

# lease accounting



Market Readiness One Year after  
the Publication of ASC 842

lease  
accelerator<sup>®</sup>

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# EXECUTIVE SUMMARY

One year has passed since the initial publication of the new ASC 842 Leases standard by the Financial Accounting Standards Board (FASB). In an effort to provide a quantitative Progress Report on the status of lease accounting projects, LeaseAccelerator conducted a research study earlier this month with over 250 accounting and finance leaders. The survey respondents were from large US-based public and private companies, most with revenues of \$1 Billion or higher. A series of 10 multiple choice questions were asked to assess the progression of activities in areas such as project leadership, resource staffing, budget allocation, data collection and systems strategy. The key findings of the study are outlined below.

## KEY FINDINGS

### More than Two Thirds of Companies Are On Schedule

Companies are starting to take action and making progress, with two-thirds reporting to be ahead of schedule or on-schedule. Approximately, 70% of companies have assigned a formal project manager, indicating an executive-level commitment towards resourcing the project. However, fewer than 30% have taken the next step of assigning a formal budget for the project. A noteworthy 25% of companies have not started the project yet.

### Most are Finding the Project More Complex than Anticipated

Almost two-thirds of companies are finding the lease accounting project to be more complex than originally anticipated. The top implementation challenge is modifying business processes, policies and controls across the business to support the new standards. Other top challenges include collecting and analyzing the leasing data; upgrading and deploying new software; and project managing the cross-functional work effort.

### Equipment Leases Proving Most Difficult to Collect and Analyze

More than half of our survey respondents have defined the list of data that needs to be collected, and have taken an inventory of their lease portfolio. Approximately one-third of companies have progressed even further by collecting 25% or more of their overall lease accounting data. Leases from the IT, fleet and other equipment categories are proving to be the most challenging to analyze along with leases embedded in service contracts and outsourcing agreements

### Most Have Defined a Software Strategy

Approximately 70% of companies reported having defined a systems strategy. The majority plan to replace spreadsheet-driven ASC 840 tools with a proper lease accounting software application. However, less than one-third have issued an RFP, selected a vendor or started loading data into a software application. Existing ERP vendors and new best-of-breed lease accounting providers are the most likely to be considered for software needs.

### Few Have Extended the Project Beyond Accounting

The technical accounting and financial reporting organizations, as expected, are leading the project efforts at almost all companies. Roughly one-third of survey respondents have included the Corporate Real Estate and IT groups as strategic members of the lease accounting project team. Fewer companies have organized a true enterprise-wide team that includes critical functions such as Procurement, Treasury and Operations.

## RECOMMENDATIONS

### Allow Time for Testing and Reconciliation

We believe that most customers will plan to have three to nine months of parallel runs before transitioning. The parallel testing period will enable accounting to identify and reconcile differences between reports run under the current (ASC 840) standard and the new standard (ASC 842). Additionally, companies should avoid an “eleventh hour” deployment as systems changes made in the fourth quarter of a fiscal year could impact Sarbanes Oxley audits or create unnecessary risks with year-end reporting.

### Extend Beyond Accounting to a Cross-Functional Project Team

Fewer than 50% of survey respondents indicated that any group other than accounting was playing a strategic role in the project. We believe that more companies should consider securing participation from the Corporate IT, Procurement and Treasury organizations, particularly as they think strategically about the business processes, policies and controls needed for long-term success. Corporate IT will have a critical role ensuring cybersecurity and application integration requirements are met with any new software deployed. As the tip of the spear in any new leasing transaction, Procurement is in the driver’s seat to ensure accounting is alerted to any new leases, end of term equipment buyouts or long-term real estate renewals. Treasury, which typically owns credit relationships with lessors, is well positioned to influence leasing companies, to provide all the documentation and data needed upfront.

### Appoint an Executive Sponsor to Oversee Complex Projects

Less than 40% of companies reported having appointed an Executive Sponsor for the project. The importance of the Executive Sponsor role will vary depending upon the nature of your lease portfolio. Companies with a healthy mix of real estate, vehicle fleet, data center, material handling and transportation equipment leases will need to involve various operations teams and business units around the world to complete the project. Corporate functions such as Procurement, Treasury and Legal will need to be involved as well. Success with these types of highly-matrixed project teams will benefit greatly from the participation of an Executive Sponsor.

### Move Quickly to Secure Budget and Resources

Fewer than 30% of companies have secured a formal budget for incremental spend items such as lease accounting software and implementation support from external firms. As a result, it would seem that many of these organizations have missed the budgeting window to secure the funds needed to procure software and hire consulting resources in 2017. To mitigate risks we would encourage project leaders to not to wait until 2018, but seek out creative ways of funding the project this year.

### Develop a Contingency Plan for Implementation Support

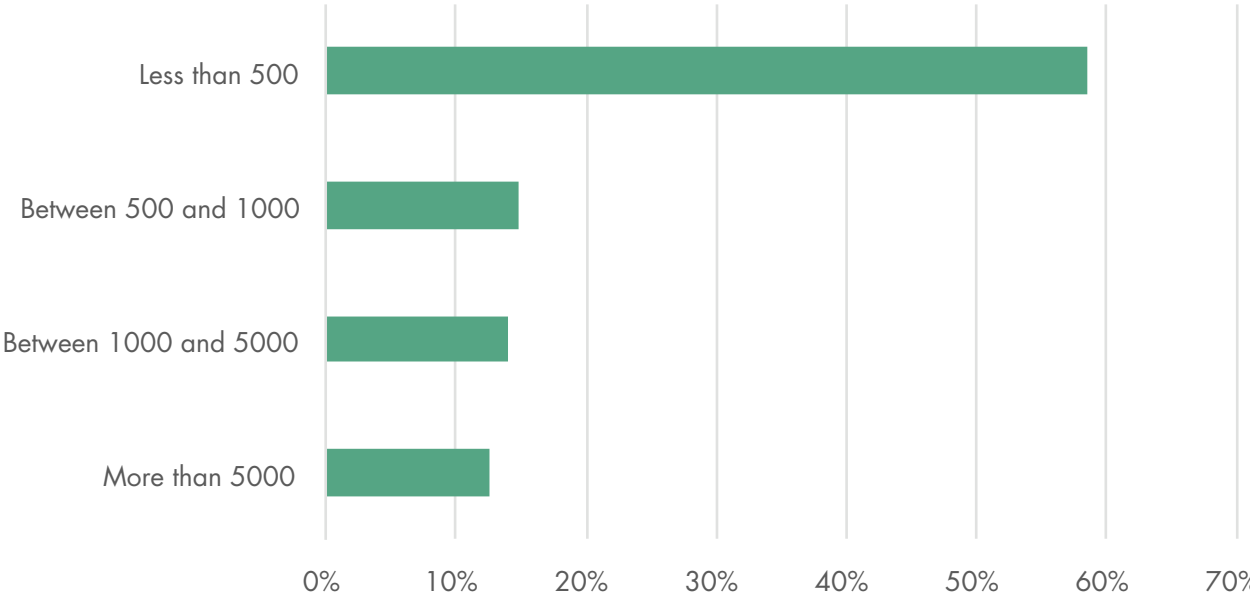
Only 30% of survey respondents are currently planning to use outside consultants from the Big Four or other firms. However, we believe that tasks such as collecting all the necessary leasing data; re-designing cross-departmental business processes; and integrating systems will take much longer than anticipated. As a result, some companies will realize mid-implementation that they have under-estimated and under-funded their projects and will make the proverbial “911” call for outside help. We would encourage companies with more complex, international lease portfolios to develop contingency plans in place should they need to augment staff.

# SURVEY DEMOGRAPHICS

The survey was completed in February 2017 a few weeks prior to the one-year anniversary of FASB’s publication of ASC 842 (February 25, 2016). Over 250 senior leaders from Finance and Accounting organizations at large private and public companies responded. Most came from companies with more than \$1 Billion in revenues.

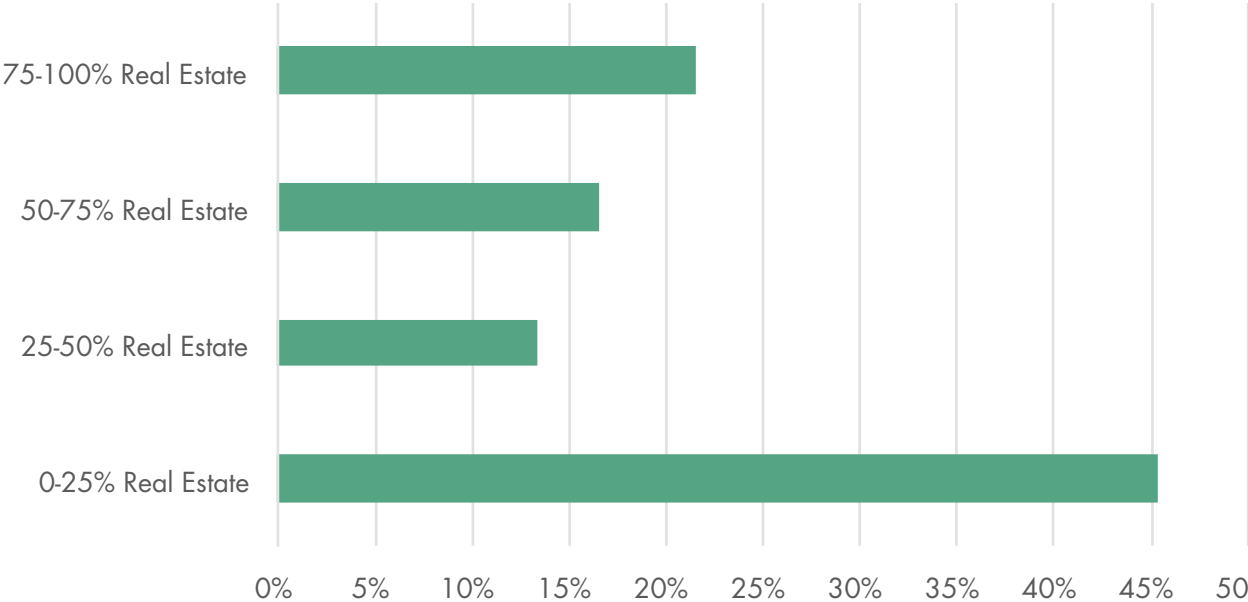
The respondents represented a diverse range of leasing portfolios - both large and small. Approximately 60% had small portfolios of fewer than 500 leases. Another 25% had relatively large portfolios of more than 1000 leases.

## How many total leases do you have across your business?



The composition of the lease portfolios was fairly diverse as well, with more than 60% of companies indicating a healthy mix of IT, fleet, equipment and other types of non-real estate leases.

**What percentage of your total leases are real estate (versus IT, fleet, equipment, etc)?**



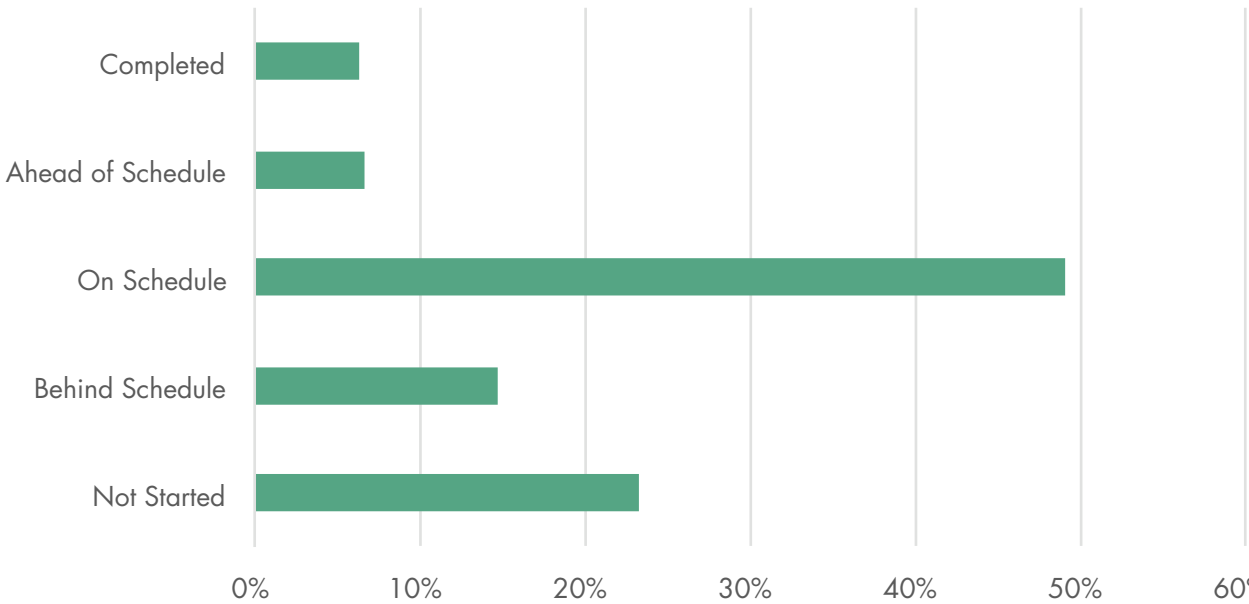
# PROJECT READINESS

Although a year has passed since FASB’s publication of ASC 842, the earliest implementation deadlines for public companies remain 22 months away (December 2018). And most of the key stakeholders that would lead a cross-functional lease accounting project are immersed in other accounting change initiatives - some of which have a greater sense of urgency. For example, in our discussions with companies, we find that Revenue Recognition (ASC 606) changes are still dominating the agenda for many accounting organizations.


Furthermore, most large corporations are in the process of wrestling with one to two mega-projects that require heavy participation from corporate functions such as Accounting, Treasury, Procurement, Real Estate and IT. For example, many Fortune 1000 companies are in the process of integrating one or two recent mergers or acquisitions. A number of organizations we speak with are also somewhere on a multi-year journey to upgrade, consolidate or standardize their ERP applications. Of course, these accounting change initiatives and mega-projects are on top of the typical “day job” of closing the books and issuing quarterly reports.

Given the various projects competing for resources and attention, we were not surprised to see that almost 40% of companies were either behind schedule or had not started the project. However, an encouraging number, 55% of companies, reported being ahead of schedule or on-schedule.

## Which of the following best describes the current state of your lease accounting project?



Perhaps, two additional questions we should have asked are “How do you define on-schedule?” and “What is your target project completion date?” We believe that most accounting organizations will want to be ready three to twelve months in advance of their mandatory cutover date.



Most companies prefer to avoid making any changes to their accounting systems in the last quarter of a fiscal year. “Eleventh-hour” systems changes could impact Sarbanes-Oxley audits or create unnecessary risks with year-end reporting. Assuming that most companies will prefer a fourth-quarter “code freeze” most will likely push the deadline for project completion up by three months. Public companies with a December 31st fiscal year-end would therefore need to be ready by September 2018.

Another factor pushing the deadline up is the need for testing and resolution of discrepancies. We believe that most customers will plan to have three to nine months of parallel runs before transitioning. The parallel run testing period will enable accounting to identify and reconcile differences between reports run under the current (ASC 840) standard and the new standard (ASC 842). We believe that most companies will find inconsistencies between reporting under the new and current standard for several reasons. Historically, the reporting of operating leases has been a highly manual, spreadsheet-driven process. With leases moving on the balance sheet we expect companies will perform much more diligence to identify the complete population of leases and confirm the accuracy of the data. Companies will need six months, on average, to sort these issues out.

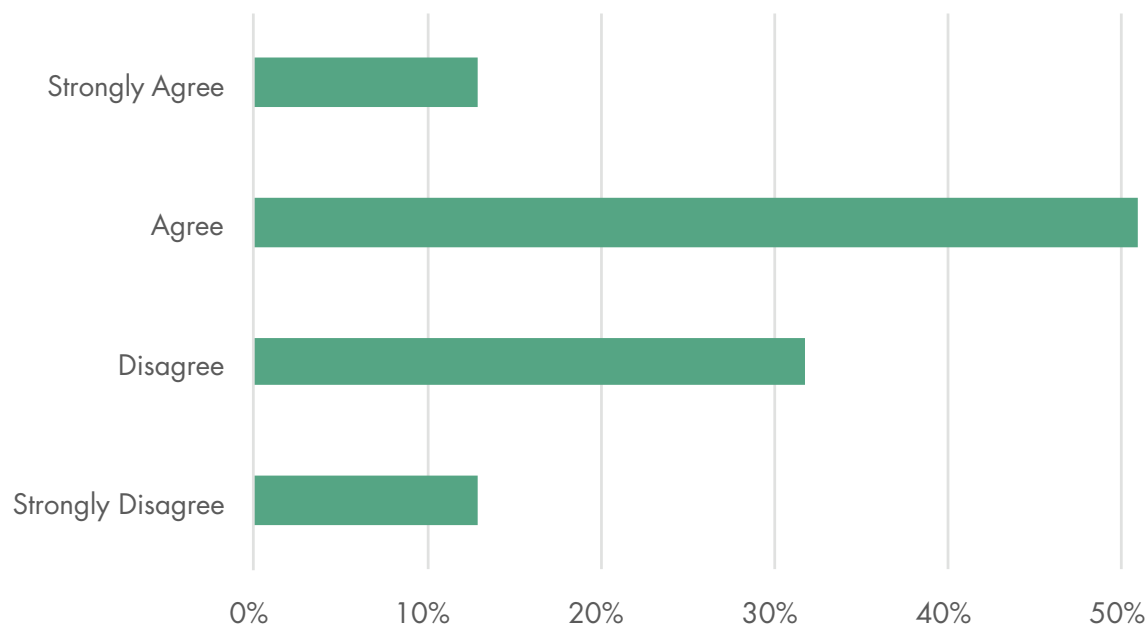
Adding a six-month parallel run period to a three-month, year-end code freeze, would effectively push the deadline for project completion up by nine months. For example, December 31st public company filers would need to have a lease accounting software application in place with all the existing population of leases uploaded by March 31st, 2018.



## TOP IMPLEMENTATION CHALLENGES

Almost two-thirds of companies have found the lease accounting project to be more complex than originally anticipated.

### Our lease accounting project is more complex than we originally anticipated? (Select all that apply)



The top challenges confronted include:

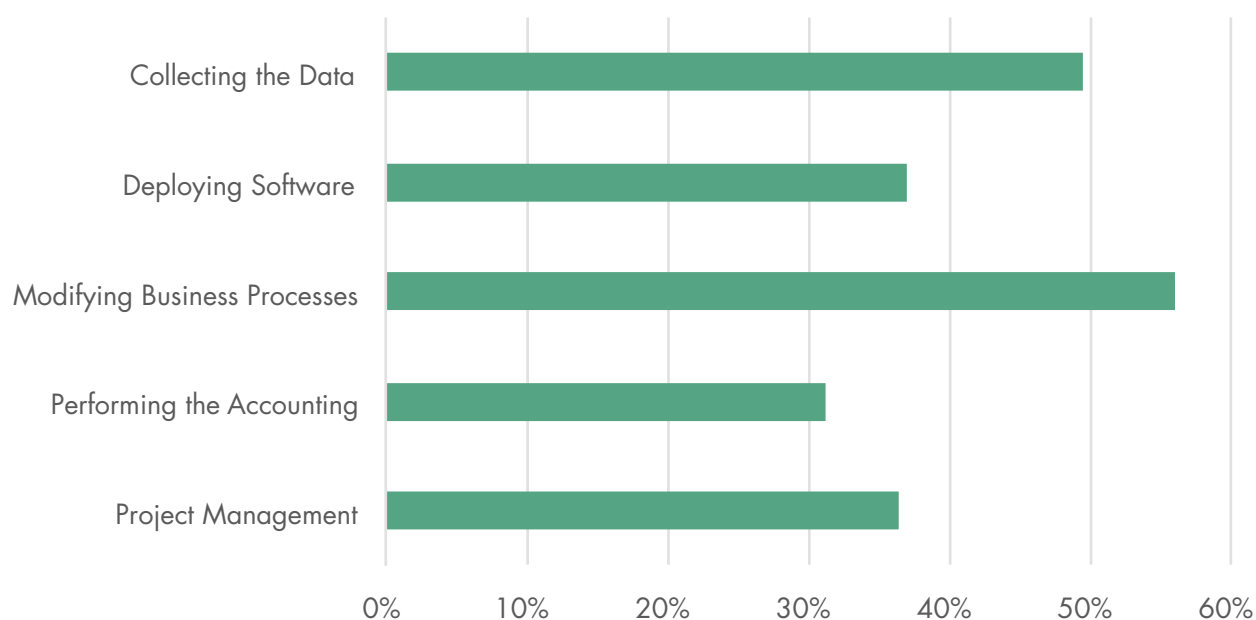
#### Business Processes

To comply with the accounting rules, companies will need to ensure that groups such as Procurement, Real Estate and Operations are collecting all of the necessary leasing data at commencement. During the term of a lease, changes to rent payments or end-of-lease plans will need to be reported by business users, as they may trigger reassessments or modifications to the accounting. Additionally, due to the balance sheet-level impact that leases will now have, companies may want to institute more stringent policies and controls. For example, lease versus buy analysis may be required in more scenarios. Additional approvals may be required prior to the execution of a new lease; end of term equipment buyout; or long-term real estate renewal.

## Data Collection

To perform the accounting calculations, judgments and policy elections, companies will need to collect over 100 different data elements for each lease. Most of these data elements will come from documentation such as the Master Lease Agreement, Schedule and Purchase Order. Other pieces of data will come from discussions with the budget holders or asset owners. Most companies do not have a centralized repository for all of their leasing documentation. As a result, project teams will need to go on a scavenger hunt to collect the data from contract and asset management systems, Microsoft Excel spreadsheets and Access databases, file cabinets and manila folders. There will be inconsistencies between different data sources, which will need to be reconciled before uploading the information into a lease accounting system.

## Which of the following do you view as posing a significant implementation challenge? (Select all that apply)



## New Software

Historically, most companies performed lease accounting and the associated financial reporting on spreadsheets. Since the introduction of ASC 842, a number of Commercial Off-The-Shelf software applications designed for global enterprises have emerged. These lease accounting applications include dedicated sub-ledgers to track journal entries for leases; accounting engines which can perform multiple set-of-book reporting in IFRS and US GAAP; and automated classification analysis tools to categorize finance and operating leases. As this is a new category of software, companies must climb the learning curve about potential solutions before issuing an RFP and selecting a vendor.

## Project Management

Unlike many other accounting change initiatives, which could be managed within the four walls of the accounting organization, ASC 842 will require a cross-functional, enterprise-wide project. The business units that use the leased assets - such as laptops, servers, forklifts, trucks and rail cars - will need to provide documentation and input to the accounting process. Corporate functions such as Real Estate, Treasury, Procurement, Accounts Payable and IT will need to ensure that the business processes, policies and controls are in place to support lease accounting on an on-going basis. A strong project management effort will be needed to secure participation from this wide group of stakeholders, each of whom likely is over-scheduled supporting other corporate initiatives.

## Accounting Change

ASC 842 introduces a number of new approaches to the accounting for leases. Beyond the transition of operating leases onto the balance sheet, FASB introduced additional qualitative disclosures and more detailed methodologies to be followed during the record-to-report process. ASC 842 includes a new, expanded definition of a lease that includes assets embedded on service contracts and outsourcing agreements. Capital and operating leases used in ASC 840 have been replaced by a new classification model in ASC 842. Additionally, companies will need to review the key contractual and operational dates for each lease as well as consult business owners on end of term plans to arrive at reasonably certain holding periods. The line items within each contract will need to be reviewed to separate lease from non-lease components.

We will elaborate on a few of these key challenges in later sections.

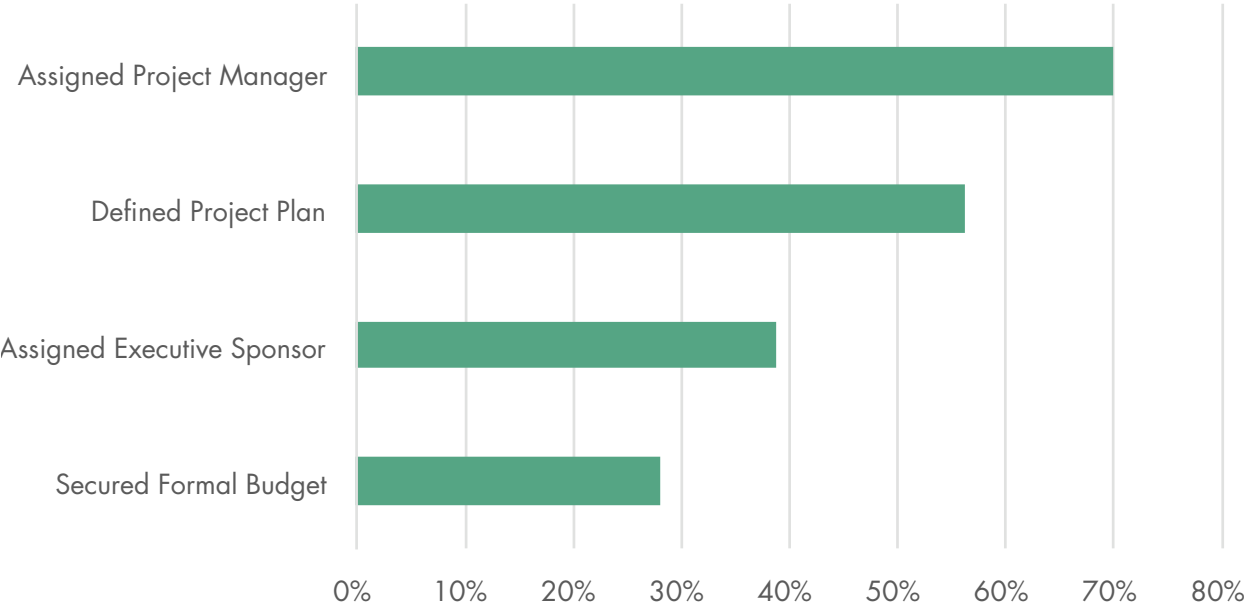
# BUDGET AND RESOURCES

## Project Management

Approximately, 70% of companies reported having assigned a formal project manager for the new lease accounting standards. The allocation of resources and assignment of ownership is generally a healthy indicator of organizational commitment and a key catalyst to moving forward. Arguably, the most important person on the lease accounting team, the project manager will be responsible for managing to key milestones, understanding project risks and escalating potential showstoppers to the executive team. The best project managers will not only have strong leadership and teamwork skills, but should be well-versed in finance and accounting functions as well. Project managers will be knee-deep in lease accounting issues and should not be easily scared off when people start talking about depreciation, amortization and guaranteed residuals.

More than half (56%) of companies reported having defined a project plan for implementing the standards. At first glance, 56% might sound low as the development of a project plan might typically is a natural first step for most project managers. However, in the case of lease accounting, we believe that is it is difficult to develop any type of meaningful plan until you have inventoried your lease population, defined the data collection strategy, selected a software application and identified an implementation partner. As a result, we believe that many companies will have considerably more detail to add to their plans over the coming months. In fact, we have talked to many companies whose project plan was essentially to talk to a number of external experts to assess what the plan should be.

### Which of the following steps have you completed in your lease accounting project? (Select all that apply)



## Executive Sponsorship

Less than 40% of companies reported having appointed an Executive Sponsor for the project. The importance of the Executive Sponsor role will vary depending upon the nature of your lease portfolio. Some companies may be able to successfully complete the project without close involvement from a senior leader. For example, companies whose lease portfolios consist of 90% office buildings can likely manage the project through close collaboration between Corporate Real Estate and Accounting departments. Companies whose lease portfolios are 95% desktop and data center technology can probably get by with a teaming arrangement between the IT and Accounting organizations.

However, companies with a healthy mix of real estate, vehicle fleet, data center, material handling and transportation equipment leases will need to involve various operations teams and business units around the world to complete the project. Corporate functions such as Procurement, Treasury and Legal will need to be involved as well. Success with these types of highly-matrixed project teams will benefit greatly from the participation of an Executive Sponsor. For example, executive support may be needed to ensure that owners of leased assets in far-flung geographic regions participate in the project. Real estate and equipment lease owners from Europe, Asia Pacific, Latin America will need to prioritize the effort to collect and submit all of their leasing documentation in a timely manner.

## Budget Approval

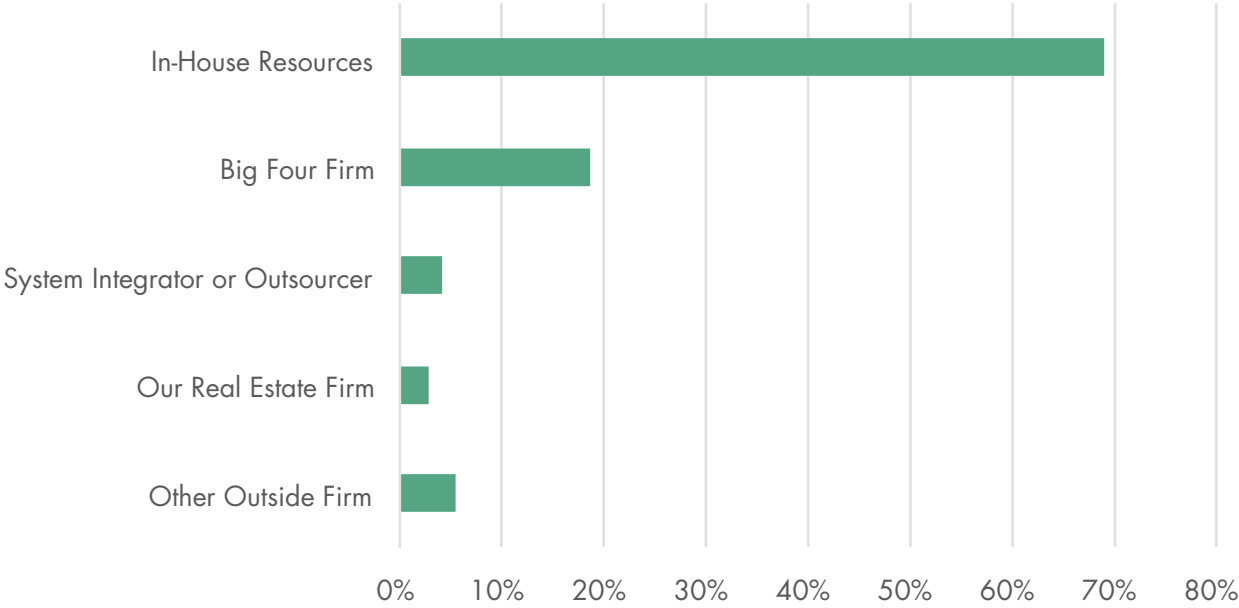
Less than 30% of companies have secured a formal budget for their lease accounting project, which is not surprising given that most companies are in the early stages of the project. There are a few key incremental spend items that project teams will need to plan for. For example, most companies will need to budget for a specialized lease accounting software package. Those with more complex lease portfolios may also need consulting support to help customize and integrate the application with the general ledger. Collecting the necessary leasing data will be a significant challenge for most companies. Some will need to budget for data abstraction software to capture key leasing terms from contracts. Others will need to augment their staff on a short-term basis to review leasing contracts and interpret the terms of the lease.

The majority (over 70%) of Fortune 1000 companies have fiscal years that align with the calendar year. As a result, it would seem that many of these organizations have missed the budgeting window to secure the funds needed to procure software and hire consulting resources in 2017. Those organizations will either have to hold off major project investments until 2018 or find creative ways to fund the initiative. Project teams could make mid-year budget requests for the lease accounting project. However, few public companies leave funds unallocated for mid-year contingencies. As a result, any successful mid-year budget allocations will likely be funds transferred from another program.

## Implementation Resources

One budget management strategy that many organizations appear to be exercising is avoiding use of external resources to support the project. Almost 70% are planning to use in-house resources to implement the new standards. Approximately 20% of companies surveyed are planning to use a "Big Four" firm (EY, PWC, Deloitte or KPMG) to help with the implementation. The remaining 10% plan to use management or technology consultants from Accenture, IBM, HP, or Genpact or real estate partners such as CBRE or JLL.

## What approach will you take to implementing the new lease accounting standards? (Select all that apply)



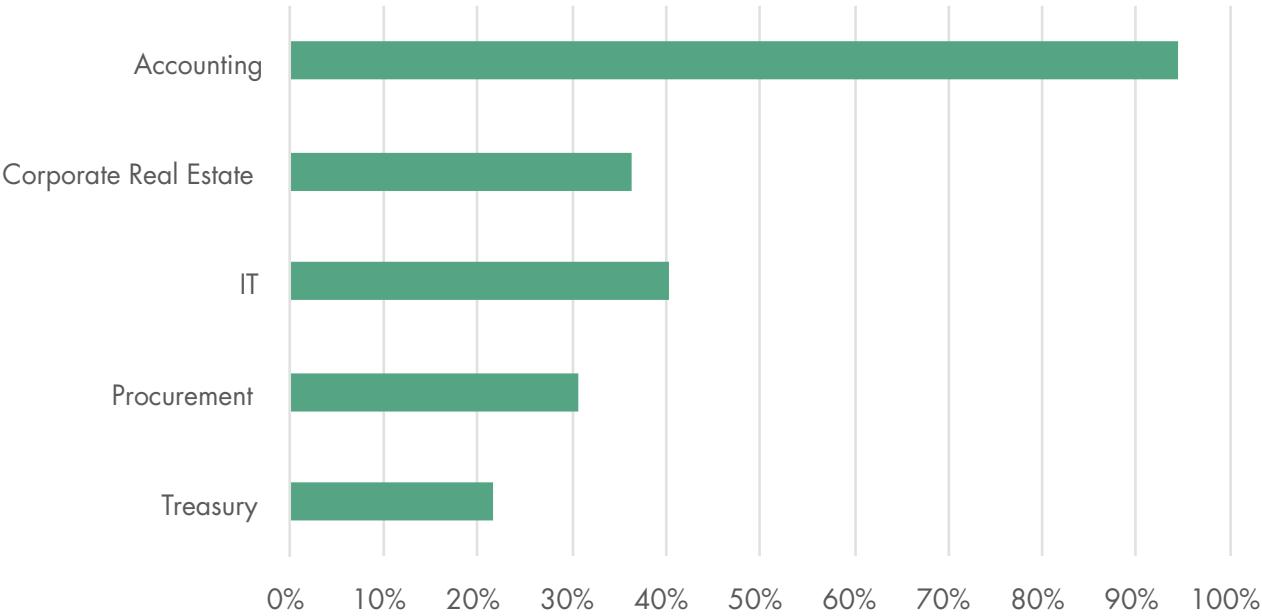
Big Four firms and other consulting firms bring not only expertise in financial systems and leasing business processes, but also experience with large-scale accounting change and transformation projects. We have observed a number of companies using outside experts to help accelerate the early stages of a project. For example, many of the Big Four firms have tools that can analyze a company’s lease portfolio and generate pro-forma financial statements. Some companies are using their Business Process Outsourcing provider to define the functional specifications for lease accounting software as well as to manage the vendor selection process. Others are using consultants to manage the end-to-end project lifecycle from systems and data collection to policies and control changes to end-user training and communications.

We believe that over the next year, the percentage of companies enlisting outside help will increase. Tasks such as collecting all the necessary leasing data; re-designing cross-departmental business processes; and integrating systems will take much longer than anticipated. As a result, some companies will realize mid-implementation that they have under-estimated and under-funded their projects and will make the proverbial “911” call for outside help. The risk is that once the need for outside help is identified there may be a scarcity of lease accounting expertise available on the market to support the project.

# KEY STAKEHOLDER PARTICIPATION

A critical success factor in the long-term success of any lease accounting program will be securing the participation of various other departments throughout the organization such as Procurement, Treasury, Operations and IT.

## Which of the following groups are playing a strategic role in your lease accounting project? (Select all that apply)



### Corporate IT

Corporate IT will play a dual-role in the lease accounting projects at most companies. First, the Financial Systems group within IT will be a critical player in the selection of lease accounting software. Although the Technical Accounting organization might perform requirements definition, feature evaluation and system testing of the application, IT is ultimately responsible for the security, integration and operation of the technology on a day-to-day basis. Depending upon the composition of a company’s portfolio, IT also may play a secondary role as a key stakeholder responsible for the portfolio of desktop and data center technology leases. In fact, at many companies we speak with IT has the highest number of assets under lease. Think employee laptops.

Approximately 40% of survey respondents indicated that IT was playing a critical role in the project so far. We expect this number to double over the coming year as companies move further along in their projects. However, we also have heard many companies’ express concerns that their IT organizations are significantly backlogged and overloaded. As a result, there may be many companies that are seeking the participation of IT, but have not yet been able to secure resources.

We believe that more companies should consider securing participation from the Corporate IT organization, particularly as they think strategically about the business processes, policies and controls needed for long-term success. Leasing data and contracts contain sensitive pricing, financing and forward-looking accounting data that

if exposed to the general public - could have significant impacts to the company. As the owner of cybersecurity, IT should ensure that all vendors being considered meet the company's information security policies. Long term success with lease accounting will require integration between internal systems. Lease accounting systems should be synchronized with asset management, lease administration and, of course, general ledger applications.

## Procurement

Slightly less than one in three companies indicated that Procurement was playing a strategic role in the project. However, at most companies, the Procurement, Sourcing and Supply Chain teams play a critical role in the leasing program. In fact, the process typically starts with a Purchase Request from a budget holder to Procurement to help source a particular type of IT, vehicle, equipment or real estate asset. We believe that more companies should consider securing participation from Procurement, particularly as they think more strategically beyond implementation to the business processes, policies and controls required for long-term success.

As the originator of new leases, Procurement can play a critical role in ensuring that accounting is aware of new equipment or real estate contracts. Additionally, Procurement can provide visibility into the renewal of existing contracts and the end of term buyout of assets. Furthermore, Procurement should be the key policy enforcer on a number of critical controls. With leases now appearing on the balance sheet, your organization may want to ensure that a lease versus buy analysis is consistently performed for specific types of assets. Or you may want to require that leases above a certain dollar threshold get finance approval prior to funding.

## Treasury

Only one in five companies indicated that Treasury was playing a strategic role in the project. Interestingly, at many companies, corporate Treasury owns balance sheet optimization as well as the overall leasing strategy. Treasury may not always be involved in the day-to-day process of sourcing, managing or renewing leases. However, Treasury is typically the group that sets policies for when to lease versus buy. Additionally, Treasury often manages the relationships with lessors. As a result, we think more companies should consider securing participation from Treasury in their lease accounting projects, particularly as they think more strategically about the business processes, policies and controls required for long-term success.

With ownership of the lease versus buy analysis, Treasury can ensure that many of the necessary details needed to make accounting judgments are captured up-front before a lease is sourced. For example, a lease versus buy analysis might ask the budget owner for their expected holding period and end of term plans for the asset. As the owner of relationships with commercial banks, vendor captives and independent leasing companies, Treasury is in an excellent position to exert influence over the behavior of the lessors. For example, Treasury would be able to implement a vendor scorecard that measures performance on activities such as providing electronic delivery of the data needed for lease accounting. Lessors with stronger performance could be rewarded with more business opportunities.

## Corporate Real Estate

Only 1/3 of companies indicated that Corporate Real Estate organizations were playing a strategic role in the project. At most companies the real estate represents the largest category (by dollar value) of a company's leasing portfolio. Real Estate also typically is also the most organized and disciplined group in the area of lease administration. As a result, companies with a mature real estate leasing program may not require much participation from the Corporate Real Estate team. If all the leases and necessary data are centralized into a lease administration system, then the majority of the implementation work may fall to the accounting and IT teams to extract, cleanse, reconcile and analyze the data.



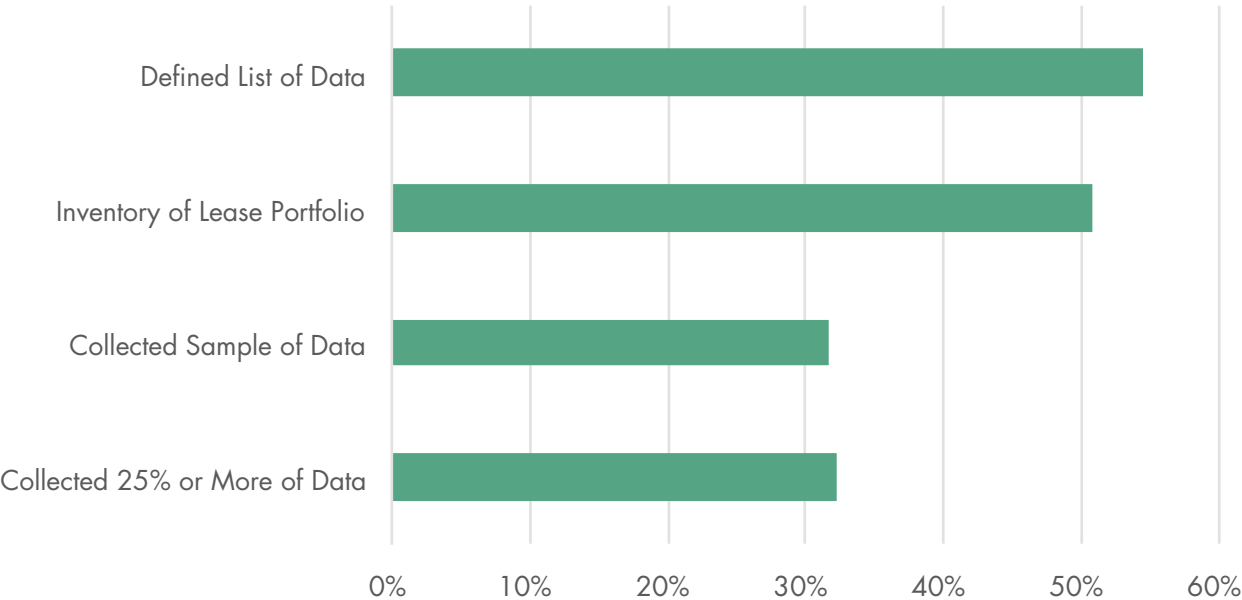
# DATA AND SYSTEMS

## Data Requirements

More than half of companies have completed the first two key milestones in their efforts to collect lease accounting data. Specifically, 54% of survey respondents have reviewed the ASC 842 standard and identified the list of data that will be required to support the accounting calculations, judgments and policy elections. At most companies, over 100 different data elements will be required for each lease. Much of the data will be abstracted from documents such as the Master Lease Agreement, Schedule and Purchase Order including asset name and description; base and variable rent calculations; payment timing and frequency. Other data such as expected holding periods for equipment assets and likely end-of-lease plans for real estate properties will need to be collected through interviews with budget holders and asset owners including.

A key factor in budgeting and resourcing your project will be estimating the amount of time it will take per lease schedule to collect the data, reconcile inconsistencies and perform the accounting. Estimates vary between two hours per lease and eight hours per lease. However, companies with portfolios of more than 1000 leases will find the two to eight-hour range too broad to effectively estimate the project resources. We recommend performing the end-to-end data abstraction and accounting process on a representative sampling of leases to obtain more accurate estimates of the level of effort required for the project. Among the survey respondents approximately one third indicated that they had collected a sample population of leases or data to analyze.

## How far have you progressed in collecting your lease accounting data? (Select all that apply)



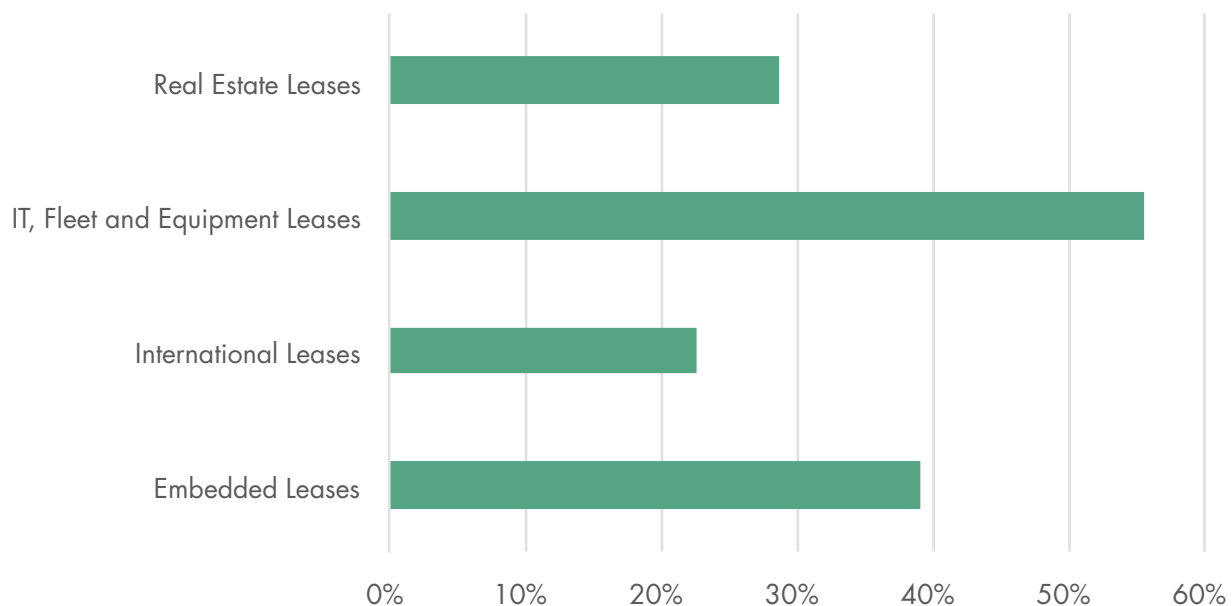
## Data Collection

Approximately, 50% of companies have taken a formal inventory of their lease portfolio. Sizing the number of leases and assessing the diversity of contracts is a critical success factor in planning the number resources and timeframe for the project. To ensure that companies obtain a complete inventory of leases, we recommend that project teams consult various organizations across the business working backwards through the lifecycle of a lease. Start with the group that pays the invoices for leases (Accounts Payable) then talk to the various asset owners (Real Estate, Logistics, Operations and IT). Finish with the teams responsible for sourcing and negotiating the leasing contracts such as Procurement, Treasury and Legal.

Approximately one third of companies reported having collected data from more than 25% of their leases, which is encouraging. More than half of companies stated that collecting the data presented a significant implementation challenge. Few companies have a centralized repository for all of their leasing documentation. As a result, project teams will need to go on a scavenger hunt to collect the data from contract and asset management systems, Microsoft Excel spreadsheets and Access databases, file cabinets and manila folders. Some data will be available in a structured format (think rows and tables) that can be easily uploaded into a lease accounting application. Other data will exist only in PDF or document format. The key leasing terms will need to be abstracted with a manual review or an in automated fashion using artificial intelligence technologies.

Companies are finding IT, fleet and equipment leases to be the most challenging to locate and analyze. The challenge is not surprising given that most companies do not have systems, processes or owners for these types of non-real estate leases. Embedded leases contained in service contracts and outsourcing agreements are also proving challenging for approximately 40% of organizations. We believe that more companies will report complexities with analyzing embedded leases as their understanding of the new standard evolves in the coming months. International leases, which often require language translation or analysis by regional teams, were cited as challenging by only 20% of companies.

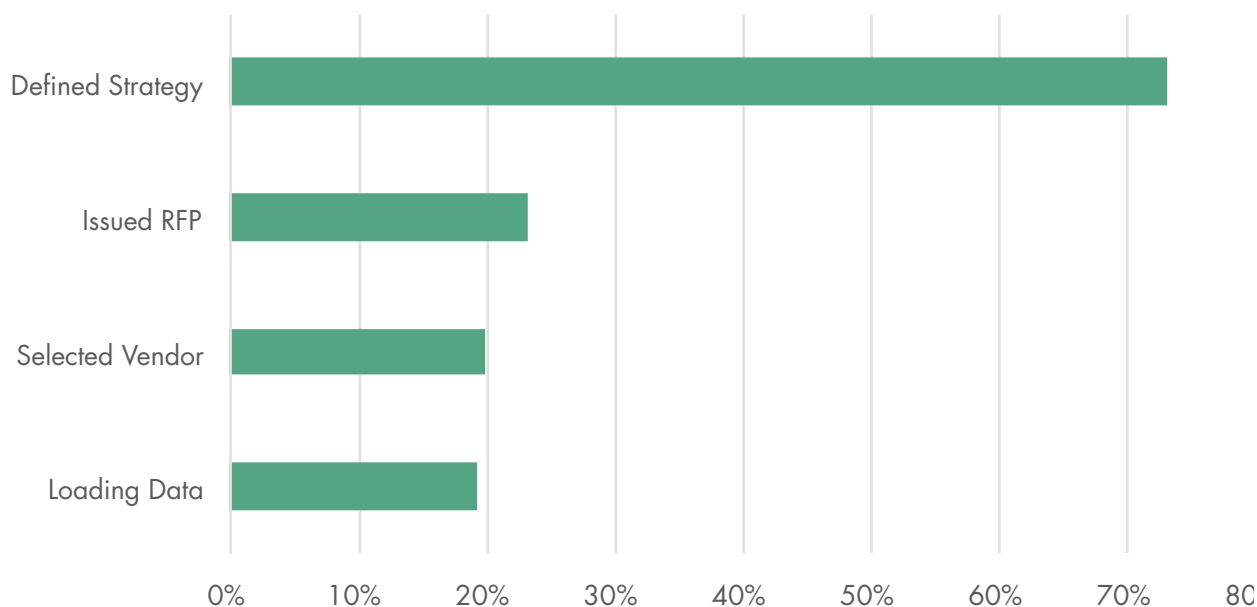
### Which of the following categories of leases are proving the most challenging to find and analyze? (Select all that apply)



## Software Strategy

The majority of companies (73%) surveyed indicated that they have defined a strategy for lease accounting software, which is encouraging. The definition of a strategy suggests that these companies have assessed their current systems landscape and business processes to identify what types of systems changes will be needed. Most companies will need to replace their spreadsheet-driven ASC 840 tools with a formal, enterprise lease accounting application that supports ASC 842. Some companies will also be using the new standards as a catalyst for upgrading their real estate lease administration systems as well. Other companies with a diverse mix of IT, fleet, material handling and other leases might elect to invest in a proper equipment lease management system as well.

## How far have you progressed in collecting your lease accounting software strategy? (Select all that apply)



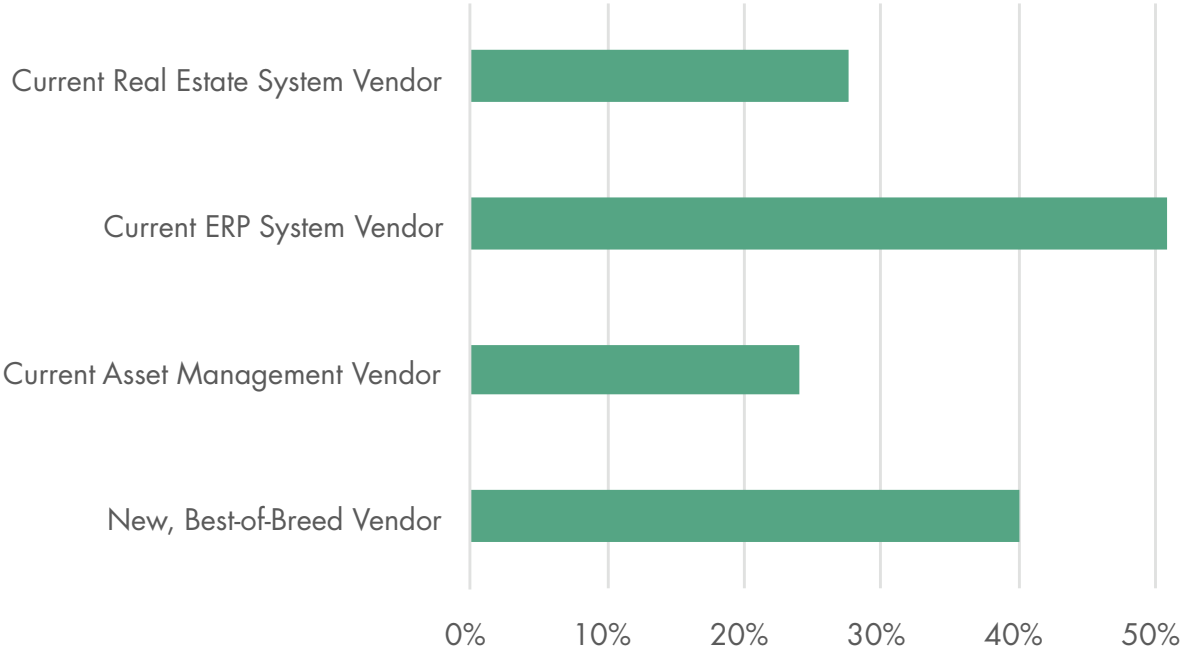
Few companies have progressed beyond defining a software strategy. For example, less than one in four have issued an RFP with detailed requirements to a list of potential vendors. About one in five indicated that they have selected a vendor and started to load data into the lease accounting application. We suspect that many of these companies may have skipped the formal RFP and vendor selection process, fast forwarding to contract negotiations with a preferred software provider.

We are not aware of any single company that offers a complete lease administration and accounting package. Most providers offer only two of the three key applications for success - lease accounting software, real estate lease administration and equipment lease management. As a result, the vendor selection becomes more complicated.

## Software Selection

Half of all survey respondents indicated that they are considering their primary ERP vendor as a potential supplier of lease accounting software. This should not be surprising given that the ERP application is the home of the general ledger, fixed asset accounting and other core financial systems at most companies. However, neither Oracle nor SAP currently offer a complete end-to-end solution for lease administration and accounting. While both Oracle and SAP offer real estate administration applications neither offer a solution for equipment leases or the actual lease accounting sub-ledger. Both vendors do, however, have recommended partners that can act as an extension of the core ERP modules.

## Which of the following type of software vendors are you considering? (Select all that apply)



Approximately 40% of companies are considering alternatives to their incumbent vendor community such as best-of-breed lease accounting software application such as LeaseAccelerator. Less than one in three companies is considering their current Real Estate Administration software application as a potential supplier of lease accounting software. Although there are a number of Real Estate Administration software products on the market, only a handful of vendors have elected to build a lease accounting engine. We suspect that more software vendors will enter the market as it matures, along with technology solutions offered by the traditional real estate brokers such as JLL and CBRE.

## SUMMARY

The first year of the lease accounting may prove to have been the easiest for many companies as the early phases of the project involved getting organized, securing resources and plotting a strategy. As we embark on the second year, much of the hard work begins. Companies will need to track down all of their leases and the associated data. In many cases, the data will be incomplete or inconsistent, requiring additional research and cleansing. Changes to business processes and corporate controls will need to be introduced to ensure that the accounting remains accurate and up-to-date. These changes will require end-users to adopt behavior changes and take on additional responsibilities. Considerable collaboration will be required between corporate functions such as Accounting, Procurement, Treasury and the asset owners in Real Estate, IT, Operations and Logistics to overcome these hurdles.

## MORE INFORMATION

For more best practices and recommendations on how to implement the new lease accounting standards we encourage you to review the following articles:

### **How to Get Started with Your Lease Accounting Project**

<http://www.leaseaccelerator.com/lease-accounting-executive-guide/>

### **Hiring a Great Lease Accounting Project Manager**

<http://www.leaseaccelerator.com/hire-lease-accounting-project-manager/>

### **The Role of the Executive Sponsor**

<http://www.leaseaccelerator.com/lease-accounting-project-executive-sponsor/>

### **How to Budget for Your Lease Accounting Project**

<http://www.leaseaccelerator.com/lease-accounting-budget-line-items/>

### **Selecting Your Lease Accounting Project Team**

<http://www.leaseaccelerator.com/lease-accounting-project-team/>

### **How to Conduct an Inventory of Your Leases**

<http://www.leaseaccelerator.com/what-do-we-lease/>

### **How to Collect Your Lease Accounting Data**

<http://www.leaseaccelerator.com/capturing-lease-accounting-data/>

### **Evaluation Guide for Selecting Lease Accounting Software**

<http://www.leaseaccelerator.com/lease-accounting-software-evaluation-guide/>

## ABOUT LEASEACCELERATOR

LeaseAccelerator offers the market-leading SaaS solution for Enterprise Lease Accounting, enabling compliance with current and new FASB and IFRS standards. Using LeaseAccelerator's proprietary asset-based Global Lease Accounting Engine, customers can account for all categories of leases including real estate, fleet, IT, material handling and other equipment at an asset-level. On average, LeaseAccelerator's Lease Sourcing and Management applications generate savings of 17 percent on equipment leasing costs with smarter procurement and end of term management. Learn more at <http://www.leaseaccelerator.com/>.



# NOTES



LeaseAccelerator Inc.

737 Walker Road, Suite 2, Great Falls, VA 22066

United States

1-866-446-0980

<http://explore.leaseaccelerator.com>