



**Lease Accounting for the
Transportation Industry**

Lease Accounting for the Transportation Industry

The Transportation industry faces several challenges — including volatile fuel prices, environmental restrictions, emerging technologies, new customer expectations, and global compliance standards. The introduction of IFRS 16 & ASC 842 will bring a new challenge to the companies of this industry. The new lease accounting standards will very likely have a significant impact on the accounting and business practices of the Transport industry. The new standard requires accounting for almost all the leases on the balance sheet and reveals lease liabilities that arise from various agreements.

The Transportation industry extensively leases a substantial number of assets that are used in the day-to-day operations of these companies. Assets like trucks and other vehicles (forklifts, cranes etc.), ships, trains and freight, airplanes, real-estate, material handling equipment, are that is quintessential to an efficient transport and logistics network.

The process of identifying and accounting operating leases on the balance sheet is quite complex. It will increase the burden on the administrative aspect of documenting leases. Small companies and companies with decentralized accounting systems will be at a disadvantage as they will have a hard time managing the implementation. Regardless of the size, each company may need to review and improve internal systems and leasing processes that collect and evaluate lease portfolios. Full compliance with the new lease accounting standards may seem like a distant dream, but with a comprehensive accounting software and lease management system, compliance can be effortlessly achieved.

A major part of this industry will be affected by the IFRS 16 standard that requires all the assets and liabilities that are leased to be put on the lessee's balance sheet.

Several entities are now faced with the challenge of identifying and accounting for all lease agreements. 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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The Hamilton Engine is built to make compliance simple and can help entities to achieve compliance and automate lease accounting for the Transport Industry. 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.



As an end-user of equipment finance, the trucking industry represented 5.7% of new business volume reported by ELFA member companies, down from 6.2% in 2016



Investment in trucks increased at an 11% annualized rate in Q1 2018, and in July 2018 was up 14% year over year



Preliminary Class 8 net orders reached a new all-time high record of 52,400 units in July 2018, increasing 24% month to month and 180% year over year



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