VL VISUAL LEASE

Lease Accounting Software: Buyer's Guide

How to choose the best lease software solution for your needs.

The decision you make when purchasing lease accounting software has huge implications for your business.

The most obvious effect is your choice can make the difference between meeting the new lease accounting standards and missing the compliance deadline. There is also the initial cost of the software itself, plus the time and effort it takes to implement it.

Far beyond compliance, your lease accounting software decision affects the efficiency of your ongoing lease data management. This in turn has an impact on employee productivity, as well as the return on your software investment.

Whether you are looking at lease accounting software options for the first time or seeking to add lease accounting capabilities to an existing platform, there is a lot riding on your ability to pick the best solution for your needs.

This software buyer's guide is designed to help you choose a lease accounting solution that not only gets you to compliance, but also makes ongoing lease management easier.
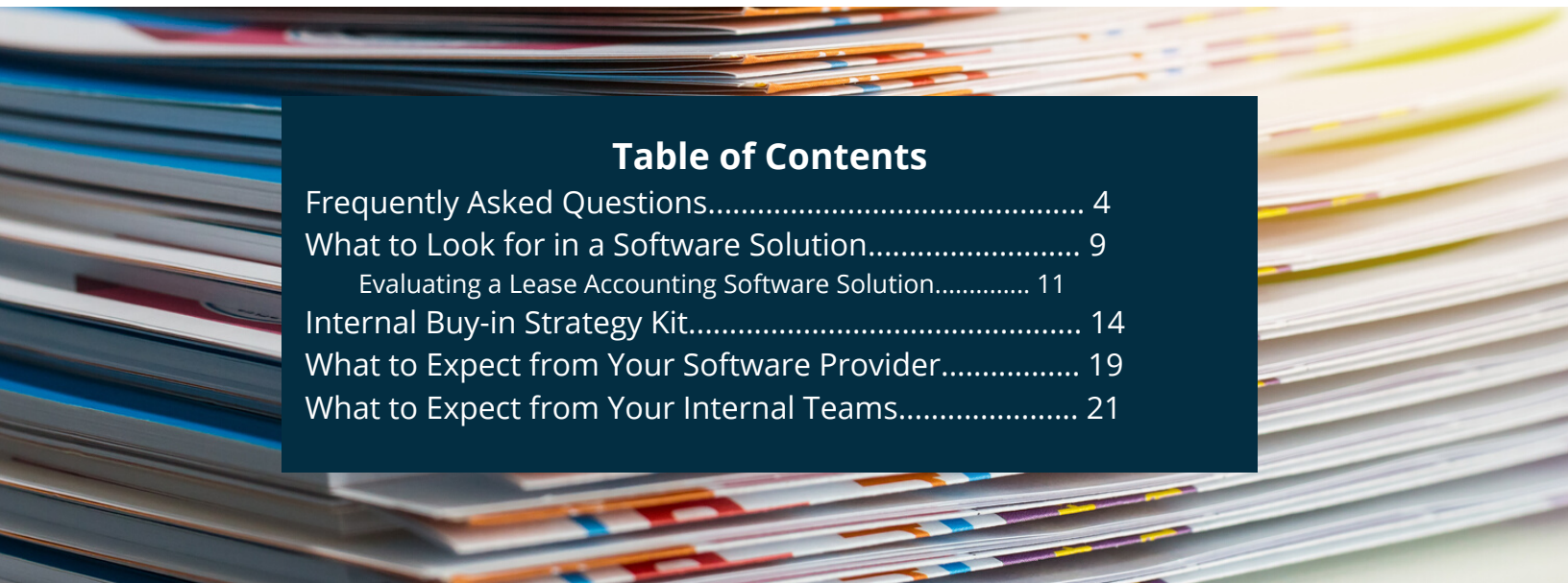
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Frequently Asked Questions
for Lease Accounting

Be prepared for success by knowing the answers to commonly asked questions about lease accounting and the software selection process.

Question 1. What is lease accounting ?

In the simplest terms, lease accounting is the requirements for recording and reporting on all of the property, equipment, and other types of leases that an organization holds. These contracts are generally categorized as either operating leases or finance leases. Under the new FASB ASC 842 and IFRS 16 standards, leases and similar contracts must be accounted for as assets and liabilities on the balance sheet.

The accuracy of lease accounting depends on the ability to not only gather accurate lease data but also update it as changes occur. Without a proper way to track and manage your leases, the data that is needed for disclosure reports can easily become outdated and inaccurate over time.

Question 2. What is lease accounting software ?

Lease accounting software is a tool that accounting teams use to input and report on all of the financial aspects of leases. This includes right-of-use assets, interest expenses, liabilities, and other elements required under FASB/IFRS guidance.

Specifically, lease accounting software performs critical accounting calculations and adds information to the balance sheet in order to meet FASB and IFRS compliance requirements. In addition, by automating data tracking, auditing, and reporting, lease accounting software:

- Replaces time-consuming manual processes
- Eliminates human error
- Helps to identify opportunities to reduce expenses

Question 3. What is lease administration and how does it impact lease accounting ?

Lease administration solutions are used by companies to manage the key financial, legal, and operational aspects of property and equipment leases. Lease administration software helps businesses keep track of important details throughout the life of a lease, such as:

- Critical dates
- Related documents
- Financial components
- Options
- Maintenance obligations

Since accounting requires accurate lease financials, lease administration is an essential partner to a lease accounting solution. With the two working together, you have a vital link between accounting functions and the up-to-the-minute lease data required to achieve and maintain FASB/IFRS compliance.

Question 4. When is software needed for lease accounting and administration ?

In the past, many businesses used spreadsheet applications to manually track the financial data associated with leases. But the complexity of the new standards for lease reporting changes that — even for smaller organizations with relatively simple lease holdings.

Under the new financial reporting requirements, many more data points need to be tracked and audited. Using a manual process for this much more complex process opens companies up to a greater risk of typos, misplaced decimals, formula mistakes, and other auditing errors.

With both lease accounting and lease administration software, you can automate the process to ensure consistent and accurate calculations. The software can automatically track all the fields you need for reporting and pull the data from any numerical field, eliminating the manual process and human error.

Question 5. Who should be involved in the buying process ?

From the provider's side, you can expect to work with a sales representative when you are evaluating a lease accounting solution. Further along in the buying process, you might also talk with customer service or implementation staff. It is the job of the sales rep to:

- Prove that the software provider thoroughly understands the requirements and challenges of lease accounting and compliance
- Show they have listened to you and understand your business goals and unique needs
- Demonstrate how the software product meets your requirements
- Provide proof of expertise, such as recommendations from top accounting firms and existing customers

Within your own company, it is important to reach out early in the buying process to anyone else who might be affected by the software purchase. You'll want to involve all the key stakeholders as well as any decision makers who need to approve the purchase. Typical roles involved include accounting, executives, real estate/facilities, and IT. You will find that people from other teams often bring up important questions and important issues that might otherwise be overlooked.

ACCOUNTING

REAL ESTATE/ FACILITIES

EXECUTIVES

IT

Question 6. How long does the buying process take ?

As with any major business purchase, the time it takes to buy lease accounting software depends on your company and its internal proposal, approval, and procurement process. Regardless of your internal time frame, be sure to also allow time for conversations with sales representatives, demos, and when necessary, in-person meetings with potential software providers.

In addition to the time required for the buying process, it is critically important to build in enough time to accomplish data collection and software implementation well ahead of the compliance deadlines.

Question 7. Once I select a software solution, how long does implementation typically take ?

The time to implement varies depending on the software product as well as the needs of your business. At Visual Lease, our average software implementation and data migration takes about 90 days. However, we review each new implementation and build individual projections around each customer's unique needs.

There are a number of tasks required that impact your implementation timeline. For instance, collecting all your lease data is a major undertaking. For a large company, that task alone could take up to 6 months. Therefore, we recommend starting your data collection process as soon as you can — if possible, even before you have decided on a software solution.

Before you begin implementation, ask all the lease stakeholders in your organization to start their lease inventory process ASAP. This may include facilities, legal, and procurement teams, as well as managers at individual sites that may engage in contracts for their sites only. Also review your most recent full AP check run to identify all the vendors you pay on a recurring basis and identify any leases missing from other records.

Collectively, those efforts should give you a fairly accurate list of your lease assets and liabilities. We also recommend carving out some additional time to test your lease accounting system before you begin reporting. This gives you time to really master the system so you can produce reporting with confidence.

VISUAL LEASE

What to Look for in a Software Solution

With the number of different lease accounting software options that are out there, finding the best one for your needs can be a challenge. Below are some things to keep in mind when assessing a lease software platform.

Software as a Service (SaaS)

For business applications such as lease accounting and administration, SaaS is the go-to mode of software distribution. It allows your software provider to host and maintain its application in the cloud, and deliver the application to your users via the internet.

SaaS allows you to scale the application as needed and pay as you go, usually with simple subscription-based pricing. Because SaaS is cloud-based, it saves you the time, cost, and hassle of having to buy software licenses and physically install and run the software on multiple computers and at multiple locations. Instead, authorized users access the application via secure web browser login from any device and location with internet connectivity.

FaaS distribution allows the software provider to automatically update the application as needed. That means you always have the latest version without having to buy new releases or install patches for security updates, new features, or other changes.

In addition, SaaS providers put stringent security measures in place and undergo SAS 70 Type II audits to verify their data center security.

Lease Accounting System Options

Standalone Lease Accounting Platform

Lease accounting software provides accounting teams with the capabilities needed to:

- Aggregate the data for real estate, equipment, vehicles, land, and anything else your organization leases

- Manage tracking and reporting on the financial aspects of those leases, including right-of-use assets, interest expenses, liability, and other elements under FASB and IASB guidance

Using a system that allows you to easily configure relevant lease data helps you organize the information to match your processes. Look for lease accounting software that is fully configurable, so that it will capture the specific fields and track the lease data that will meet your ASC 842/IFRS 16 compliance requirements.

Centralized Lease Management Platform

Remember, lease accounting and lease administration go hand in hand, because the data tracked and updated within administration software is also critical to generating accurate calculations in lease accounting.

Lease management software is a hybrid solution that brings together lease accounting and lease administration, creating a single integrated source for accurate and
up-to-date lease data. It meets the needs of both the accounting team and the real estate/facilities team — providing a seamless way to track lease data on an ongoing basis, to:

- Meet the deadline for initial ASC 842 and IFRS 16 compliance
- Update lease data as needed to reduce or eliminate auditing risks
- Maintain compliance for the long term

LEASE ADMINISTRAION

+

LEASE ACCOUNTING
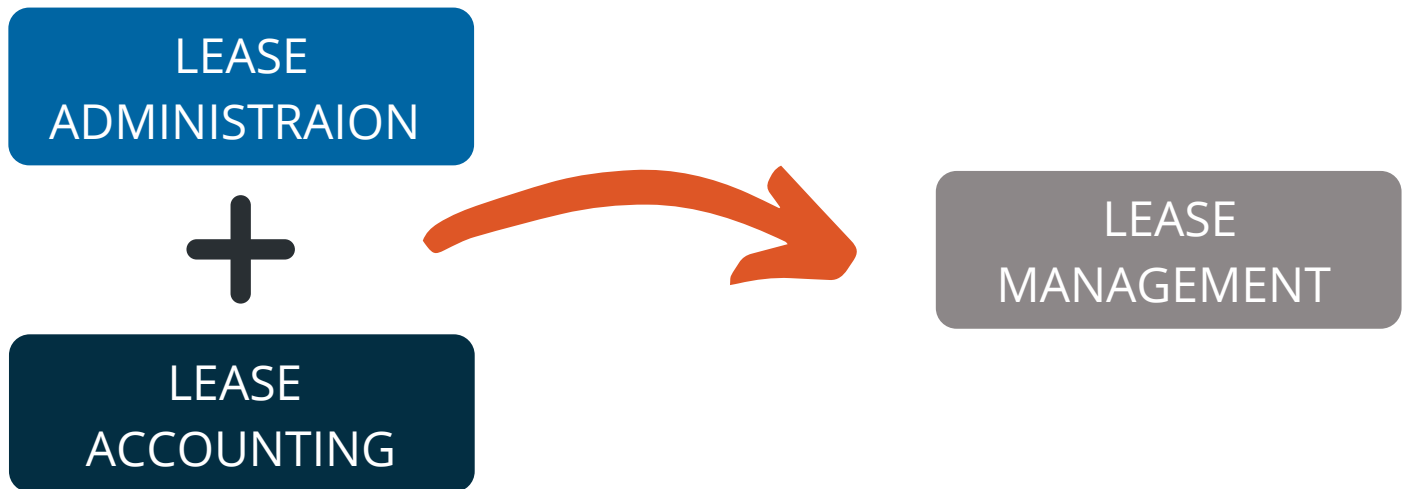
LEASE MANAGEMENT

The administration functions within lease management software provide checks and balances in the system's lease accounting functions, including:

- Initial and ongoing accounting calculations based on updated lease data
- Generating journal entries to ledger
- Running disclosure reports and backup

Evaluating a Lease Accounting Software Solution

For software that meets your requirements for FASB/IFRS compliance and beyond, look for lease accounting solution that offers the following key factors that shouldn't be overlooked.

Ease of Use

- Designed for easy setup, integration with other systems, and data migration
- Offers helpful tools and support services to further speed the process, such as migration templates and lease abstraction
- Has a simple and intuitive interface, to minimize training requirements and get users up to speed quickly
- Offers the flexibility to configure data fields and reporting to your business needs
- Is supported by implementation and training services from the software provider

Simplified Lease Accounting

- Integrates with your existing technology and reporting infrastructure
- Can be configured to produce the lease accounting calculations you need, with unique fields, groupings, and financial categories to match your industry and organization
- Uses data maintained within the platform to automatically generate calculations, journal entries, and disclosure reports
- Supports standard reports and configurable, ad-hoc reports on any field within the platform
- Can be up and working for your business in time to meet compliance deadlines

Evaluating Software Providers with RFPs

When you are evaluating software providers, consider asking them to respond to a request for proposal (RFP). Including aspects described above, along with the unique and specific requirements of your business, can make an RFP a valuable tool for comparing what different providers have to offer.

Ongoing Data Management

- Incorporates advanced accounting functions to support ongoing compliance with ASC 842, IFRS 16, and other lease accounting standards
- Includes lease documentation management
- Supports initial lease data input AND ongoing updates, remeasurements, and other changes
- Provides tools for managing legal and financial obligations/payments
- Offers automated alerts, views, and reporting to track actionable lease data and let you know whenever a lease requires attention

Rigorous Security

- Uses redundant, secure servers for protection of company financial information and data integrity
- Provides encryption of lease data using the latest security protocols
- Protects the system with secure login and user authentication, including control of login credentials, password policies, multifactor authentication, and single sign-on (SSO)
- Offers tools for administering individual and group users for system access, roles, and permissions

Future Readiness

- Designed to meet your needs for the long term
- Regularly updated with feature enhancements and new capabilities
- Backed by a company that is dedicated providing to a roadmap to the future, including the build-out of new features and adoption of new compliance requirements
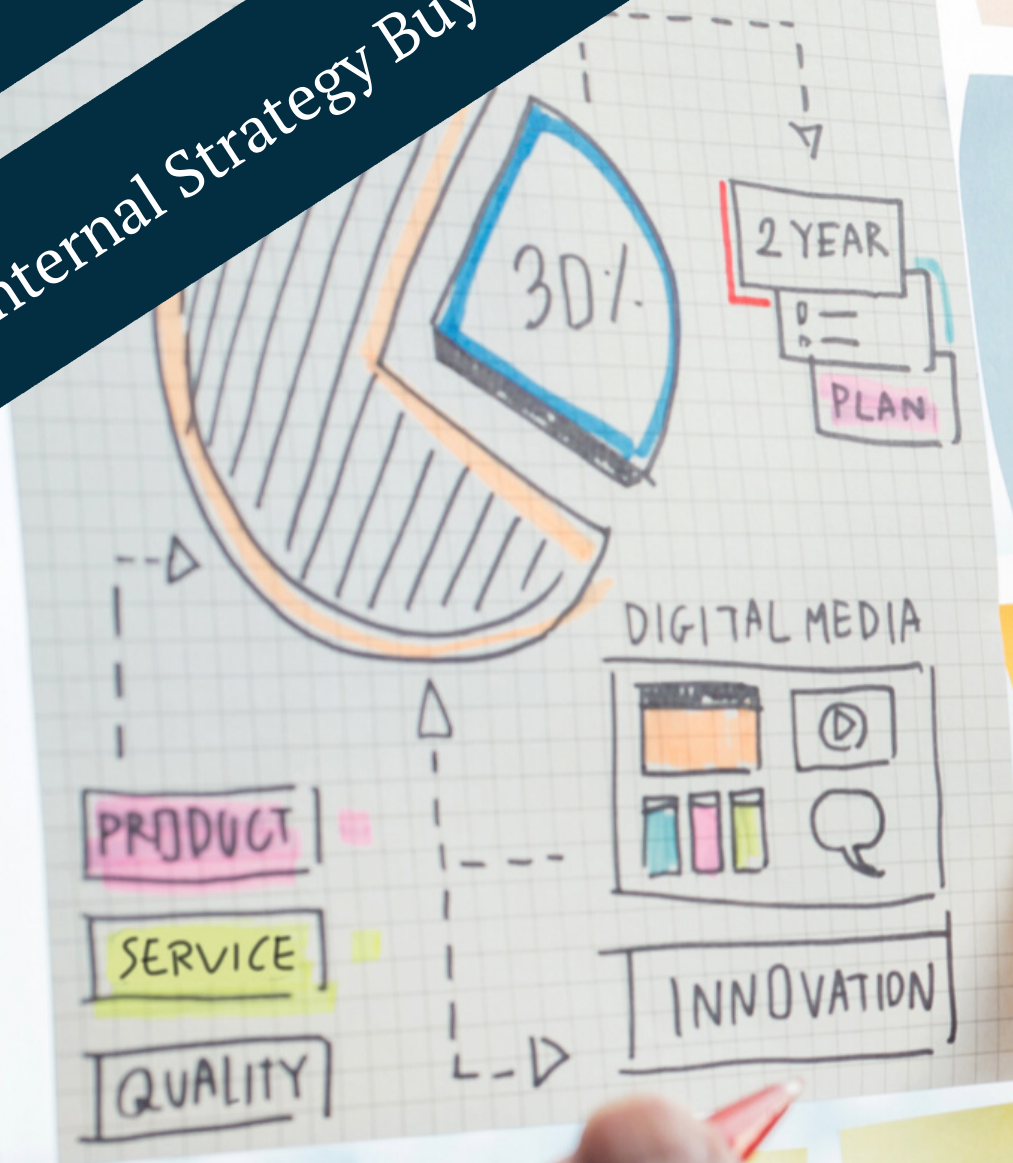
Selecting a lease accounting and administration solution is a major commitment on the part of your company. That means demonstrating the value of the solution to your internal stakeholders and decisions makers is a crucial part of the internal proposal, approval, and procurement process.

Any proposed software solution must demonstrate that it does what you need it to do and provide evidence of compliance with FASB 842 and IFRS 16. Beyond achieving compliance, the right lease software solution is one that also:

- Addresses your company's financial, operational, strategic, and technical pain points
- Improves accuracy, efficiency, and productivity by automating lease accounting and lease administration
- Eliminates the risks of not having a lease management solution

The three strategies below can help you demonstrate the value of purchasing a lease management solution for your company.

Strategy 1: Identify pain points that the solution addresses

Financial Pain Points

Without a software solution, lease accounting and administration must be done manually. On top of the burden this puts on employees' time and energy, there are the added risk of costs due to human error. There may also be high costs associated with a lack of visibility into your leases, causing your business to overpay CAM and other lease-related operating expenses or to miss important dates, options, and changes that add to lease costs.

The Solution

By eliminating manual processes and making it easy to accomplish lease accounting and administration tasks, integrated software improves efficiency and productivity, which in turn reduces costs. In addition, the solution can reveal opportunities to reduce costs by ensuring that charges are accurate and are in accordance with lease terms — alerting you to redundancies, non-conforming charges, and opportunities to lock in a good lease renewal rate.

Operational Pain Points

When you do not have lease accounting with integrated lease administration functions, it is difficult to keep up with lease changes and maintain accounting compliance. In addition, unless you have a very simple lease portfolio, it can be time-consuming to track down a lease and find important details such as who is responsible if a leased property requires emergency repairs.

The Solution

With lease management, updated lease data is in the system and available to the lease accounting function, ensuring you get accurate data calculations for ongoing compliance. In addition, the ability to search for specific lease terms makes it easy to find the information you need when you need it, such as who is responsible for emergency repairs.

Strategic Pain Points

Without integrated lease accounting and administration, the strategic decision-making side of your business can be in the dark about important lease details and their true costs. Are you are overpaying for leased equipment or other assets it would be cheaper to buy outright? How can you make the most cost-effective decisions at renewal times when leases are scattered across multiple departments or locations?

The Solution

Integrated lease management doesn't just bring all your leases onto the balance sheet for accounting compliance — it also provides a centralized repository for all your lease data and tools for day-to-day lease administration. It provides stakeholders with visibility into critical information that drives the business, empowering them to make more timely and confident decisions that support strategic goals.

Technical Pain Points

The downsides of a manual lease management process are many — from the time and effort required of employees to record and update key data points from every lease, to the risk of human error in performing calculations, to the daunting task of storing and managing hard copies of hundreds or even thousands of lease records.

The Solution

Integrated management software automates the lease accounting and administrative processes to ease the burdens on your accounting and real estate/facilities teams while providing the accuracy and centralized documentation your business needs for compliance.

Strategy 2: Highlight benefits that provide added value (ROI)

At the very minimum, a lease software tool must support compliance by providing the ability to perform calculations on your lease data and send journal entries to your general ledger (GL).

In addition to providing the lease accounting capabilities you need, the best solution offers benefits beyond compliance —supporting the needs of your accounting and real estate/facilities teams for the long term and giving you great ROI by:

- Saving time and effort for your teams that work with leases
- Reducing costs by mitigating lease risks and preventing calculation errors
- Alerting you to changes in lease options and mistake such as payments on expired leases or miscalculated variable payments
- Letting you set goals and track performance by location, business unit, region, or market
- Helping you make more cost-effective lease decisions

Strategy 3: Identify common risks that arise without software

An integrated lease accounting and administration solution not only simplifies lease portfolio management — it can help your business avoid common risks.

For example, with a manual process, it can be difficult to enforce proper checks and balances in your accounting process, increasing the risk of failing an audit. The process also lacks an audit trail to document your change management, approval flows, and other lease accounting requirements.

With lease management software, you can create a system that accurately mirrors and enforces your lease accounting policies and procedures. The system also provides an audit trail that tracks the details of every change to your lease data, so you can prove that everything is in order and up to date.

In addition, the complexity of leases and how their cost are calculated makes manually gathering the data difficult and tedious. Plus, it is easy to make a mistake such as misplacing a decimal point, dropping a digit, or simply miscalculating.

A lease management system automatically captures the pertinent data points and does the calculations for you, to streamline accounting and eliminate the risk of human error.

What to Expect from Your Software Provider

The best software providers are not just here to sell you software — they are here to support you through implementation and beyond. With the complexity of lease accounting and administration, and the implications for your long-term compliance, you should expect your lease software provider to offer ongoing support right from the start.

Implementation Support

Your lease account/lease management software provider should partner closely with you and your team to understand your goals and needs in order to create an end-to-end plan for implementing your solution. This will help to ensure that your software is up and running quickly and successfully so you can meet the compliance deadline.

Based on your needs, the comprehensive plan should provide timeframes for each phase of implementation, including milestones such as:

- Identifying key project goals
- Best practice consultation
- Data migration
- Testing and validation
- Training, sign-off, and support
- Going live with the system

Your partner should provide an experienced, dedicated implementation team to configure the platform according to your unique processes and requirements, and provide training and other support as needed. For instance, your software provider can provide insights and guide you through steps such as data gathering, lease abstraction, and data preparation and migration.

Customer Support

The right implementation partner will help you not only get ready for initial FASB or IFRS compliance, but also maintain compliance moving forward. Look for a partner who will provide a "Day 2" plan including policies and procedures for ongoing collection, updating, and reporting of lease data post-compliance.

In addition, your partner might offer customer support such as ongoing education, manuals and "how to" guides, new release training, help desk assistance, and account management.

What to Expect from Your Internal Teams

Your own teams will play a vital role in the launch and ongoing success of your lease accounting and administration solution.

Preparation

Collecting lease data and preparing it for a lease accounting system is a time-consuming task. Starting early — even while you are in the process of selecting your software solution — is critical.

Gathering all the key stakeholders in the business, such as the real estate, legal, and procurement teams, in addition to the accounting team. If you plan to add SSO or exports to the lease accounting application, also include an IT stakeholder, who will need to partner with your software provider later in the process.

Once you have assembled your stakeholder team, it's time to start the task of finding all your lease and related data. Working through these efforts while you're finding the right software provider will help the project move along smoothly, set the right expectations with your team, and make bringing lease data into the system easier.

Data Migration

Once data is gathered, it is time to begin the process of converting (if necessary) and migrating the data to your new lease accounting system. If your data is currently housed in a legacy solution or excel spreadsheets and you are confident about the integrity of the data, it can be leveraged and brought into the lease accounting system, ideally through import templates. However, if you don't have good legacy data, you'll need to work with your software provider to extract the critical data needed for compliance and long-term lease management.

Testing

During implementation, your software partner should work with you to validate your platform and show proof of concept from the database perspective:

- Are you running the right reports?
- Are you capturing all the right information for all the business stakeholders?
- Have you configured all the fields that are important to you?

Be sure to allow extra time to do additional accounting testing and validation once the system goes live, so you can make sure your reporting results accurately represent your lease portfolio. Your software provider can share best practices to assist your team in this effort.

Start **NOW!**

Choosing your software solution and putting it in place as soon as possible puts you on track to finish data collection and migration in time to meet compliance deadlines. In addition, partnering early-on with a software provider that is a lease accounting and administration expert gives you access to experts who can help you not only prepare for compliance, but also improve your leasing policies and procedures.

That means the work you do right now to choose a lease accounting solution can have a long-term, positive impact on your business.

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