

Lease Accounting for the Construction Industry

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The Construction industry faces several challenges — including the rise in the price of raw materials, shortage of skilled labor, technology adoption, safety regulation, government control etc. They now face the challenge of lease accounting in compliance with the new standards, IFRS 16 & ASC 842. The new standards will have a big impact on the financial statement of many entities in this industry. The new standard requires accounting for almost all the leases on the balance sheet and reveals lease liabilities that arise from various contracts.

The Construction industry is an asset-intensive industry. Almost every day, construction tools and heavy construction equipment are leased by construction or maintenance crews as they require the latest and most effective tools to function efficiently. Due to the various types of construction activities, there exists a wide variety of equipment that will be used for different durations.

Lease accounting while complying with the new lease accounting standards will be a significantly complex process that will require serious attention. Without a sophisticated lease accounting system, compliance with new standards will be difficult to achieve.

The Hamilton Engine that is built to make compliance simple can help entities to achieve compliance and automate lease accounting for the Construction Industry.

The new leasing accounting standards will bring almost all the leases into account, and leases that were previously considered operational leases will now be considered financial leases, essentially changing the financial status of entities of the construction industry. Several organizations in this industry are tasked with the complex process of identifying and accounting for all these leases. Companies implementing the standard will have to develop new procedures to track and report on leases, such as:

- Identifying a lease
- Measuring lease-related assets and liabilities
- Recognizing and allocating consideration to lease and non-lease components
- Collecting and present the information necessary for disclosure



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Hamilton is the simplest, fastest, and most comprehensive solution to achieve IFRS 16/ASC 842 compliance. Hamilton has built-in functionality that solves both the IFRS 15/ASC 606 and IFRS 16/ASC 842 regulatory needs. The Automated Accounting Framework is designed to adapt to future requirements as well. No matter what regulatory changes arise in the future, Hamilton's flexible, robust, and use-case-driven core technology will always be able to support you and your business.



78% of businesses surveyed in 2015 used at least one form of financing when acquiring equipment



Construction equipment investment expanded at a 30% annual rate in Q1 2018 and in July 2018 was up 22% year over year



In June 2018, new construction machinery orders increased by 12.8% as compared to the same period in 2017



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