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Isaac M. O'Bannon • Apr. 17, 2018

Just 21.2 percent of finance, accounting and other professionals say their companies are "extremely" or "very" prepared to comply with the Financial Accounting Standards Board's (FASB) and International Accounting Standards Board's (IASB)

respective new lease accounting standards, according to a recent poll from the

Touche LLP. "We see many organizations benefiting from instituting a cross-functional steering committee to steward resources and keep lease accounting implementation on track whether or not they plan to leverage the FASB's new expedients."

Reactions to recently proposed FASB guidance

In November 2017, the FASB issued new proposed guidance to simplify the lease accounting implementation process, including: eliminating the requirement to evaluate pre-existing land easements to determine if they meet the definition of a lease under the new standard; introducing the option to not restate comparative reporting periods in transition; and providing lessors with the option of combining lease and non-lease components under certain conditions.

Even with the new guidance, only 10.2 percent of respondents anticipate the FASB's practical expedient measures will reduce the amount of time and effort needed to implement the new standard.

"These recent changes proposed by the FASB are all intended to help companies achieve a timely adoption but it's clear from the poll results that, despite the help, many companies will likely still struggle to be ready by the effective date," said James Barker, senior consultation partner for lease accounting in the national office of Deloitte & Touche LLP.

"The FASB relief provisions are a big deal for companies transitioning to the new lease accounting rules. But no one should slow their implementation efforts as a result of it. It's possible that many companies could be underestimating the effort that will be necessary to collect lease data and aggregate it into a centralized system. And, that doesn't take into account whether companies have adequate systems to accomplish the new accounting or will need to invest in something new," Barker

Torr continued, "While every organization's lease accounting implementation journey is unique, I'd aim to have all leases centralized and in an electronic format as quickly as possible to avoid compliance timeline risk. Further, finance and accounting teams need time with the data to conduct their own analyses and calculations for financial reporting purposes."

Minimal impact expected for lease versus buy strategies

One-half of respondents (50.6 percent) say the new lease accounting standard will not alter their organizations' respective lease versus buy strategies. Only 6.4 percent expect the new standard to shift the balance in favor of buying equipment over leasing it. Just 2.6 percent expect to buy more real estate rather than lease it. Fewer than 2 percent of respondents expect to lease rather than buy more real estate or equipment as a result.

On Jan. 31, 2018, the Deloitte Center for Controllership hosted a Deloitte Dbriefs webcast titled "Lease accounting implementation enters final stretch," (http://bit.ly/2IBnuqR) which polled more than 3,850 professionals — many working in accounting (53 percent) and finance (21.5 percent) — about lease accounting implementation. Similar online polls were conducted in May 2017, October 2016 and March 2016.

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