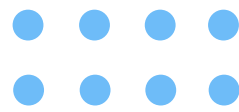# VISUAL LEASE
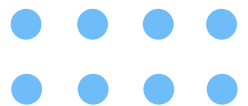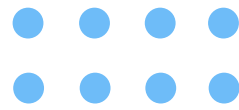
Buyer's Guide to
Lease Accounting Software

How to select a reliable lease accounting software solution

VL VISUAL LEASE

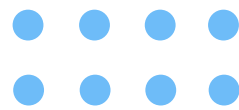# Table of Contents

Introduction

The new lease accounting standards (e.g. FASB ASC 842, IASB IFRS 16, GASB 87) require businesses to include operating leases on the balance sheet in the form of right-of-use-assets and corresponding lease liabilities.

This isn't just a one-and done disclosure; it is a whole new approach to accounting with a much higher level of scrutiny.

For most companies, this is a massive administrative lift. Leases are complex legal documents, sometimes 100-200 pages long, which require trained professionals to negotiate and interpret; with countless obligations, clauses and critical dates to keep track of.

Leases are also dynamic. Terms change all the time as companies take on new spaces, scale back or renegotiate, and you must account for every change under the new standards.

Lease accounting requirements may change and evolve, as well. To help organizations properly manage and track their evolving lease portfolio, many are turning to technology. In fact, 51% of senior finance and accounting professionals say assistance from third-party lease accounting experts (52%), upgrading existing lease management and accounting software (51%) and implementing new lease management and accounting software (48%) are essential for the transition to ASC 842.

Source: VL Data Institute

This software buyer's guide is designed to help you **make an informed decision when selecting lease accounting software**, so your team can transition to the new requirements, stay compliant as your leases change and make the most of your investment.

In this buyer's guide, you will get insight into:

- ✓ What to look for in a lease accounting software (and the non-negotiables)

- ✓ How to align internal stakeholders on a strategy and a solution

- ✓ Roadblocks in the buying process and what you need to know to get around them

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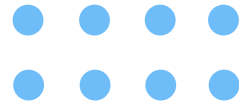
Stakeholders Across the Lease Lifecycle

Lease accounting compliance isn't just an accounting project - it's a leasing project.

As you start this project, you need to involve these stakeholders (within the graphic to the right) early to maintain a single source of truth and keep track of lease changes throughout the year.

Look for a solution that can enable every team that touches leases to be successful (whether they're making changes, making decisions or acting based on lease terms) - not to mention, guardrails and approvals to make sure changes follow agreed-upon procedures.

The right tool will streamline workflows for each of these teams. Get the right stakeholders involved and aligned early. Ask:

✓ **How does your company acquire leases?**

Do you have real estate brokers you need information from? Procurement teams whose workflows will be affected? Real estate teams who need to report differently?

✓ **How does your company make decisions throughout the year when it comes to leases?**

Who needs information from the system? Who needs to record changes?

✓ **How does your company negotiate terms, and how do you surface those terms?**

Do you have document management systems you need to connect? Or legal or underwriting teams that will need to interact with your technology?

✓ **How does your accounting team get notified when other teams add new leases, or make lease changes?**

✓ **How does your business make strategic decisions about renewals and asset use?**

Do you have the information you need to decide whether to scale up, scale back or reallocate resources and manage financial implications of those decisions?

✓ **How does your reconciliation team validate lease payments against lease terms?**
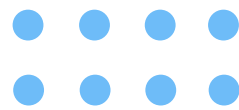
Internal Strategy Buy-in Kit

Demonstrating the solution's value to the decision-makers and internal stakeholders at your organization is a crucial part of any solution proposal, approval and procurement process.

At the base-level, the software must demonstrate that it does what you need it to do – which in this case, is support compliance with lease accounting standards (FASB ASC 842, IFRS 16 and GASB 87). However, there are various solutions that deliver that on the surface, while lacking other critical capabilities.
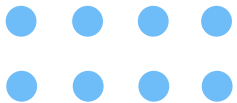
To propose the value of lease management software, you can:

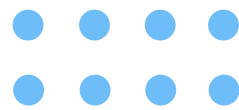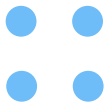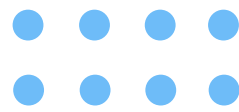| Identify how the solution solves existing and future pain points	Highlight benefits that provide added value **(ROI)**	Identify common risks that arise without software

In the next few pages, we show you how to do just that.

Strategy 1

Internal Strategy Buy-in Kit

# Identify how the solution solves current and future pain points

✖ Pain Point	✔ Solution
Businesses are often unsure where to begin when working towards lease accounting standard requirements.	Get started with a software solution that offers dedicated support and lease accounting experts, supports automated calculations and templates and offers transparency into exactly how the outputs are calculated.
Organizations often have time constraints and lack of resources dedicated to lease accounting.	Save time by selecting lease accounting software with flexible, intuitive tools that enable you to easily control your leases and run financial reports. The software should also have accessible training for every user and various accounting partnerships, including managed services.
Businesses may lack confidence producing accurate accounting calculations and reports.	Gain confidence by selecting a lease accounting software that provides: ● Automated, reliable calculations ● Transparency into the math behind the calculations ● Comprehensive remeasurement calculations to keep you compliant through Day 2 ● Third-party auditing to ensure data security and calculation accuracy This ensures your data is safe -- and your disclosures are accurate.
Businesses often lack control and visibility into their leases and lease data.	Lease accounting software should make it easy to account for and view every lease at a glance, including unique clauses and options. Further, it should include lease administration capabilities to track key clauses, obligations, options and critical dates that might be buried in a 200-500 page document.
Accurate lease financials can be complex to maintain, as leases -- and the lease accounting standards -- evolve.	Lease accounting software should support even the most complex lease modifications and remeasurements to ensure as your leases change, your financials stay up-to-date. Look for tools that trigger accounting notifications when lease terms or payments change and can automate the calculations and balance sheet impacts.

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Strategy 1

Identify how the solution solves current and future pain points

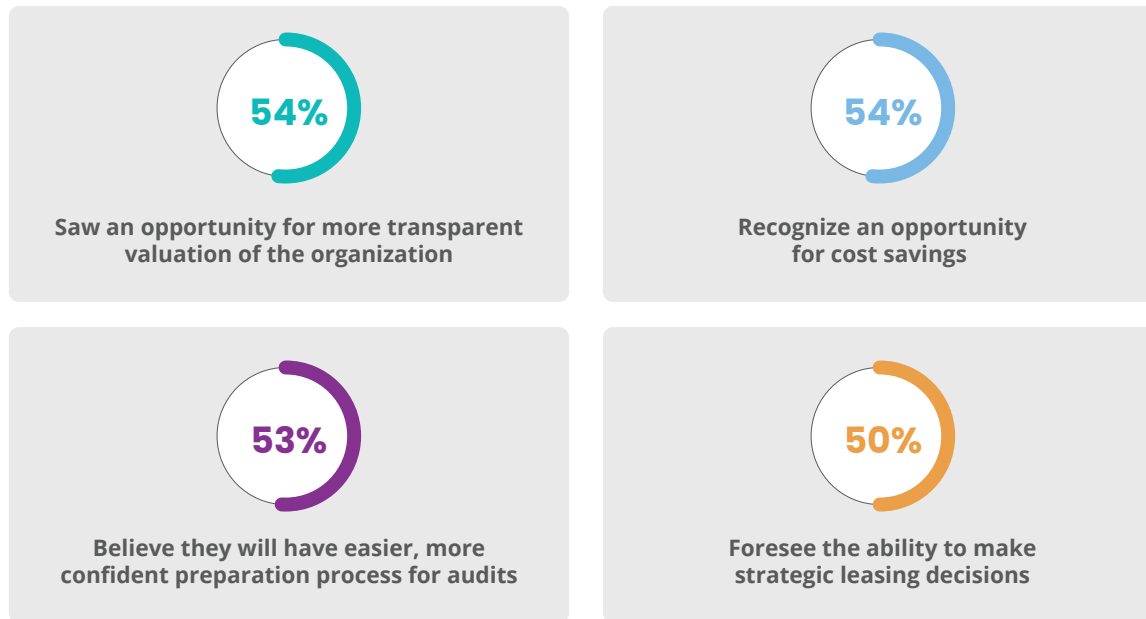| ✖ Pain Point	✔ Solution
Every business has unique workflows and data that they track, and every lease looks slightly different, so implementing a standard solution isn't always possible and custom software is costly and hard to maintain.	Make sure your tools can be configured to handle your specific workflows without custom workarounds. Look for flexibility in fields, workflows and reports, and an implementation team that will ensure the tool is set up to handle every scenario.
Lease accounting without the right technology (spreadsheets) is unsustainable, prone to user error and lacks security.	Ensure your lease accounting software includes comprehensive internal controls and guardrails, ensuring every change is authorized, accounted for and fully auditable. Look for access and approvals hierarchies, as well as comprehensive audit trail reporting to make sure your data entry is complete, accurate and auditable.
It is hard to access the lease data needed for other business decisions and to leverage lease data for other use-cases.	The lease accounting software you choose should provide options to inform the systems and workflows you run every day, like your ERP, BI and reconciliation software tools – and help you make more salient business decisions across systems.
Organizations often lack visibility into when leases require them to take action.	Missing critical dates within your leases, such as exercise windows and scheduled increases, can have big downstream impacts. Any software that tracks amortization schedules, deferments, increases, or options windows should have critical date alerts baked in to make sure all stakeholders are on the same page.
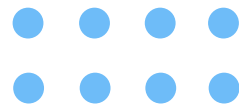
Strategy 2

Internal Strategy Buy-in Kit
Highlight opportunities that provide added value (ROI)

Understanding just how complex and expensive leases are – particularly under the new lease accounting standards – is reason enough to invest time and resources into achieving and maintaining compliance.

But, when considering the many benefits associated with lease accounting, it becomes glaringly evident that lease software can streamline processes, create efficiencies and help companies get more out of their leases.

In a recent study, businesses recognized the following advantages associated with leases on the balance sheet:

54%

Saw an opportunity for more transparent valuation of the organization

54%

Recognize an opportunity for cost savings

53%

Believe they will have easier, more confident preparation process for audits

50%

Foresee the ability to make strategic leasing decisions

Source: VL Data Institute

Lease optimization enables organizations to sustain lease accounting compliance and unlock hard and soft savings, addressing two major business concerns with one effort.
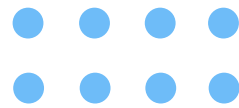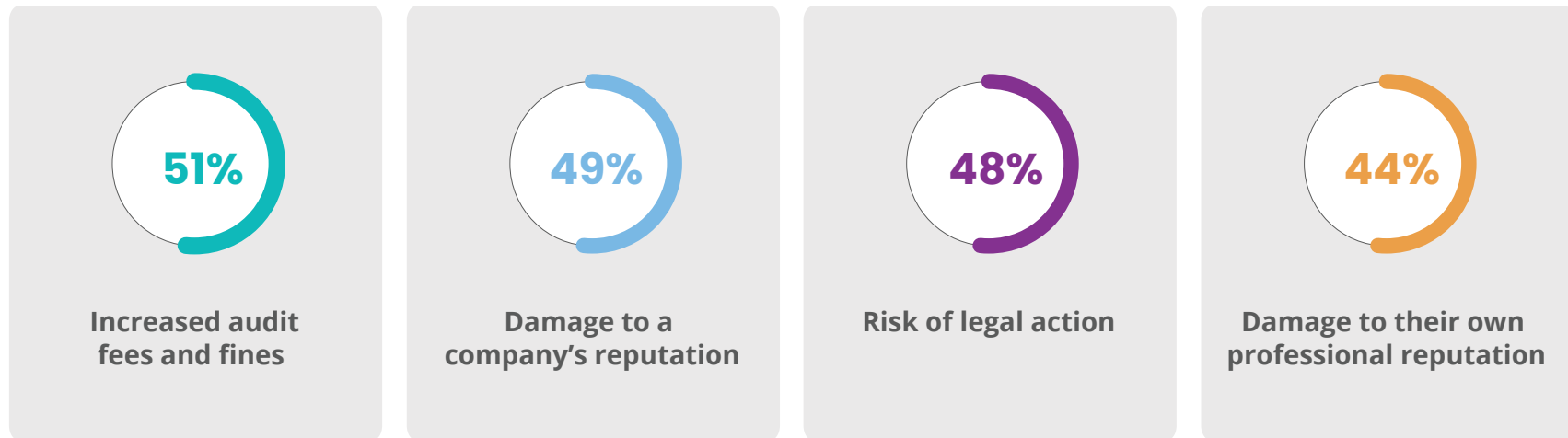
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Strategy 3

Identify common risks that arise without software

The new lease accounting standard comes with some major risks if inaccurately reported upon. In fact, a staggering **99%** of senior finance and accounting professionals surveyed **acknowledge real fears in potentially misreporting company lease information**.

In fact, common top concerns associated with misreporting lease financials include:

51%

Increased audit fees and fines

49%

Damage to a company's reputation

48%

Risk of legal action

44%

Damage to their own professional reputation

Source: VL Data Institute

This points toward a critical need for automation through lease accounting technology. Software solves for this need through automated calculations, which reduce the risk of manual error, and through audit trail functionality that ensures every change is recorded and is fully auditable.
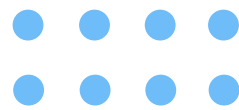
Buying Process Need-to-Knows

First-time buyers

Below are considerations first-time lease accounting software buyers should be mindful of during software evaluation.

Preparation is time-consuming.

Identifying, gathering and organizing lease data requires a lot of time and effort. In particular, embedded leases (lease components within a contract) are more difficult to locate and often require more time to pinpoint. And, regardless of how many leases you have, abstracting leases (extracting lease information into software) is a tedious and lengthy process, which is why companies often choose to outsource to a lease abstracting partner.

Note: *Visual Lease offers trusted partners that can efficiently and economically handle lease abstraction.*

Select an experienced implementation partner.

Software implementation needs to be handled in-house by the software provider – and it should be a top priority to ensure you are set up efficiently and accurately. Look for a software provider who has proven experience and is willing to work with you every step of the way.

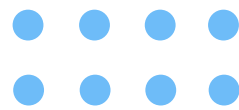### Consider areas that are often overlooked.

Few lease accounting software packages include all the capabilities that help maintain compliance post-initial adoption (Day 2). Consider the importance of functionality handling situations such as:
- CAM OP/EX
- Hidden/opaque costs associated with leases
- Tenant improvement credits
- Identifying redundancies and footprints
- Vendor management

Weigh the benefits of cross-functionality.

Managing critical dates, monitoring obligations and tracking data across your company's leases isn't always simple. Centralized lease data streamlines efforts across different depart-ments within a business and provides control to decentralized business structures.

Replacement buyers

Organizations who are looking to switch from their current lease accounting solution may be mindful of the following:

✔ What is the cost and time commitment of implementation?

Although it often takes time to migrate data from your existing system to a new system, some software providers can work with you to make the process as painless as possible. Get your lease data in quickly, with pre-configured tools that support bulk uploads for both qualitative and financial data. Being satisfied with your lease accounting software will make Day 2 compliance efforts a much more seamless process.

✔ How does the solution help ensure accurate calculations?

Compliance starts with complete data. A proper lease accounting solution enables you to stay audit-ready by tracking every change to your leases in one centralized location. Further, some lease accounting software calculations are backed by a SOC 1 Type 2 calculation audit.

✔ Does the solution offer robust, complete reports?

Lease accounting software should contain a library of report templates and the ability to configure your own with an ad-hoc reporting engine. Further, take note at how the disclosure reports and roll-forward reports are handled within the system. Some solutions provide robust disclosure reports out of the box, whole other software requires multiple ad-hoc reports to access the same information.

✔ How does the solution help with Day 2 lease accounting?

It's not enough to generate lease accounting calculations. A full lifecycle lease platform provides a closer look at leases from inception through completion. The solution should be able to handle your lease portfolio as it continues to evolve - including remeasurements, modifications and both full and partial abandonments.

✔ Does the solution support third-party integrations?

Leading companies recognize that by integrating key systems of record within their technology stacks, they can dramatically improve efficiencies, enhance user experiences, reduce data entry errors and gain more robust insights from their data. Integrations can scale in line with your business needs, ensuring that you are prepared not only to meet your compliance requirements but transform those requirements into financial opportunities.
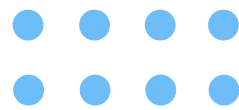
What to Look for in Software

Regardless of the compliance standard you need to meet, and the number of leases in your portfolio, there are certain software capabilities essential to your ongoing success.

Reliable hosting:

Confidently host your lease data and financials in trustworthy data centers (such as Amazon Web Services), for dependable security, scalability and uptime.

Complete configurability:

Set up the system any way you need – without the headache and added cost of customized software – for better control of your lease data.
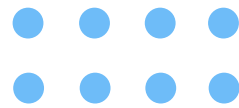
Internal controls:

Ensure every action is by the book with integrated approvals and track every change through a comprehensive audit trail.

Complete lease subledger:

Centralize lease financials into a single subledger across all asset types and lease scenarios, including master leases, embedded leases, subleases and more.
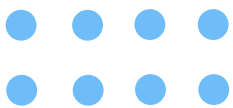
Lease accounting software requirements

✓ **FASB/IASB/GASB compliance (ASC 842, IFRS 16, GASB 87):**
Generate the required journal entries, disclosures and footnotes automatically, and handle every calculation and remeasurement with confidence.

✓ **Configurable reports:**
Select from a library of lease accounting report templates or configure your own with an ad-hoc reporting engine.

✓ **Roll-forward reporting:**
Get validation and transparency into balance sheet activity over a specified period.

✓ **System security:**
Trust your disclosures are accurate through a reliable SOC 1 type 2 audit of accounting calculations, in addition to policies and procedures.

✓ **Currency capabilities:**
Manage unlimited currencies and convert to a single currency when running reports.

✓ **Third-party accounting integrations:**
Seamlessly integrate your lease data and financial information with ERPs including general ledger, accounts payable and accounts receivable modules with secure managed file transfers and real-time APIs.

✓ **CAM/OpEx auditing:**
Set up rules for your lease expenses, and audit them against invoices to track inappropriate charges and ensure you do not overpay for invoices or statements.

✓ **Auditable allocations:**
Specify space allocations separately from financial allocations and different allocation patterns for different entries. Also, allocate expenses among the designated business units for purposes of charging the appropriate expense centers.

Lease administration software requirements

✓ Easily manage lease complexity:

Navigate complex arrangements involving lease modifications, subleases, sale-leaseback transactions, lease incentives and related-party leases.

✓ Auditable remeasurements:

As your leases evolve with automated remeasurement calculations for every lease modification, easily mitigate risk and track every change with comprehensive approvals and change log reports to maintain compliance.

✓ Percentage rent:

Automatically calculate your variable rent based on your point of sales data and lease-based formulas for each SKU / SKU type.

✓ Proactive notifications:

Receive automated critical date notifications for expiration, renewal, options, clauses, even custom dates, etc.

✓ Contacts:

Capture all contact info in one place, including vendors, maintenance, contact roles and associations with leases.

✓ Configurable reports:

Build ad-hoc reports such as price per square foot, headcount, rent roll, budget reports, critical date reports and more.
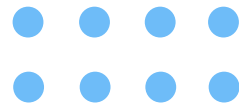
Dedicated, ongoing support and training

The setup of your lease accounting data is often complex and time-consuming. Therefore, the best software providers do not just offer software; they support you through implementation and beyond.

Implementation Support

Software implementation is too important to your lease accounting process. To be successful, you need a team that is dedicated to understanding your goals and needs – and can create an end-to-end plan to get you up and running quickly and successfully.

They should help you become familiar with each implementation milestone and phase, including things like:

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

Your implementation team should help you configure the platform according to your unique processes and requirements – and get training and other support as needed.

Also, they can help guide you through steps such as data gathering, lease abstraction, data preparation and migration. Some lease accounting software providers also have a network of partners that can accomplish tasks, such as lease abstraction, for you.

Customer Support

Maintaining compliance post-initial adoption (or Day 2) of the lease accounting standard(s) can be very complicated without the right solution and support personnel.

Some lease accounting software providers charge extra for access to experts, while others offer in-house, dedicated support at no additional cost. Support often includes:

- Training
- Customer success
- Ongoing support
- Account management

In-house, dedicated support is ideal to help you avoid any out-of-pocket expenses. They should help you learn how to use the software through how-to documentation, stay abreast of any new product release capabilities and functionality, answer all your questions and help you set and achieve any goals.

Ready to take the next step?

Visit www.visuallease.com to see how we make it easy to get compliant – and stay that way even as your leases (and the requirements) evolve.

View a Demo