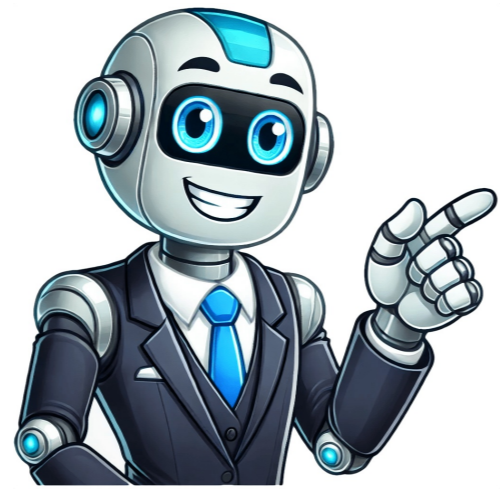


Click to verify



Mortgage Rates Refinance Rates Home Equity Rates Lease Amortization Schedule is used to calculate the monthly lease payments, principal, interest, and total lease payments throughout the term of the lease. Month # Starting Balance Interest Paid Principal Paid Total Payment Ending Balance 1 \$861,263.54 \$5,024.04 \$4,975.96 \$10,000.00 \$856,287.58 \$2,856,287.58 \$4,995.01 \$5,004.99 \$10,000.00 \$851,282.59 \$3,851,282.59 \$4,965.82 \$5,034.18 \$10,000.00 \$846,248.40 \$4,846,248.40 \$4,936.45 \$5,063.55 \$10,000.00 \$841,184.85 \$5,841,184.85 \$4,906.91 \$5,093.09 \$10,000.00 \$836,091.77 \$6,836,091.77 \$4,877.20 \$5,122.80 \$10,000.00 \$830,968.97 \$7,830,968.97 \$4,847.32 \$5,152.68 \$10,000.00 \$825,816.29 \$8,825,816.29 \$4,817.26 \$5,187.74 \$10,000.00 \$820,633.59 \$9,820,633.59 \$4,787.03 \$5,218.97 \$10,000.00 \$815,420.58 \$10,815,420.58 \$4,756.62 \$5,243.38 \$10,000.00 \$810,177.20 \$11,810,177.20 \$4,726.03 \$5,273.97 \$10,000.00 \$804,903.23 \$12,804,903.23 \$4,695.27 \$5,304.73 \$10,000.00 \$799,598.50 \$13,799,598.50 \$4,664.32 \$5,335.68 \$10,000.00 \$794,262.82 \$14,794,262.82 \$4,633.20 \$5,366.80 \$10,000.00 \$788,896.02 \$15,788,896.02 \$4,601.89 \$5,398.11 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\$10,000.00 \$240,594.21 \$95,240,594.21 \$1,403.47 \$8,596.53 \$10,000.00 \$231,997.67 \$96,231,997.67 \$1,353.32 \$8,646.68 \$10,000.00 \$223,350.99 \$97,223,350.99 \$1,302.88 \$8,697.12 \$10,000.00 \$214,653.87 \$98,214,653.87 \$1,252.15 \$8,747.85 \$10,000.00 \$205,906.02 \$99,205,906.02 \$1,201.12 \$8,798.88 \$10,000.00 \$197,107.14 \$100,197,107.14 \$1,149.79 \$8,850.21 \$10,000.00 \$188,256.93 \$101,188,256.93 \$1,098.17 \$8,901.83 \$10,000.00 \$179,355.10 \$102,179,355.10 \$1,046.24 \$8,953.76 \$10,000.00 \$170,401.33 \$103,170,401.33 \$999.01 \$9,005.99 \$10,000.00 \$161,395.04 \$104,161,395.04 \$941.47 \$9,058.53 \$10,000.00 \$152,336.82 \$105,152,336.82 \$888.63 \$9,111.37 \$10,000.00 \$143,225.45 \$106,143,225.45 \$835.48 \$9,164.52 \$10,000.00 \$134,060.93 \$107,134,060.93 \$782.02 \$9,217.99 \$10,000.00 \$124,842.95 \$108,124,842.95 \$728.25 \$9,271.75 \$10,000.00 \$115,571.20 \$109,115,571.20 \$674.17 \$9,325.83 \$10,000.00 \$106,245.37 \$110,106,245.37 \$619.76 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Simplify your process with our Lease Amortization Schedule Template. Designed for accuracy and ease, this Excel and Google Sheets template is a best-practice tool for tracking lease payments, interest expenses, and principal reductions. Who Should Use This Template? Perfect for accounting and finance teams managing leases under new lease accounting standards. Ideal for Corporate Controllers/Financial accountants/Audit teams/Why Use a Lease Amortization Schedule? Accurate lease accounting ensures compliance and transparency. A structured lease amortization schedule helps you: Track lease liabilities and expenses effortlessly. Generate detailed payment schedules with interest and principal breakdowns. Prepare precise journal entries for month-end reporting. Maintain audit-ready records. How To Use Input Lease Details: Enter lease start date, term, payment amount, discount rate, and any other key details. Automatic Calculations: The template computes monthly interest and principal payments, reducing manual errors. Journal Entry Prep: Use the schedule to streamline journal entries, ensuring accurate financial statements. Track Amortization: Monitor the reduction of lease liabilities over time. Benefits of Using the Template: Increased Accuracy: Automated calculations eliminate manual errors. Time Savings: Focus on analysis, not spreadsheets. Audit-Ready: Maintain a clear, compliant audit trail. Streamline Your Lease Accounting with Numeric.io Take control of your lease process with Numeric.io. Integrate this template into a robust cloud management system for: Real-time dashboards Centralized documentation Automated reminders and task tracking Download the Lease Amortization Worksheet Template today and elevate your lease accounting process. Get Started Lucas Russell | 2021-05-04 | In this how-to guide, we'll cover how to calculate a monthly lease liability amortization schedule. This method shows one of many ways of how to calculate a lease amortization schedule. The key attributes of this lease liability monthly amortization schedule are: One of the most common accounting lifetime values as well as the residual value, the total debt towards the asset is reduced or amortized each month. Under ASC 842, operating leases and financial leases have different amortization calculations. With our excel template you will be guided on how to calculate your lease amortization schedule for both lease types. If you are recording an operating lease, the lessee is responsible for making periodic payments in exchange for using the leased asset. The remaining lease liability must also include the interest expense. You'll know that you have an operating lease if the estimated economic life of the asset is less than 75% and the net present value (NPV) is at least 90% of the lessor's total value. What if the recorded lease is a finance lease? A finance lease is defined as an agreement in which ownership is transferred to the lessee, who is now responsible for the maintenance of the leased asset, including insurance and taxes, at the end of the lease term. Learn how to use the Occupier Lease Amortization Schedule in our lease amortization schedule excel spreadsheet, there are primary inputs that drive the initial recognition of your lease liabilities under the new lease accounting standards: Measurement Date - The measurement date should be the lease commencement date or the ASC 842 effective date. Lease Expiration Date - The lease expiration date is the last date of the lease. Lease Term (in months) - This is a calculated field to determine how many months the lease term is. This impacts how the ROU Asset is amortized/reduced. Annual Discount Rate - This is the annual incremental borrowing rate for this lease. Monthly Discount Rate - This is a calculated field to determine the monthly incremental borrowing rate. Initial Direct Costs - Incremental costs of a lease that would not have been incurred had the lease not been executed. Example: Broker commissions on executed lease. Incentives - A lease agreement may include incentives to encourage a lessee to sign the lease. Example: Tenant improvement allowance. Prepaid Rent - Any prepaid rent paid before the commencement date, reducing the initial lease liability. Initial Direct Costs - Costs directly attributable to negotiating and arranging the lease, such as legal fees, which are included in the right-of-use asset. Lease Incentives - Payments made by the lessor to the lessee as an incentive to enter into the lease, which reduces the total lease liability. Single Lease Expense: The total expense recognized for the lease in each period, combining interest and amortization of the right-of-use asset. 3- Operating Amortization Schedule: Period Number: Sequential numbering of each payment period for easy reference. Period Start Date: The beginning date of each payment period, crucial for tracking payment timing. Month's Payment: The actual lease payment made in each period, as specified in the lease agreement. Single Lease Expense: The total lease cost allocated for the month. Interest Accretion: The interest expense recognized in each period, calculated on the remaining lease liability. Allocated to Principal: The portion of the lease payment that reduces the principal balance of the lease liability. Lease Liability Balance: The remaining balance of the lease liability after each payment, reflects the unpaid obligation. Right-of-Use (ROU) Asset Balance: The carrying amount of the right-of-use asset after each period's amortization. ROU Accumulated Amortization: The cumulative amortization of the right-of-use asset up to each period, indicating the total expense recognized over time. How to Use Lease Amortization Schedule Template- 1- Input Lease Agreement Details Start by entering the essential lease details, including: Lease name or identifier/ Commencement date/ Vendor name/ Lease term (in months)/ Incremental borrowing rate/ Any prepaid payments, incentives, or direct costs- 2- Record Initial Lease Journal Entry Upon lease commencement, record the initial ROU asset and lease liability in your accounting system. This entry should reflect the total lease liability, initial payments, and any incentives received. 3- Track Monthly Lease Payments For each lease period, enter the monthly payment amount. The interest portion of the payment (Principal Reduction) updates the lease liability balance. 4- Verify Lease Liability Reduction Ensure that each payment properly reduces the lease liability by reconciling it with the amortization schedule. 5- Monitor and Adjust for Modifications If there are changes to the lease agreement, such as term extensions or payment adjustments, update the template accordingly to reflect the revised lease calculations. 6- Use for Financial Reporting and Audits The lease amortization schedule provides a detailed record that can be used for: Preparing financial statements Internal and external audits Lease compliance reviews What Is an Operating Lease? This post assumes some prior knowledge. If you're unaware of the new lease accounting standard, ASC 842, here's a quick summary. akin to ASC 840, the new lease accounting standard ASC 842 prescribes the lessee to determine the lease classification. However, under ASC 842, it's no longer the classification between operating leases and capital leases. It's now operating leases and finance leases. When transitioning to the new lease accounting standard, the standard allows you to grandfather previous lease classification under ASC 840. For more on this, refer here. This means the operating leases under ASC 840 can be carried forward as operating leases under ASC 842. If it's a new lease under ASC 842 and you're unsure what the classification should be, we have extensive material in determining if the lease meets the definition of an operating or finance lease under ASC 842, regardless of the lease classification, the lease is coming on the balance sheet. A lessee must recognize a right-of-use (ROU) asset and lease liability. The only exception is if the lease is less than twelve months long. Given this, accountants in your organization will need to know how to calculate an operating lease in compliance with ASC 842. Accounting for an Operating Lease Under ASC 840 Previously, accounting for operating leases under ASC 840 was relatively straightforward. Under ASC 840-20-25-1, it prescribed the following treatment: Rent shall be charged to expense by the lessee over the lease term as it becomes payable. If rental payments are not based on a straight-line basis, rental expense nevertheless shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the nature pattern in which the benefit is derived from the leased property, in which case a straight-line basis shall be used. If retrospective accounting is impracticable, a monthly classification was an operating lease under ASC 840. Accounting for an Operating Lease Under ASC 842 requires lessees to bring all leases on the balance sheet. The only exception is if at lease commencement, the lease term is 12 months or less. So what does this mean? It's essentially the same accounting for all your leases as if they were capital leases under ASC 840. Under ASC 842, an operating lease you now recognize: A lease liability: the present value of all known future lease payments/ Right-of-use asset: the lessee's right to use the leased asset. Which is amortized over the useful life of the asset. So, where to begin? If you're unsure, refer to our initial recognition guidance. This covers the fundamentals inputs of recognizing a lease liability and then a right of use asset. Modification Accounting for an Operating Lease Under ASC 842 The devil is in the detail when calculating modifications. If you're unsure of what a lease modification is, refer to detailed guidance here. When a modification occurs, the lease calculation must be updated to reflect the changes in contractual details. The two inputs that can be changed are: Either or both can change depending on the modification. When a lease modification occurs, you must update the present value calculation to reflect the updated lease liability value as the future payments have been changed. Example 2 illustrates how to calculate the lease liability and right of use asset when a lease modification occurs. Practical Examples So you've read the guidance, and now you're good to go. You have a basic understanding that the lease liability is the present value of the future lease payments at commencement. The right of use asset builds off that value, with a few other potential nuances throw-in. So it's time to put theory into practice and calculate the lease liability. We'll walk through step by step of a basic lease example. If you would like a copy of the lease calculation in excel, please reach out to . Obtaining the excel file will also allow you to use it as a template for future lease calculations. Finally, some additional background methodology: Calculations with the right, interest, and amortization are calculated for each individual date in the month of use. The date given in the template is the date of payment, and therefore gives the balance of the lease liability for each month. Step 3 - Apply the NPV formula to get the present value amount. If you're unsure of the basic principles of present value or unsure what formula you should use in Microsoft Excel, refer to our article on How to Calculate the Present Value of Future Lease Payments. Example 1 Scenario Start date: 2020-1-1 Accounting End date: 2020-12-31 Fixed Payment Amount: \$10,000/Payment Timing: In Advance/Payment Frequency: Monthly/Lease classification: Operating Lease/Discount rate: 7.00% Step 1 - Work Out Future Lease Payments The lease liability is the foundation of lease accounting under ASC 842, as the lease liability is the present value of future lease payments. So the first input of the calculation to figure out is what are future known lease payments at commencement. These are the figures we are going to use to establish the present value. Refer here for explicit guidance of what should be included in the lease payments. In reference to Example 1, it is 12 payments of \$10,000 falling on the first of each month for the period between 2020-1-1 to 2020-12-31. Step 2 - Determine the Discount Rate and Calculate the Lease Liability From an accounting judgement perspective, this is one of the more complex areas of lease accounting. For further information on how to determine the appropriate discount rate refer to this material. Once you have determined the discount rate, you have all the inputs to complete the XNPV formula in Microsoft Excel. In reference to Example 1, the discount rate is 7%. As a result, in the XNPV formula you will input Rate: 7%/Values: \$10,000 at the start of each month/Dates: 2020-1-1 to 2020-12-31 Inputting this data will give you the present value of the future lease payments of \$116,357.12. This is the lease liability amount at initial recognition. Step 3 - Calculate the Right-of-Use Asset Value The lease liability is the foundation of the right of use asset. When calculating the right of use asset value, if an consists of several inputs. For example, in the above example, the right of use asset value is \$116,357.12. Step 4 - Calculate the Unwinding of Lease Liability The amount of the unwinding of the lease liability and ROU asset calculated in compliance with ASC 842 at the next step is to calculate the unwinding of the lease liability to \$0. We already have all the necessary information given there have been no modifications to the lease term. We'll break down the calculation in reference to the above picture column by column. The formulas used do not change row to row: Column A - Date - Captures each day within the agreement from 2020-1-1 to 2020-12-31: Column B - Lease liability prepayment- Where the present value XNPV formula is input for each row: Column C - Payment - Future lease payments at each particular date: Column D - Lease liability post-payment - This is the lease liability amount post-payment. Payments reduce the lease liability balance: Column E - Interest- This is the daily interest amount calculated on the lease liability based on the daily discount rate: To calculate the daily discount rate is the following: (1+discount rate)^(1/365)-1: Column F - Lease liability closing - the lease liability post-payment plus the interest. It is the closing balance of the lease liability. This balance is brought forward to the next day: To ensure your lease liability has been calculated correctly ensure it unwinds to zero as shown in the below animation: Step 5 - Calculate the Right-of-Use Asset Amortization Rate You have calculated the unwinding of the lease liability and have the ROU asset opening value. Here are the following steps to take when calculating the ROU asset amortization schedule: a) Calculate the straight-line lease payment: Add up the total lease expense that is known at the outset of the commencement of the lease. The total lease expense is net of items like direct costs and lease incentives starting before the commencement. Using Example 1 the total lease expense is \$120,000 (\$10,000*12). Area to note: If there is an amount that is added to the ROU asset, for example, direct costs, this amount will also be added to the straight-line lease payment amount. b) Calculate the number of days in the agreement: a quick way to do this in Excel is to use the COUNT function. When calculating the amortization rate with ASC 842 and IFRS 16, help businesses maintain financial health and investor confidence. Ensure Compliance and Tax Optimization: Compliance with mandatory reporting requirements for businesses managing lease agreements. A well-maintained amortization schedule ensures adherence to regulatory requirements while also enabling businesses to optimize tax deductions related to lease expenses, effectively reducing overall tax liability. Provides Transparency for Audits and Financial Reviews: Auditors and financial analysts rely on accurate lease records to assess a company's financial position. This template facilitates seamless reviews by offering a detailed breakdown of lease payments, interest allocation, and asset depreciation. Who Can Use a Lease Amortization Schedule Template? Accountants and Finance Teams: Financial professionals rely on lease amortization schedules to ensure proper classification of lease expenses, maintain accurate books, and comply with financial reporting standards. Business Owners and CEOs: Decision-makers use lease amortization schedules to assess financial commitments, optimize lease agreements, and strategize long-term cost management. By understanding lease-related financial obligations, executives can make informed budgeting and investment decisions. Auditors and Regulatory Bodies: Auditors utilize lease amortization schedules to verify financial accuracy and ensure businesses comply with industry regulations. A well-maintained schedule simplifies audit trails, making it easier to track lease-related transactions and validate financial records. What Does the Lease Amortization Schedule Template Contain? 1- Lease Details Section: Lease Name/Identifier: A unique identifier for each lease agreement to facilitate easy tracking and reference. Commencement Date: The start date of the lease term. It is essential for calculating the schedule of payments and interest. Vendor: The lessor or leasing company providing the asset. Incremental Borrowing Rate: The interest rate used to discount future lease payments to their present value, reflecting the cost of borrowing for the lessee. Lease Term (in months): The total duration of the lease, which determines the number of payment periods in the amortization schedule. 2- Financial Components: Prepaid Lease Payment: Any lease payments made before the commencement date, reducing the initial lease liability. Initial Direct Costs: Costs directly attributable to negotiating and arranging the lease, such as legal fees, which are included in the right-of-use asset. Lease Incentives: Payments made by the lessor to the lessee as an incentive to enter into the lease, which reduces the total lease liability. Single Lease Expense: The total expense recognized for the lease in each period, combining interest and amortization of the right-of-use asset. 3- Operating Amortization Schedule: Period Number: Sequential numbering of each payment period for easy reference. Period Start Date: The beginning date of each payment period, crucial for tracking payment timing. Month's Payment: The actual lease payment made in each period, as specified in the lease agreement. Single Lease Expense: The total lease cost allocated for the month. Interest Accretion: The interest expense recognized in each period, calculated on the remaining lease liability. Allocated to Principal: The portion of the lease payment that reduces the principal balance of the lease liability. Lease Liability Balance: The remaining balance of the lease liability after each payment, reflects the unpaid obligation. Right-of-Use (ROU) Asset Balance: The carrying amount of the right-of-use asset after each period's amortization. ROU Accumulated Amortization: The cumulative amortization of the right-of-use asset up to each period, indicating the total expense recognized over time. How to Use Lease Amortization Schedule Template- 1- Input Lease Agreement Details Start by entering the essential lease details, including: Lease name or identifier/ Commencement date/ Vendor name/ Lease term (in months)/ Incremental borrowing rate/ Any prepaid payments, incentives, or direct costs- 2- Record Initial Lease Journal Entry Upon lease commencement, record the initial ROU asset and lease liability in your accounting system. This entry should reflect the total lease liability, initial payments, and any incentives received. 3- Track Monthly Lease Payments For each lease period, enter the monthly payment amount. The interest portion of the payment (Principal Reduction) updates the lease liability balance. 4- Verify Lease Liability Reduction Ensure that each payment properly reduces the lease liability by reconciling it with the amortization schedule. 5- Monitor and Adjust for Modifications If there are changes to the lease agreement, such as term extensions or payment adjustments, update the template accordingly to reflect the revised lease calculations. 6- Use for Financial Reporting and Audits The lease amortization schedule provides a detailed record that can be used for: Preparing financial statements Internal and external audits Lease compliance reviews What Is an Operating Lease? This post assumes some prior knowledge. If you're unaware of the new lease accounting standard, ASC 842, here's a quick summary. akin to ASC 840, the new lease accounting standard ASC 842 prescribes the lessee to determine the lease classification. However, under ASC 842, it's no longer the classification between operating leases and capital leases. It's now operating leases and finance leases. When transitioning to the new lease accounting standard, the standard allows you to grandfather previous lease classification under ASC 840. For more on this, refer here. This means the operating leases under ASC 840 can be carried forward as operating leases under ASC 842. If it's a new lease under ASC 842 and you're unsure what the classification should be, we have extensive material in determining if the lease meets the definition of an operating or finance lease under ASC 842, regardless of the lease classification, the lease is coming on the balance sheet. A lessee must recognize a right-of-use (ROU) asset and lease liability. The only exception is if the lease is less than twelve months long. Given this, accountants in your organization will need to know how to calculate an operating lease in compliance with ASC 842. Accounting for an Operating Lease Under ASC 840 Previously, accounting for operating leases under ASC 840 was relatively straightforward. Under ASC 840-20-25-1, it prescribed the following treatment: Rent shall be charged to expense by the lessee over the lease term as it becomes payable. If rental payments are not based on a straight-line basis, rental expense nevertheless shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the nature pattern in which the benefit is derived from the leased property, in which case a straight-line basis shall be used. If retrospective accounting is impracticable, a monthly classification was an operating lease under ASC 840. Accounting for an Operating Lease Under ASC 842 requires lessees to bring all leases on the balance sheet. The only exception is if at lease commencement, the lease term is 12 months or less. So what does this mean? It's essentially the same accounting for all your leases as if they were capital leases under ASC 840. Under ASC 842, an operating lease you now recognize: A lease liability: the present value of all known future lease payments/ Right-of-use asset: the lessee's right to use the leased asset. Which is amortized over the useful life of the asset. So, where to begin? If you're unsure, refer to our initial recognition guidance. This covers the fundamentals inputs of recognizing a lease liability and then a right of use asset. Modification Accounting for an Operating Lease Under ASC 842 The devil is in the detail when calculating modifications. If you're unsure of what a lease modification is, refer to detailed guidance here. When a modification occurs, the lease calculation must be updated to reflect the changes in contractual details. The two inputs that can be changed are: Either or both can change depending on the modification. When a lease modification occurs, you must update the present value calculation to reflect the updated lease liability value as the future payments have been changed. Example 2 illustrates how to calculate the lease liability and right of use asset when a lease modification occurs. Practical Examples So you've read the guidance, and now you're good to go. You have a basic understanding that the lease liability is the present value of the future lease payments at commencement. The right of use asset builds off that value, with a few other potential nuances throw-in. So it's time to put theory into practice and calculate the lease liability. We'll walk through step by step of a basic lease example. If you would like a copy of the lease calculation in excel, please reach out to . Obtaining the excel file will also allow you to use it as a template for future lease calculations. Finally, some additional background methodology: Calculations with the right, interest, and amortization are calculated for each individual date in the month of use. The date given in the template is the date of payment, and therefore gives the balance of the lease liability for each month. Step 3 - Apply the NPV formula to get the present value amount. If you're unsure of the basic principles of present value or unsure what formula you should use in Microsoft Excel, refer to our article on How to Calculate the Present Value of Future Lease Payments. Example 1 Scenario Start date: 2020-1-1 Accounting End date: 2020-12-31 Fixed Payment Amount: \$10,000/Payment Timing: In Advance/Payment Frequency: Monthly/Lease classification: Operating Lease/Discount rate: 7.00% Step 1 - Work Out Future Lease Payments The lease liability is the foundation of lease accounting under ASC 842, as the lease liability is the present value of future lease payments. So the first input of the calculation to figure out is what are future known lease payments at commencement. These are the figures we are going to use to establish the present value. Refer here for explicit guidance of what should be included in the lease payments. In reference to Example 1, it is 12 payments of \$10,000 falling on the first of each month for the period between 2020-1-1 to 2020-12-31. Step 2 - Determine the Discount Rate and Calculate the Lease Liability From an accounting judgement perspective, this is one of the more complex areas of lease accounting. For further information on how to determine the appropriate discount rate refer to this material. Once you have determined the discount rate, you have all the inputs to complete the XNPV formula in Microsoft Excel. In reference to Example 1, the discount rate is 7%. As a result, in the XNPV formula you will input Rate: 7%/Values: \$10,000 at the start of each month/Dates: 2020-1-1 to 2020-12-31 Inputting this data will give you the present value of the future lease payments of \$116,357.12. This is the lease liability amount at initial recognition. Step 3 - Calculate the Right-of-Use Asset Value The lease liability is the foundation of the right of use asset. When calculating the right of use asset value, if an consists of several inputs. For example, in the above example, the right of use asset value is \$116,357.12. Step 4 - Calculate the Unwinding of Lease Liability The amount of the unwinding of the lease liability and ROU asset calculated in compliance with ASC 842 at the next step is to calculate the unwinding of the lease liability to \$0. We already have all the necessary information given there have been no modifications to the lease term. We'll break down the calculation in reference to the above picture column by column. The formulas used do not change row to row: Column A - Date - Captures each day within the agreement from 2020-1-1 to 2020-12-31: Column B - Lease liability prepayment- Where the present value XNPV formula is input for each row: Column C - Payment - Future lease payments at each particular date: Column D - Lease liability post-payment - This is the lease liability amount post-payment. Payments reduce the lease liability balance: Column E - Interest- This is the daily interest amount calculated on the lease liability based on the daily discount rate: To calculate the daily discount rate is the following: (1+discount rate)^(1/365)-1: Column F - Lease liability closing - the lease liability post-payment plus the interest. It is the closing balance of the lease liability. This balance is brought forward to the next day: To ensure your lease liability has been calculated correctly ensure it unwinds to zero as shown in the below animation: Step 5 - Calculate the Right-of-Use Asset Amortization Rate You have calculated the unwinding of the lease liability and have the ROU asset opening value. Here are the following steps to take when calculating the ROU asset amortization schedule: a) Calculate the straight-line lease payment: Add up the total lease expense that is known at the outset of the commencement of the lease. The total lease expense is net of items like direct costs and lease incentives starting before the commencement