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Lease Accounting
Manual vs. Automated

Clark Convery, COO

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Introduction

Clark Convery

Chief Operating Officer

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Agenda

- ✅ ASC 842 lease accounting requirements

- ✅ Comply with ASC 842
  - Manually
  - Automatically

- ✅ A look at lease accounting software

- ✅ Evaluating software solutions

- ✅ Q & A

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ASC 842

Goal	Previously	Now
✓ **Increased visibility into company leasing obligations.**	✓ **Capital leases** – Recorded as assets and liabilities on balance sheet. ✓ **Operating leases** – Off balance sheet.	✓ **All leases** – Create an asset and liability that must be recorded. ✓ **Disclosure reports** – Enhanced and require more quantitative & qualitative disclosures.

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Question

Getting to know you!
Which of these lease types does your company have? Select all that apply.

- Operating

- Finance

- Short Term

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Top 3: Company Spend

People

Buildings ✓

Equipment ✓

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Meeting ASC 842 Requirements

Embedded leases
31 percent of companies* have not identified their embedded leases

Dedicated resources
More than half of companies* have not selected their lease accounting teams

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Risks of Lease Accounting Inaccuracies

Big implications

Auditors

Time-consuming

Costly

Financial statements

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Using Excel for ASC 842 Compliance

What Works	Things to Look out For
• No learning curve of using new system • Easily shared across departments via Office 365 • No additional cost	• Lack of controls • No one place for your data • Lack of notifications for important events • Lack of visibility into location-level costs • Lack of checks and balances • Human error and incomplete data

Common Errors in Excel

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Question

Have you included lease lifecycle management in your decision making?

- ✓ yes

- ✓ no

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Excel vs. Software

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
	X	View entire lease portfolio
	X	Audit trail

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Single source of truth

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
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Lease notifications

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
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X	X	Accurate calculations
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	X	Select practical expedients
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Transparency across involved departments

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
	X	View entire lease portfolio
	X	Audit trail

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Accurate calculations

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
	X	View entire lease portfolio
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Separate lease and non-lease components

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
	X	View entire lease portfolio
	X	Audit trail

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Select practical expedients

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
	X	View entire lease portfolio
	X	Audit trail

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View entire lease portfolio

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
	X	Select practical expedients
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	X	Audit trail

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Audit trail

Excel	Software	Functionality
	X	Single source of truth
	X	Lease notifications – renewals, start/end dates, etc.
	X	Transparency across involved departments
X	X	Accurate calculations
X	X	Separate lease and non-lease components
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Questions to Ask Software Providers

Product

- Features
- Functionality
- Release schedule
- Roadmap

Company

- Investment
- Clients
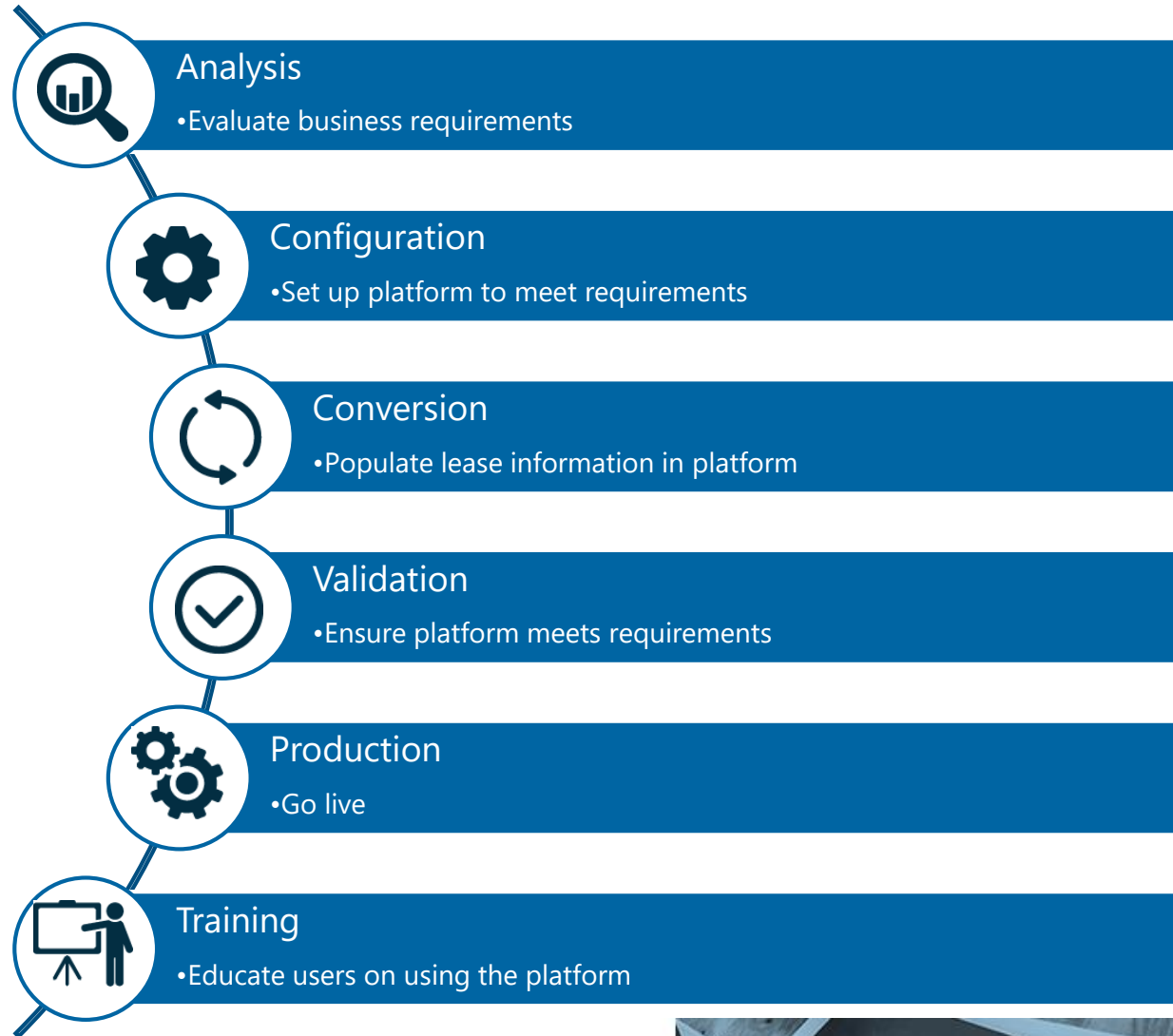- Customer service
- Implementation

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Question

In order to comply with ASC842, what stage of planning is your company in?

✓ Conceptualizing: Team identified / planning underway

✓ Planning: Evaluating a solution (software or manual)

✓ Implementation: Validation of lease portfolio

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Platform Implementation

Analysis
•Evaluate business requirements

Configuration
•Set up platform to meet requirements

Conversion
•Populate lease information in platform

Validation
•Ensure platform meets requirements

Production
•Go live

Training
•Educate users on using the platform

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Professional Services Beyond Software

Process/change management

Implementation/solution configuration

Project management

Advisory services

Data services
- Abstracting, reviewing leases, physically entering into system

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Questions?

Questions?

WEBINAR

Thursday, Sept 12, 2019 (2-3 pm EST)

Lease Accounting Implementation:

How to Effectively Leverage the ASC 842 Deadline Extension

REGISTER AT:

https://bit.ly/2lFZsUI