VL VISUAL LEASE

Lease accounting and lease administration software:
Why you need both

The new lease accounting standards (ASC 842, IFRS 16, GASB 87) are not just a one-and-done disclosure. They usher in a new approach to accounting that includes an ongoing, cross-departmental effort – and, a much higher level of scrutiny.

Lease accounting is interdependent on lease administration. The new standard(s) require collecting leases from across your organization and staying on top of them as they change throughout the year. It is an ongoing effort that requires dedicated people (often cross-departmentally in IT, procurement, legal, etc.) with strict attention to detail.

To do so effectively, you need to implement a sustainable process and reliable technology. And though the lease accounting market offers a wide selection of software solutions to streamline compliance efforts, each tool is not one-size fits all. Many of the products on the market fail to address the importance of long-term lease administration throughout the financial process.

It is not possible to maintain lease accounting compliance with a large lease portfolio without accompanying technology that supports both lease accounting and lease administration. Here's why.

Software that includes both lease administration and lease accounting functionality is important to:

#1 Ensure a single source of truth

Having both lease administration and accounting together to one robust solution provides reliable, consistent lease information. This significantly reduces errors, increases efficiencies and helps establish cross-functional collaboration across your business.

Consider this: When you get a new lease, it must be understood and summarized into a system. You'll need to track both the legal and financial elements of that lease, which can control start dates, options, dollar amounts, etc. A platform that has both lease accounting and lease administration helps ensure that, from day one, your lease information is aligned and up-to-date.

With lease administrators owning the role of maintaining a single source of truth, accountants can be confident that all data and calculations will be consistent and accurate. In addition, software that supports both functions boosts efficiency by cutting down on tedious tasks outside of the accounting scope, such as searching for pertinent documents, tracking monthly rent increases and handling lease amendments.

#2 Track lease changes throughout the year

Leases are dynamic – and maintaining lease accounting compliance depends on tracking ongoing lease modifications. This can be tricky because leases are complex legal documents that sometimes do not have a clear owner. There are leases (real estate, equipment, embedded leases in maintenance agreements, etc.) that are often handled by different departments within a business.

Lease terms change as your business takes on new spaces, scales back or renegotiates. To handle these updates manually would be inefficient, but using a complete lease accounting and lease administration solution that can accommodate unique organizational scenarios is key to ensure the compliance process goes smoothly. Many organizations search for short-term solutions, however, leases are too volatile for quick fixes.

Further, you can drive additional efficiencies by leveraging software that automatically calculates your journal entries under the current and new lease accounting standards, and provides you with all the required calculations for any given lease and time period whether it's straight-line expense entries, right-of-use asset entries, lease liability entries, or interest and amortization entries. These calculations can be done quickly and efficiently while keeping one single source of truth for your team.

#3 Maintain a comprehensive audit trail

It is important to remember that compliance is not just about meeting accounting standard requirements, but also implementing proper policies and procedures to reduce risk.

Using lease accounting and lease administration software that has comprehensive user rights, integrated approval workflows and audit trail capabilities provides additional peace of mind knowing that any changes – including ones made to critical dates, financial impacts of modifications and more – are fully auditable.

Leases are often managed and modified by a variety of entities both inside and outside an organization. Due to the number of people involved in altering important calculations, the accuracy of the lease data can be difficult to control and may be prone to error without a solution built to handle multiple users. Taking this precaution in the beginning of your compliance journey will save you a lot of time long-term.

Lease accounting and lease administration go hand-in-hand

Lease accounting solutions that do not integrate lease administration into the software are unreliable, incomplete and more complex. Having both within one location is essential to ensure a well-rounded compliance strategy that covers everything you need for complete and accurate data management.

Visual Lease offers a robust, cloud-based solution that continually grows and evolves with your organization while helping you maintain Day 2 compliance. When evaluating lease accounting software with your team, consider solutions that work closely together with lease administration to maintain compliance.

About Visual Lease

Visual Lease is the #1 lease optimization software provider. We help organizations become compliant with FASB, IFRS and GASB lease accounting standards, while simultaneously improving the financial, legal and operational performance of their leases. Our easy-to-use SaaS platform is embedded with more than three decades of best practices from major corporations and leading industry professionals. Our award-winning solutions are used by 800+ organizations to manage 500,000+ real estate, equipment and other leased assets. Committed to ongoing innovation and unparalleled customer service, Visual Lease helps organizations transform their lease compliance requirements into financial opportunities. For more information, visit visuallease.com.