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comply with the new lease accounting standard, which will bring onto the balance sheet operating leases for assets such as real estate and transportation, IT and ...

Jun. 27, 2017



Most companies anticipate challenges to operationalize the required changes to comply with the new lease accounting standard, which will bring onto the balance sheet operating leases for assets such as real estate and transportation, IT and manufacturing equipment.

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who is responsible for the project.

Identifying and implementing lease administration systems with lease accounting functionality is a significant part of the effort. Sixty-eight percent say they plan systems changes, with 40% of those respondents reporting it will take nine months or more to implement. Fewer than 20% say it will take less than six months. Almost 59% of firms surveyed are planning to implement a dedicated on-premise technology system, while 34% plan a cloud-based technology solution. Just 7% will use a manual, spreadsheet-based approach. Finance and IT are aligned on the challenges, both saying that assessing and making systems changes is very or somewhat difficult.

Anastasia Economos, EY Americas Accounting Change Leader for Leases, says, "Companies want both compliance *and* transformation. The survey results show that despite the challenges, lease accounting changes offer an opportunity to upgrade legacy IT systems and can help CIOs position their function at the forefront of business change. The majority of CFOs and CIOs see how these changes can align with broader goals and ambitions. What will likely bring success is strong alignment across the organization among finance, corporate real estate, procurement, IT, tax and treasury, as well as with internal and external audit teams."

EY surveyed 300 finance and IT leaders from US-headquartered public companies across multiple industries, with annual revenues ranging from \$1 billion to more than \$10 billion, in March 2017 to highlight the key challenges and opportunities associated with lease accounting standard changes.

Half or more of the companies expect implementing the required changes to be difficult. The top challenges named as very difficult are:

- Developing new accounting policies and procedures (19%)

- Gathering robust data and missing information (19%)

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options as early as possible, ensure alignment across the organization and establish measures that drive ROI. Thinking strategically as well as operationally will likely drive not only compliance but also bigger business benefits.”

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