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solutions with little or no modification for lease accounting implementation.

Aug. 02, 2018



As the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) [lease accounting standards](#)' effective date for U.S. publicly traded companies nears on Jan. 1, 2019, executives continue to indicate concern over their organizations' ability to comply, according to Deloitte's fifth lease accounting online poll since the standards' respective enactments in early 2016.

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more than a few awake at night,” said [Sean Torr, Deloitte Risk and Financial Advisory](#) managing director, Deloitte & Touche LLP. “Particularly for U.S. public company executives facing a quickly approaching effective date, it’s critical to understand that compliance is nonnegotiable, and many organizations still have a lot of work to do to achieve it. While there are those who expect software to expedite implementation, it’s simply not a panacea.”

### **Organizations pursuing new lease accounting software, despite FASB relief adjustments**

Just 28.5 percent of executive poll respondents intend to use prior leasing software solutions with little or no modification for lease accounting implementation.

“We continue to hear that many companies are pursuing new IT solutions for the leasing standards, despite the dual-lease model approved by the FASB and the recent changes to the standard designed to simplify transition. Many of the IT solutions in the marketplace aren’t necessarily able to be implemented off-the-shelf and require customization, necessitating additional effort around readiness for implementation of the standard,” said [James Barker](#), senior consultation partner for lease accounting in the national office of the [Audit & Assurance practice](#) of Deloitte & Touche LLP.

### **Embedded leases, “hidden hazards,” add to complexity**

One potential contributing factor to waning executive confidence and concern is [embedded leases](#), lease agreements contained within larger contracts, which are difficult to identify.

“Companies are struggling with the treatment of various lease data inputs, particularly on how best to apply the new standard to embedded leases. Since embedded leases are not likely to be labeled as ‘leases’ within larger agreements, they

can be tough to identify, centralize and calculate. They pose a particular challenge in

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webcast titled “[Lease accounting: Ready or not...the countdown is on](#),” which polled more than 2,170 C-suite and other executives online about lease accounting implementation. Most respondents were lessees (50.8 percent), lessors (13.5 percent) or both lessors and lessees (15.4 percent). Similar online polls were conducted in [January 2018](#), [May 2017](#), [October 2016](#) and [March 2016](#). Answer rates differed by question.

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