



New Lease Accounting Standards

READINESS CHECKLIST

THE COUNTDOWN TO LEASE COMPLIANCE STARTS NOW



Be Prepared For The New Lease Accounting Standards

The FASB/IASB lease accounting standards will go into effect whether you're ready for them or not. These changes are made even more daunting by the reality that sometimes you don't know what you don't know – many organizations uncover numerous unanticipated challenges as they go through the process of adopting the new standards.

This checklist is designed to help you identify and plan your organization's transition to FASB and IASB compliance in the coming months. Regardless of how ready your organization is for the new standards, this checklist can serve as a framework to get started – or a supporting document to ensure your team doesn't overlook key milestones.

Evaluate your readiness for the new lease accounting standards by answering “yes,” “no,” or “in progress” to each question on the checklist that follows. From there, turn your responses into a workable plan using our project template spreadsheet, which allows you to assign a status and timeline to each checklist item.

Turn the page to get started >>>

LEASE DISCOVERY

Under the new standards, your organization probably has leases you don't classify as leases today.

Has your organization...	Yes	No	In Progress
Become familiar with the new lease classification tests? A lease is defined as the right to the use of an asset (to obtain all the economic benefit from the use of the asset) and a corresponding obligation to pay for this right. An asset may be explicitly or implicitly specified and cannot be substituted for another asset for the economic benefit of the lessor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identified all current operating leases? Under the new standards, both financial and operating leases must be on the books.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Checked for embedded leases? You may have embedded leases if a contract contains an asset and if the customer controls the use of the asset. The contract may also contain a lease if the customer is the party receiving all the economic benefit from the asset. Don't let the cover page fool you. You may have to dig into the fine print of your contracts to accurately classify whether the contract contains a lease.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Applied the lease testing standards to contracts in which your company serves as the lessor as well as those in which your company is the lessee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Applied the lease classification test across all departments, lines of business, and subsidiaries? Under the new standards, central accounting has additional responsibility for what might have previously been handled under a department's P&L.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Documented the number and type of leases hitting the balance sheet January 1, 2019? You'll need this information as soon as possible so that you can forecast the impact of these leases on your company's financials (see the "Processes and Accountability" section).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Looked for potential lease contracts in various forms: e-file, paper file, and databases?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Searched across financial systems for lease contracts? Operational leases recorded as rental expense may not have been accounted for with the same level of detail.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STAKEHOLDER AWARENESS

While the burden of the lease changes will hit the accounting group the hardest, it may also have a ripple effect on other departments.

Has your organization considered impacts to the following groups?	Yes	No	In Progress
Tax: With the new standard, finance and operating leases may require organizations to recognize a deferred tax asset and liability. Additional requirements may exist around sales and use tax calculations and property tax reporting depending on the jurisdictions in which the leased assets are being received or are being paid for.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budgeting: Taking the assets, liabilities, interest, gains and losses, and intercompany accounting requirements for hundreds or thousands of leases onto the balance sheet may increase or constrain budgets across various departments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory: Understand how the regulatory group is recognizing capitalization and amortization for regulators. Finance leases may have to be included in rate base for utilities and other rate-regulated industries.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Forecasting: Generate a forecast to determine how lease changes impact company financials. Investors and stakeholders need as much time as possible to absorb this information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PROCESSES AND ACCOUNTABILITY

The new standards increase the rigor with which companies must evaluate their contracts. Failure to identify an embedded lease or to categorize a lease effectively will soon have much deeper implications.

Has your organization...	Yes	No	In Progress
Assigned responsibility for lease classification?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Established a process for reviewing and classifying new contracts that have been put in place?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implemented a process for communicating the implications of a new lease to downstream stakeholders (regulatory, tax, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Setup a process to update downstream financials?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STAFFING

The new standards will likely require more detailed management of hundreds or even thousands of contracts. If your existing team is already at capacity, you may need additional resources.

Has your organization...	Yes	No	In Progress
Assessed whether the additional workload brought by the lease changes is best handled with additional staff, new technology, or both?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determined whether you have sufficient accounting department staff? Maintaining leases on the balance sheet requires more attention to detail for bookkeeping upon initiation and throughout the lease lifecycle. Beyond that, a single lease can generate hundreds of data points, impacting multiple departments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Evaluated your team's training needs? Accounting departments preparing for the standard will require expertise in leasing to ensure that all regulatory requirements are met and necessary steps are followed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

TECHNOLOGY

The new lease accounting standards make a strong case for technology and automation. Lease data should be managed in a central repository that systemizes all types of leases and manages lease lifecycle events. A system should also calculate the implications of prepayments, payments, impairments, renewals, purchase options, and terminations, while handling the necessary journal entries, the process and time your organization will need to work through the following phases:

Has your organization planned your phases of technology review?	Yes	No	In Progress
Needs Assessment: New technology may be unnecessary if you don't have many new leases coming onto your balance sheet. However, if you know hundreds or thousands of contracts will have to be accounted for at a deeper level, your organization may need a solution to automate lease accounting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determine Requirements: Based on your organization's reporting requirements and lease complexity, identify specific software requirements for your organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Software Discovery: Research and shortlist lease accounting software vendors. Consider system functionality, usability, vendor expertise, and integration capabilities. For instance, you should evaluate your need for automated integration of monthly or daily journal entries.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Procurement: Getting funding and internal approval for technology projects can be a tedious process, so start early.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Software Evaluation: Review several products side by side to determine how well they meet your organization's unique needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementation: Allocate time and resources (or consider services) to support your organization's solution implementation and integration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Software Training: In order to ensure readiness for the deadline, complete training on any new solution before 2018 holiday vacations. Consider whether vendors offer flexible training like eLearning.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



To help you turn this list into a workable plan, we've formulated this checklist into a free lease accounting project template. Click to download now.

	Yes	No	In Progress
Totals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PowerPlan has helped customers manage operating and capital lease accounting for 15+ years. PowerPlan's Lease Accounting solution can help organizations transition to the new standards using our centralized lease repository, which manages the complete lease lifecycle and maintains compliance with both existing and new FASB and IFRS regulations. For more information, please visit powerplan.com or contact us at +1 678.223.2800.



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