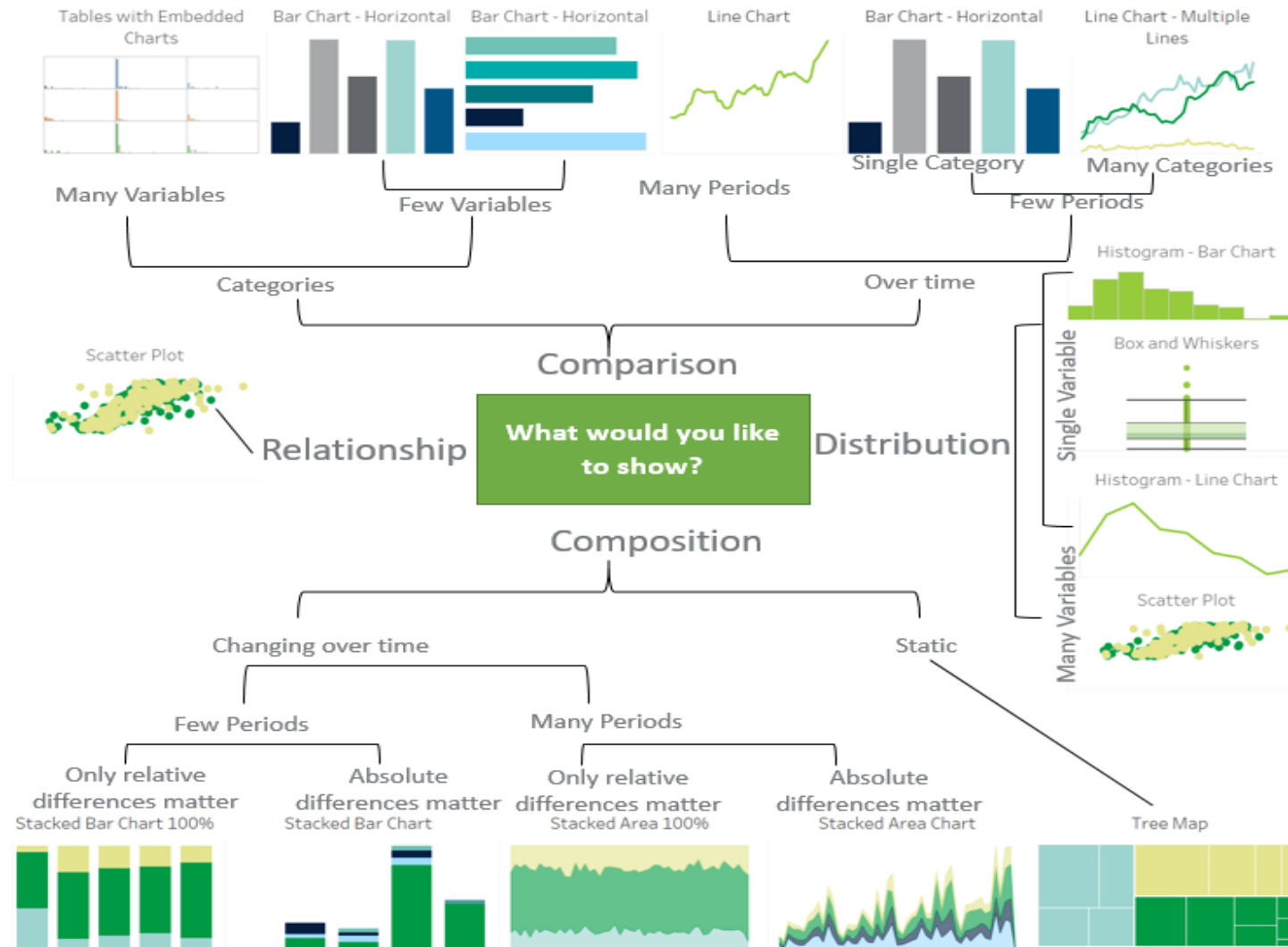




## Faculty Consortium 2019: Case Study Example: Data and the New Leasing Standard

# Audit analytics refresher

# Four types of analysis



# Setting the stage

# Case facts

- Retail company
- Adopted ASC 842, *Leases*, on January 1, 2019
- Data is the lease population (lease liabilities and right-of-use assets) as of January 1, 2019
- Voluminous data
  - Company has 4,000 operating leases
  - Total right-of-use assets and lease liabilities are over \$2.2 billion
  - Lease types are primarily related to “retail stores” but include other types, e.g., distribution facility, warehouse, regional branch
  - Certain leases have an impairment related to their right-of-use asset
  - 5 different discount rates (incremental borrowing rates) are applied to the population
- Data only contains operating leases

# Quick Activity: Evaluate the data

The data we have been provided to evaluate contains the following key identifiers:

- Lease Number
- Asset type
- Lease start date and lease expiration date
- Discount Rate (i.e., Incremental Borrowing Rate)
- Opening right-of-use asset balance
- Impairment amount
- Net right-of-use asset balance
- Total lease liability

Asset Type	Lease Number	Discount Rate	Period From	Period To	Opening ROU Asset Balance	less: Impaired Beg Bal	Net ROU Asset Balance	Total Liability
Retail Store	001	3.6440	12/30/2018	12/31/2025	422,714.82	0.00	422,714.82	422,714.82
Retail Store	002	3.6440	12/30/2018	12/31/2025	345,216.88	0.00	345,216.88	345,216.88
Retail Store	003	3.6440	12/30/2018	12/31/2022	195,595.37	0.00	195,595.37	195,595.37
Retail Store	004	3.6440	12/30/2018	12/31/2023	275,624.65	0.00	275,624.65	275,624.65
Retail Store	005	3.3140	12/30/2018	5/31/2022	373,548.37	0.00	373,548.37	373,548.37
Retail Store	006	3.6440	12/30/2018	12/31/2023	288,749.78	0.00	288,749.78	288,749.78
Retail Store	007	3.6440	12/30/2018	12/31/2022	332,404.84	0.00	332,404.84	332,404.84
Retail Store	008	3.6440	12/30/2018	12/31/2026	417,122.02	0.00	417,122.02	417,122.02

- **Discuss in groups:** Thinking about the role of an auditor, when reviewing the key identifiers of the data presented above, what questions would the auditor want answered to be better informed about the population in order to assist in their risk assessment considerations?

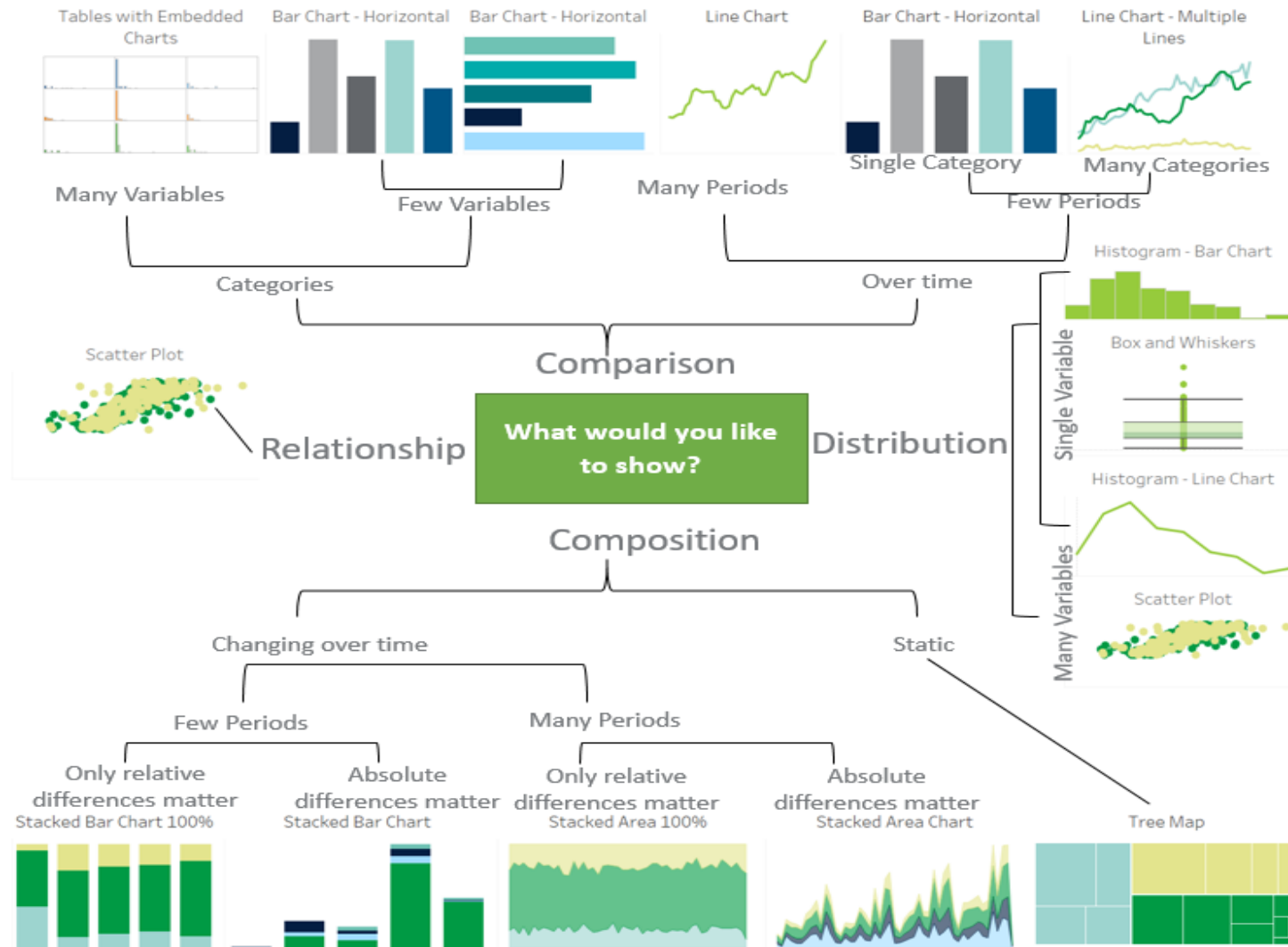


You have **3 - 4 minutes** to discuss. Be prepared to share with the group.

# Debrief: Risk assessment questions to answer

- How material are the leases individually? In the aggregate? On average?
- How many leases compose the population?
- What is the composition of the lease population by lease type?
- What are the lease terms (i.e., tenors) of the operating leases included within the population?
- What is the relationship between the lease terms (i.e., tenors) and the determined discount rates (i.e., incremental borrowing rates)?
- Is the right-of-use asset related to any leases impaired, and if so, how significant is the impairment?

# Quick Activity: What types of analysis are best?





# Debrief: Best types of analysis to use



# **Practical applications: how to apply audit analytics to a lease population**

# Key takeaways

# What questions do you have?





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