

# Sale-Leaseback Example – Current Accounting

\*\*Disclaimer – The exposure draft received nearly 700 letters of comment through the comment period ended December 15, 2010. There is some expectation that key features of the standard will be modified as a result of constituent response. As a result, these illustrative examples will not likely be accurate or appropriate to rely upon after issuance of the final standard. We have provided these as an educational tool only and do not represent these examples to be accurate under current or future final standards. Any templates used in the examples below are for internal use only and are not available for distribution.

**Seller/lessee owns a 20,000 square foot office building**  
**Sale/leaseback occurs on December 31, 2009, meets accounting criteria for sale/leaseback**

***Current ownership costs***

Original purchase price	\$ 50,000,000
NBV at sale	\$ 15,000,000
S-L Depr life (yrs)	30
Depreciation (per year)	\$ 1,666,667

***Loan figures***

Loan	\$ 35,000,000
Down payment	\$ 15,000,000
Age of loan (yrs)	9
Interest rate	7%
Term of loan (yrs)	20
Interest expense	\$ 1,704,805

***Future lease costs***

Per square foot:		
Year 1	\$	22
5% increase annually		
Term (years)		20
Year 1 rent	\$	5,280,000

**2010 TOTAL EXPENSE**                      **\$ 3,371,472**

**YEARLY TOTAL**                                              **\$ 5,280,000**

***Sale-leaseback numbers***

Sale price	\$ 45,000,000
Mortgage payoff	\$ 23,505,026
Proceeds to seller	\$ 21,494,974
Gain	\$ 30,000,000

***Adjustment to record sale***

Cash	\$ 21,494,974	
Accumulated depreciation	\$ 35,000,000	
Loan payable	\$ 23,505,026	
Building		\$ 50,000,000
Gain on sale of assets		\$ 30,000,000