

Procurement Guidance - (10/2021)

T3.8.5 Accounting Treatment of Leases Revised 9/2020

A General Added 1/2006

1 Evaluation of Lease to Determine Accounting Treatment Revised 9/2020

B Clauses Added 1/2006

C Forms Added 1/2006

D Appendix Added 1/2006

T3.8.5 Accounting Treatment of Leases Revised 9/2020

A General Added 1/2006

1 Evaluation of Lease to Determine Accounting Treatment Revised 9/2020

Any cost lease must be evaluated prior to award to determine whether it should be classified as an operating lease, a capital lease, or lease purchase. This classification has profound effect on the amount of funding that must be scored (reserved) for the lease per the requirements of OMB Circular A-11, and COs must be aware that a capital lease is not to be entered into, unless the requesting office certifies that it has reserved appropriate funds for the capital lease IAW OMB Circular A-11 requirements. The evaluation is accomplished by the CO and the assigned accounting office. The CO follows the form directions and completes data fields on a form, "Evaluation of Lease to Determine Accounting Treatment" and submits the completed form to their supporting accounting office. Note: Some leases are "automatically" considered operating or capital leases – based on answers provided in sections 1 and 2 of the form. See form instructions for details. The lease data is entered into the accounting system and the tests are performed to determine whether the lease should be classified as operating or capital. The CO should reference the following sources for further information on lease determinations:

- (i) PRISM/DELPHI Business Process Solution: see Capital Leases
- (ii) PRISM/DELPHI Business Process Solution: see Leases
- (iii) Accounting Capitalization Desk Guide: see Accounting Capitalization Desk Guide
- (iv) OMB Circular A-11, Appendixes A & B: see OMB Circular A-1, Part 8, Appendix A and OMB Circular A-11, Part 8, Appendix B
- (v) Real estate Contracting Officers refer to Guidance T3.8.8.B.8 Capitalization of Leases and Leasehold Improvements

B Clauses Added 1/2006

[view contract clauses](#)

C Forms Added 1/2006

[view procurement forms](#)

D Appendix Added 1/2006

1. Reserved for Copy of Sample personal property lease
2. PRISM/DELPHI Lease Business Process: Leases
3. PRISM/DELPHI Capital Lease Business Process: CAPITAL LEASES