

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

## Projects

The implementation dates for FASB's ASC 842 standard are quickly approaching. Yet, most companies adopting the new standard haven't even reached the halfway point in their implementation projects. However, there are a few early movers who have made ...

Jan. 16, 2018

The implementation dates for FASB's ASC 842 standard are quickly approaching. Yet, most companies adopting the new standard haven't even reached the halfway point in their implementation projects. However, there are a few early movers who have made significant progress in the transition, which begs the question – what lessons have they learned?

At LeaseAccelerator, we compiled notes from our discussions with over 100 large organizations to arrive at a list of the top seven lessons learned from early implementation efforts.

### **1) Get in Front of the Budget Cycle**

Many companies have either not yet submitted a budget or submitted a budget that was too low. Budgeting for lease accounting is still a guessing game because there are relatively few companies that have implemented and therefore no benchmarks. However, you can develop a bottoms-up budget by modeling the major costs: software, implementation, data collection and project management. Once you arrive at a cost estimate, you will need to sell the CFO, audit committee and other decision makers on the goal of the new standards and the value of the project.

### **2) Sell the Project to the Entire Business**

Historically, most accounting changes projects have been managed within the four

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

One of the most time-consuming aspects of implementing the new standards will be collecting the data necessary to perform the accounting. For each lease, you may need to record over 100 different variables. Make no mistake – it will be a painful process, so you want to make sure that you don't have to do it twice. Some common mistakes many companies have made are working from outdated versions of leases or attempting to collect data before getting the definitive data requirements from the software vendor.

#### **4) Not All Data is on the Lease or in the System**

Don't assume that once you find the lease contract the data collection process will be complete. Only about two thirds of the data required to perform the accounting will be on the actual master lease agreements and schedules. You will need to go "off lease" to find certain data fields that have never been documented since there has never been a business reason to track them until now. Even a real estate administration system may not contain all of the data you need for real estate lease accounting.

#### **5) The Data Collection Process is Never Over**

Leasing data is changing while you are collecting it. During a six-month project to collect the data on 1000 leases, the data for 125 of them is likely to change. Plan to review your leases to check for modifications, reassessments and removals after the data collection process is complete. Additionally, the data collection process will continue after the implementation date. Forward-thinking project teams will design processes to collect the data needed for Day One as well as for Day Two and beyond.

#### **6) Know Your Buying Process for Software**

Before you start, map out the buying process for software at your company. The software selection process at numerous companies has been delayed because they did

not involve the necessary groups up front. Know who will make the software

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

actually works. Although the lease accounting standards have been under development for ten years, most vendors did not start building products until FASB published in February 2016. Even those who started early have not been truly battle-tested with real world scenarios such as quarterly close processes. Ask detailed questions about the features for classification, journal entry extraction, GL upload and reporting. Send vendors a sample of your leases to upload into their system. Talk to references that are already using the product. Request contractual commitments for product roadmap features.

---

Michael Keeler is CEO of [LeaseAccelerator](#).

Accounting • Auditing

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved