

Incoming Lease Accounting Changes Demand Careful Consideration

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Finance Partner Ian Borman authored a column in Property Week titled “[Incoming Lease Accounting Changes Demand Careful Consideration](#),” published on August 18, the first in a two-part series. The second column will be published on November 10. The column explains how an upcoming change to lease accounting principles will substantially increase earnings before interest, tax, depreciation, and amortization (EBITDA) and debt.

Starting in January 2019, operating leases for assets that are controlled by the lessor, which are currently accounted for off balance sheet, must be accounted for on balance sheet. This will remove the benefit to a business of leasing versus buying an asset.

Ian explains that while there is no change to when payments are made, the impact on debt will be significant for the logistics, telecommunication, entertainment, retail, healthcare, professional services, and airline industries. Net profit will not be affected, but EBITDA for certain businesses may rise between 10% and 40%.

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