

7 THINGS

TO CONSIDER BEFORE CHOOSING A LEASE ACCOUNTING SYSTEM

Avoiding Costly Mistakes in the Race for
FASB/IASB Compliance

 VisualLease[®]

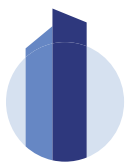
The cost of choosing the wrong lease accounting technology for FASB/IASB compliance

You're probably realizing how much time and effort (not to mention expense) it's going to take for your organization to be ready to comply with ASC 842 or IFRS 16. You may intend to choose a lease accounting tool quickly so you can get your implementation rolling and get a glimpse of what your new balance sheet will look like.

That's understandable: after the first round of demos, many lease accounting systems may appear to be similar. And you may not have a full understanding of exactly what you will need.

The fact is, there are many important differences between lease accounting tools that are not immediately apparent. It's easy to make a mistake and forge ahead with a tool that will prove time-consuming and unnecessarily expensive. That's why Visual Lease's lease accounting experts have put together this guide to ensure the lease accounting system you select is the right match for your organization's needs.

Don't select a system without considering these factors...



1. The benefits of a single system.

In the race to get compliant, accounting leaders may assume the easiest way to get the calculations they need is to purchase a simple standalone lease accounting tool and feed it with data from other systems or repositories (such as spreadsheets, or a lease management point solution).

That approach rarely proves as fast or easy as you expect. For one thing, your lease data probably resides in numerous systems: real estate may have their own point solution, procurement may have spreadsheets with IT equipment data, and many leased assets are still in a PDF on somebody's computer! Aggregating all that information is complex and requires some manual intervention to ensure data integrity. Without all of the data residing in one place and serving as your "single source of truth," you'll face a time-consuming data validation process to ensure information is consistent and not duplicative. And don't forget, you'll need to repeat this process on Day 2 to ensure data is synced and your reporting is valid and accurate.

Selecting a single platform that performs *both* administrative and accounting functions can allow you to skip secondary data validation and ongoing integration costs.

Also, while your immediate goal might be FASB/IASB compliance, don't make the mistake of overlooking the long-term benefits that a single system can provide:



It can help you manage your policies with respect to options and contingent/variable rent obligations.



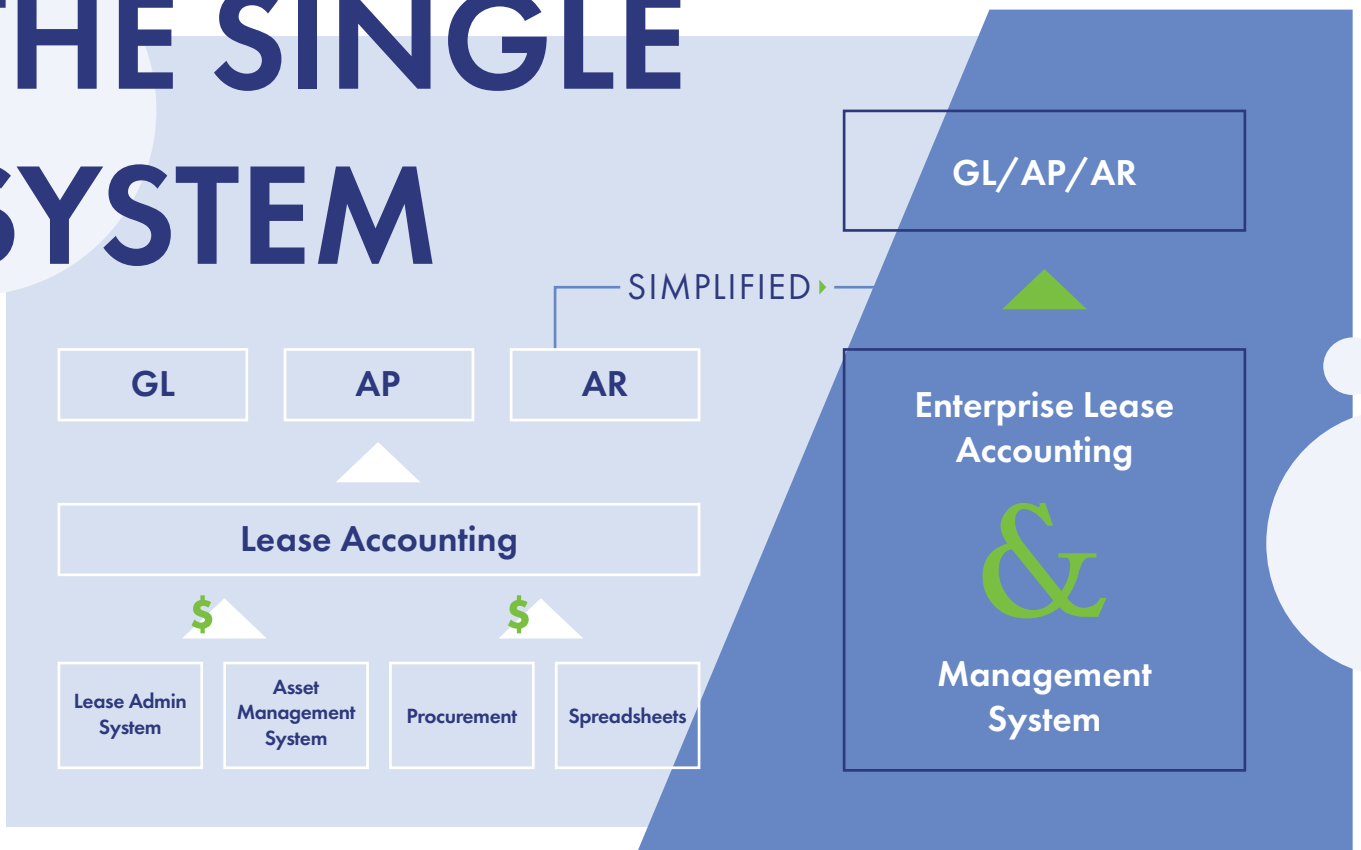
It can provide the strategic business intelligence needed to shape short and long-term real estate decisions to support business needs while reducing occupancy expenses.

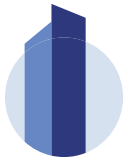


It can directly identify and correct costly payment mistakes.

The financial benefits of these lease management capabilities can easily dwarf the cost of your FASB/IASB compliance efforts, providing an easy ROI.

THE SINGLE SYSTEM





2. Price and value.

While we're on the subject of costs, it's important to understand that there are one-time expenses associated with implementing a lease accounting system for compliance with the new standards. These may include project management, lease abstraction, data collection and the implementation cost for the lease accounting system. Be sure to consider these costs when comparing prices for solutions. Some will cost a great deal more to implement than others.

Software license prices can also vary widely. Never rush into a contract (especially a long-term one) without digging deep enough into the functionality to understand the value you're going to get for the price. Ask yourself:

a

Are you confident that the product will meet your needs for the entire contract period?

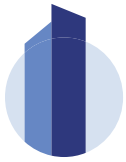
b

Is the vendor continually investing in the latest FASB & IASB related accounting features?

c

Does the expense work for your budget or might it become a financial burden over time?





3. How you'll get data into the lease accounting tool.

The simplicity (or complexity) of getting your data into your chosen lease accounting tool is probably the biggest factor impacting how fast your company can become compliant. Before choosing a system, ask these questions to understand the process, resources and time required for this all-important task.

Will you need to pay an external consultant to manage the process, or is the vendor willing and able to help you manage it?

Does the vendor have enough lease expertise to help you manage data collection and abstraction? If consultants are needed, it's important to understand total costs and project duration.

Is data migration automated, manual or a hybrid?

It's essential to have bulk-upload capabilities to speed population of both quantitative and qualitative data. However, relying entirely on automated data entry, especially for complex real estate lease information, will result in data integrity problems. The system you choose should easily accommodate both manual and automated data entry, and the process must include quality checks throughout.

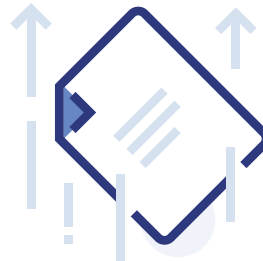
Does the vendor provide data migration tools and implementation instructions?

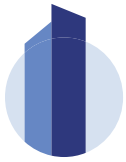
You should expect collecting and validating all your lease data to be challenging, but migrating it into the new system should be straightforward. Migration tools and clear implementation instructions show the vendor's level of expertise with the process.

What kind of implementation support you can expect from your accounting partners?

Will they act as an advisory arm to help you with data collection and cleansing as well as policy decisions? Many accounting and consulting firms are providing clients with a repository database where you can aggregate all your data and validate before importing in your lease accounting system.

THE DIGITIZATION OF LEASES





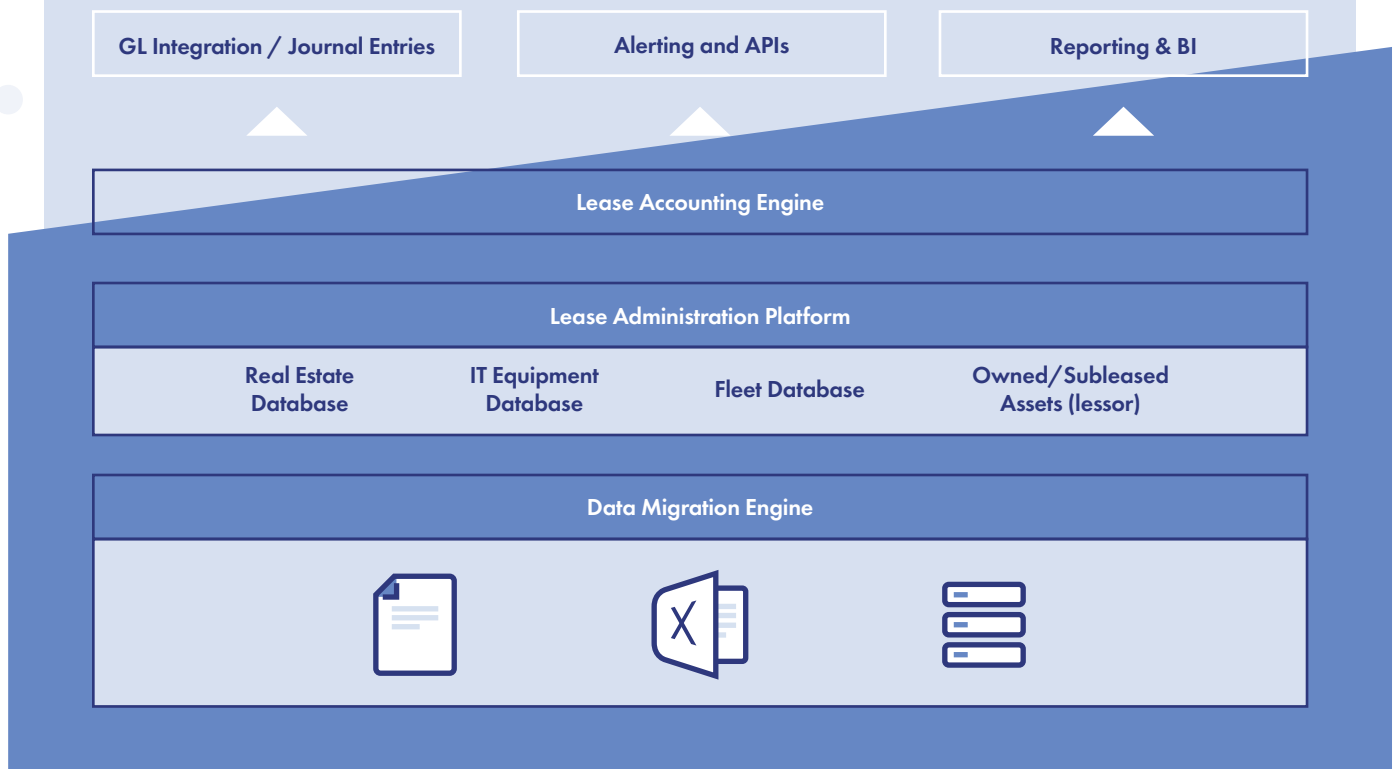
4. Integration with your existing systems.

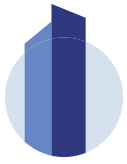
Every vendor says their product integrates with other systems. However, to be sure you'll get the results you expect, it's up to you to investigate the depth and details of the integration. You may want the data from your lease accounting system to feed multiple tools and enterprise systems.

Many organizations (especially multinational organizations and those with multiple subsidiaries) will need the following integration capabilities:

- Ability to create journal entries, including multiple GLs
- Ability to integrate with common ERP and AP systems, such as SAP & Oracle
- Flexible APIs and XML capabilities for unique integrations
- Integration with modern communication platforms, from Outlook to Slack, for alerting users about critical events and actions
- Ability to feed business intelligence systems that provide high-level dashboards for the C-suite
- Ability to bolt onto an IWMS or lease administration system to add seamless lease accounting functionality to a legacy database

END-TO-END ENTERPRISE LEASE ACCOUNTING ECOSYSTEM





5. Drill-down reporting capabilities.

At the end of the day, you need your lease accounting system to provide essential reports with reliable data and accurate calculations. Certainly you're anxious to see standard FASB disclosure reports, financial variance and future expense reports. Systems that can't provide those basics won't make your short list. However, it's in your best interest to look deeper.

To get the most benefit from your lease accounting system, you'll want the ability to easily "slice and dice" financial data in unlimited ways. We're talking about customizing reports according to your terminology, reporting schedule and business practices. There are many situations where you'll want the ability to easily create ad-hoc and drill-down reports, or make adjustments to predefined reports, such as:



Fiscal year or quarterly reports



Drilling down into expense obligations by region, organization, cost center, asset type and other variables



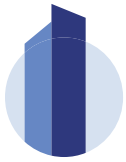
Performing currency conversion and analyses



Evaluating KPIs and metrics for fixed assets

Being forced to lean on the vendor or a consultant every time you need an adjustment or new report will not only slow you down, but also add considerably to the cost of using the system.

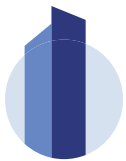




6. Your obligations under the new standards.

At a high level, implementing ASC 842 and IFRS 16 seems simple enough: gather all your lease information and feed it to your balance sheet. However, there are complexities you must understand at the outset so you know exactly what data you need to gather and policy decisions you need to make. For example, in some cases you'll need to decide exactly what constitutes a lease. You'll need to extract embedded lease information within service contracts.

If you have not already done so, now is that time for a discussion with your audit advisors to learn exactly what you will need to do to be compliant with the new standards. Fully understanding what's required will guide you in making smart decisions and plans upfront, and help you avoid time-consuming and expensive surprises later on. With those decisions and plans in place, you'll better understand what features you need in a lease accounting system.



7. Your plan for Day 2.

While your financial leadership may be laser-focused on getting a lease accounting system live and “flipping the switch” to report in the new format, don't make the mistake of failing to consider Day 2: your ongoing usage of the system. These are some key factors that will impact how well your lease accounting system works for you, post-implementation.

User experience. At this stage of the game when you're primarily concerned with getting data into and out of a lease accounting system, you may not take a close look at how easy (or difficult) it is to work within it. After you go live, this becomes a much bigger issue.

- Leases change regularly and need to be updated. How many screens will you have to wade through to find the field to modify?
- Is information entered once and used throughout, or entered in multiple places, resulting in data integrity problems?
- How easy is it to produce quarterly and annual reports?
- Will you need to hire experts or invest a lot of time and money in training every time you add new users?

Flexibility. There's no such thing as a cookie-cutter company. It's virtually certain that you'll want to make changes to any lease accounting system so that it operates according to the way you do business. At a minimum, you'll want the system to accommodate your fiscal calendar and reporting schedule. You may work with multiple currencies. You may need to adjust interest rates depending on asset type, useful life or location, or have the ability to override global rules (related to discount rates or capital/operating lease tests, for example). How easy is it to make those changes? If those things are difficult or impossible, imagine what you'll go through to make major changes to accommodate an acquisition or a reorganization. Easy configurability is not a nice-to-have, it's a necessity.

Audit support. During an audit, the last thing you want is to be scrambling to answer questions about how numbers were calculated and the details of policy decisions. Your lease accounting system should provide easy access to supporting data behind FASB quantitative and qualitative disclosures via drill-down capabilities.

ABOUT VISUAL LEASE

Endorsed by all major accounting firms and trusted by over 300 clients including numerous Fortune 500 companies, Visual Lease is simply the most comprehensive, easiest to use lease accounting and administration system on the market. It is 100% FASB and IASB compliant, quick to implement and provides seamless integration with existing systems. Some features include integrated expense analytics, full GL or AP integrations, flexible reporting, and virtually unlimited configurability to meet your specific needs.

We can help you meet your goals in the race to get compliant with the new lease accounting standards. To learn more, visit our website or contact us to set up a discovery demo.



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