease payment.

The second assumption would be how the thereafter portion of the lease will be handled. A common practice is to assume year five lease payment will be year 6+ lease payment and then determine the number of years remaining on the lease. To figure out the number of years left on the lease, I would take the thereafter portion of the lease payment divided by the fifth-year lease payment. Next, I would find the FV of that stream which this calculation is a deferred annuity. I would use the following to calculate the FV

N= # of years calculated from (thereafter portion/5th year lease payment)

I/Y= 7%

PMT= year 5 lease payment

FV=0

Then, I would need to calculate the FV of the PV by setting n=5 because I want it to bring it back to time 0 to know the present value. Finally, add up year 1 through 5 PV, FV calculation, and the PV of FV to get the total number of operating leases that will be recognized on the balance sheet. After all calculations, I picked out COCA-COLA to look at their leasing activities closer. I realized that the company 10-k does not disclose any information regarding what interest rate the company uses to compute the minimum lease payment. Nonetheless, I compared the total number of operating leases that will be recognized on balance sheets for COCA-COLA to its actual amount of total leases. My number was off by $3 million, which is an indication that COCA-COLA is using roughly a 7% discount rate.

With the analysis, I concluded there will be a total of $744,807,030 of operating leases will be recognized on balance sheet. The number is presenting only public companies that leases

equipment, private companies leasing activities are not included in the calculation. Within certain industries, the minimum total leases are equal to zero because some companies do not involve with leasing assets. The maximum leases could range from a few hundred thousand dollars to millions dollar leases. The new leasing standards will increase liabilities and also increase assets as a whole. The Return on Assets ratio (ROA) is a percentage ratio that indicates the profit the company earns in relation to its overall resources. Return on Assets is computed as net income divided by total assets. With the new leasing standards perspective net income of a company would remain the same but total assets would increase which mean the ROA ratio would decrease.

In summary, the new leasing standard proposed by the FASB will provide many challenges to the company and it will require the company's effort and resources. The new leasing standard will provide more transparency and comparability to stockholder and financial statement users. Therefore, companies should start the implementation process as soon as possible to be ready before the effective date. The accounting firm are there to assist the company if obstacles occur. Many software solutions made by the big four accounting is useful for company to adopt when getting ready for the new leasing standards.

Exhibit 1 - Estimated Effects of New Leasing Standard (in Millions of Dollars)

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
1	0100	Agricultural	$ 538.30	$1,363.29
	0700		824.99	
2	1000	Mining	1,320.92	25,359.96
	1040		16.11	
	1044		29.60	
	1090		4.48	
	1220		364.16	
	1221		0	
	1331		18,621.05	
	1381		1,115.67	
	1382		68.57	
	1389		2,587.50	
	1400		1,231.90	
3	1531	Construction	557.15	2,849.06
	1540		89.36	
	1600		1,211.31	
	1623		839.62	
	1700		151.62	
4	2000	Manufacturing	2,029.48	138,884.90
	2011		957.55	
	2015		185.96	
	2020		460.35	
	2030		578.00	
	2040		1,131.77	
	2050		431.86	
	2060		264.46	
	2070		718.07	
	2080		1,294.52	
	2082		948.80	
	2084		1.21	
	2085		665.22	
	2086		915.63	
	2090		89.69	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
4 (cont.)	2100	Manufacturing (cont.)	$ 0	
	2111		850.07	
	2200		12.05	
	2221		10.22	
	2250		409.75	
	2273		335.24	
	2300		9,286.35	
	2340		0	
	2400		317.94	
	2421		126.02	
	2430		339.15	
	2451		0.02	
	2452		205.52	
	2510		588.91	
	2520		14.50	
	2522		150.82	
	2531		768.94	
	2590		66.27	
	2611		104.81	
	2621		632.66	
	2631		543.94	
	2650		874.80	
	2670		1,706.18	
	2711		607.57	
	2721		628.68	
	2731		261.40	
	2741		1,134.75	
	2750		591.79	
	2780		110.75	
	2790		50.18	
	2800		2,271.51	
	2810		1,311.77	
	2820		2,334.55	
	2821		1,999.38	
	2833		40.05	
	2834		8,633.94	
	2835		198.59	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
4 (cont.)	2836	Manufacturing (cont.)	$ 5,015.29	
	2840		2,082.46	
	2842		537.02	
	2844		2,953.46	
	2851		2,008.21	
	2860		3,575.64	
	2870		1,264.17	
	2890		94.42	
	2891		36.80	
	2911		15,696.46	
	2950		58.74	
	2990		117.72	
	3011		1,047.96	
	3050		35.35	
	3060		43.40	
	3080		247.76	
	3081		33.15	
	3089		134.56	
	3100		1,245.69	
	3140		1,970.06	
	3220		63.99	
	3221		158.97	
	3241		0	
	3270		149.41	
	3272		212.76	
	3281		61.42	
	3290		299.91	
	3310		37.84	
	3312		681.77	
	3317		0	
	3330		305.70	
	3350		135.29	
	3357		78.90	
	3390		38.76	
	3411		393.63	
	3420		171.25	
	3430		130.06	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
4 (cont.)	3440	Manufacturing (cont.)	$ 65.79	
	3442		127.94	
	3443		39.66	
	3448		29.70	
	3452		0.95	
	3460		220.59	
	3470		69.09	
	3480		4.94	
	3490		280.27	
	3510		552.24	
	3523		696.58	
	3530		208.12	
	3531		631.53	
	3532		79.04	
	3533		805.16	
	3537		40.57	
	3540		474.23	
	3541		3.55	
	3550		20.59	
	3555		0	
	3559		374.87	
	3560		773.77	
	3561		655.66	
	3562		99.15	
	3564		32.26	
	3567		0.17	
	3569		38.48	
	3570		826.33	
	3571		65.37	
	3572		376.59	
	3576		1,922.34	
	3577		427.33	
	3578		351.63	
	3579		135.10	
	3580		135.96	
	3585		1,401.33	
	3600		490.23	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
4 (cont.)	3612	Manufacturing (cont.)	$ 10.90	
	3613		37.88	
	3620		680.12	
	3621		92.21	
	3630		706.67	
	3634		97.50	
	3640		157.14	
	3651		285.16	
	3652		245.85	
	3661		145.62	
	3663		6,749.49	
	3669		25.97	
	3670		136.65	
	3672		522.78	
	3674		4,606.66	
	3677		15.24	
	3678		421.26	
	3679		364.85	
	3690		340.65	
	3711		4,011.06	
	3713		106.20	
	3714		2,344.59	
	3715		5.72	
	3716		0.25	
	3720		346.37	
	3721		1,850.23	
	3724		1,421.56	
	3728		503.32	
	3730		283.40	
	3743		415.36	
	3751		62.25	
	3760		628.24	
	3790		122.12	
	3812		1,724.15	
	3821		2.14	
	3823		422.25	
	3824		50.30	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
4 (cont.)	3825	Manufacturing (cont.)	$ 247.02	
	3826		2,297.35	
	3827		63.28	
	3829		247.73	
	3841		607.08	
	3842		687.85	
	3843		141.53	
	3844		69.06	
	3845		568.31	
	3851		139.06	
	3861		116.87	
	3873		588.01	
	3942		422.03	
	3944		113.67	
	3949		73.18	
	3990		794.03	
5	4011	Transportation and Public Utilities	8,610.30	147,946.69
	4100		197.14	
	4210		6,398.77	
	4213		742.37	
	4400		1,097.20	
	4412		281.48	
	4512		53,944.76	
	4513		22.04	
	4522		909.86	
	4581		382.37	
	4610		994.66	
	4700		1,336.30	
	4731		1,768.43	
	4812		45,831.51	
	4813		6,380.51	
	4832		679.73	
	4833		1,986.50	
	4841		4,191.48	
	4888		4,914.42	
	4899		1,219.05	
	4911		146.90	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
5 (cont.)	4922	Transportation and Public Utilities (cont.)	$ 2,004.40	
	4923		71.04	
	4924		1.87	
	4931		729.58	
	4932		152.92	
	4941		18.65	
	4950		38.72	
	4953		766.61	
	4955		543.29	
	4991		1,583.83	
6	5000	Wholesale Trade	620.71	12,528.53
	5010		802.06	
	5013		647.22	
	5030		160.45	
	5031		97.35	
	5040		102.90	
	5045		784.87	
	5047		438.50	
	5051		456.41	
	5063		205.40	
	5065		688.24	
	5070		466.36	
	5072		10.20	
	5080		307.33	
	5082		192.30	
	5084		244.51	
	5090		142.90	
	5093		66.00	
	5110		1,897.00	
	5122		822.95	
	5140		930.26	
	5141		228.28	
	5150		269.75	
	5160		250.85	
	5171		654.55	
	5172		992.93	
	5190		253.65	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
7	5200	Retail Trade	$ 1,973.23	200,584.74
	5211		8,378.52	
	5311		6,291.81	
	5331		24,598.11	
	5399		1,644.84	
	5400		1,273.78	
	5411		20,478.84	
	5500		4,805.30	
	5531		5,331.83	
	5600		5,274.88	
	5621		6,770.50	
	5651		16,412.20	
	5661		5,192.82	
	5700		1,541.66	
	5712		649.64	
	5731		2,400.51	
	5734		942.54	
	5810		707.95	
	5812		30,032.14	
	5900		1,048.26	
	5912		36,629.42	
	5940		4,616.88	
	5944		2,795.56	
	5945		1,481.75	
	5961		7,168.25	
	5990		2,143.52	
8	6020	Finance, Insurance, and Real Estate	8,656.69	100,479.19
	6035		0	
	6036		39.61	
	6099		848.19	
	6111		529.23	
	6141		3,050.20	
	6153		84.75	
	6159		141.83	
	6162		190.00	
	6163		46.07	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
8 (cont.)	6172	Finance, Insurance, and Real Estate (cont.)	$ 369.97	
	6199		4,446.37	
	6200		2,195.62	
	6211		7,697.16	
	6282		8,591.47	
	6311		5,102.64	
	6321		260.40	
	6324		4,418.28	
	6331		6,311.68	
	6351		569.36	
	6361		1,030.53	
	6411		4,798.27	
	6500		1,094.47	
	6510		11.56	
	6512		2,333.05	
	6513		0.92	
	6519		0	
	6531		1,873.06	
	6532		126.67	
	6552		108.66	
	6722		0	
	6726		8.38	
	6794		695.50	
	6795		0.47	
	6797		72.37	
	6798		33,199.27	
	6799		1,576.49	
9	7000	Services	0	103,016.96
	7011		3,170.24	
	7200		860.89	
	7310		1,631.72	
	7311		2,802.25	
	7320		0	
	7323		1,335.29	
	7330		67.13	
	7340		362.92	
	7350		933.04	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
9 (cont.)	7359	Service (cont.)	$ 618.52	
	7361		269.34	
	7363		1,018.63	
	7370		22,552.26	
	7372		10,548.68	
	7373		2,609.74	
	7374		3,643.57	
	7380		0.65	
	7381		200.42	
	7389		2,022.94	
	7500		946.65	
	7510		2632.93	
	7812		33.31	
	7819		8.33	
	7830		9,098.90	
	7841		0	
	7900		1,240.41	
	7948		15.81	
	7990		1,930.46	
	7996		274.91	
	7997		545.48	
	8000		0.85	
	8011		639.75	
	8051		7,322.78	
	8060		1,537.19	
	8062		3,474.34	
	8071		1,055.92	
	8082		390.11	
	8090		5,379.37	
	8093		0.16	
	8200		2,821.61	
	8300		366.26	
	8351		558.01	
	8700		493.12	
	8711		2,839.99	
	8721		336.30	
	8731		1,087.51	

Division	Standard Industry Classification Codes (SIC)	Industry	Estimated Leases to Recognized on Balance Sheet following Adoption	
			By SIC Code	By Industry
	8734		$ 84.57	
	8741		226.95	
	8742		3021.05	
	8744		5.70	
10	9995	Public Administration	4.68	11,793.71
	9997		11,789.03	
* Representation are in millions				

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