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6 steps to finding and loading lease data

EZLease Quick Start Guide

Lease accounting is easier if you break it down into the key steps to follow to get compliant. In this guide, we'll walk through the what, who, where, and how of finding and loading leases as well as starting your accounting. The "why" is already clear – the lease accounting standards are driving most organizations to change how they handle leases. The "when" is different for different groups – private companies have an early 2022 deadline, government departments have until their fiscal 2022, and compliance deadlines for public companies and most international companies have already passed.
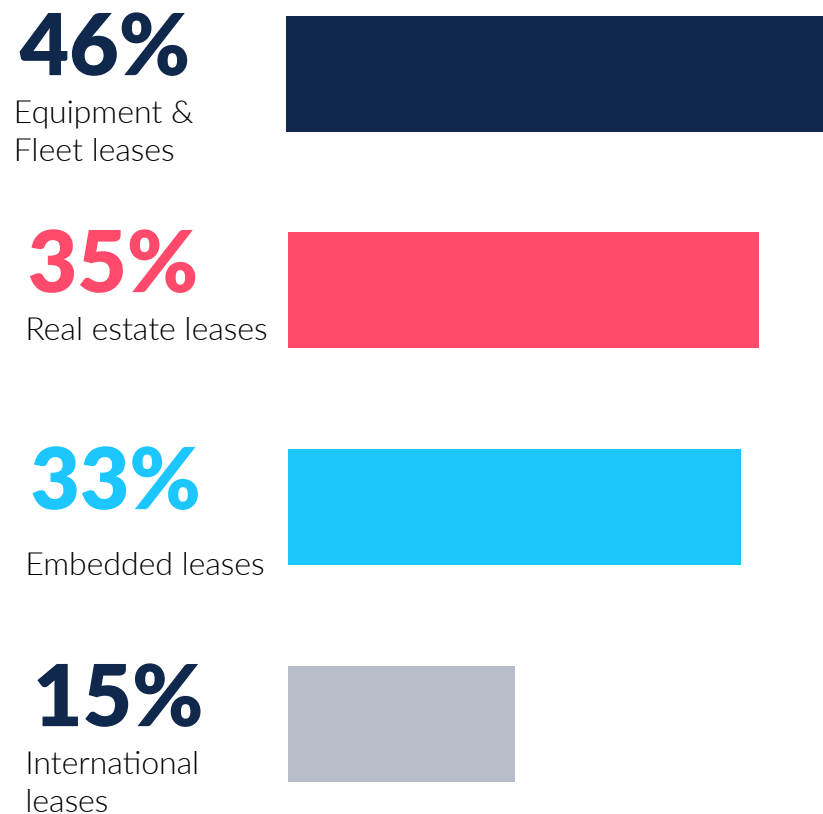
We'll highlight six steps to help you get organized:

1 | Staff team

2 | Confirm required data

3 | Find leases

4 | Abstract lease data

5 | Attest data

6 | Load data

No matter where you are in the adoption of the standards, this guide can help you make sure your lease data is complete and accurate.

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Figuring out what you lease

Most challenging category of leases to find & analyze

46%
Equipment & Fleet leases

35%
Real estate leases

33%
Embedded leases
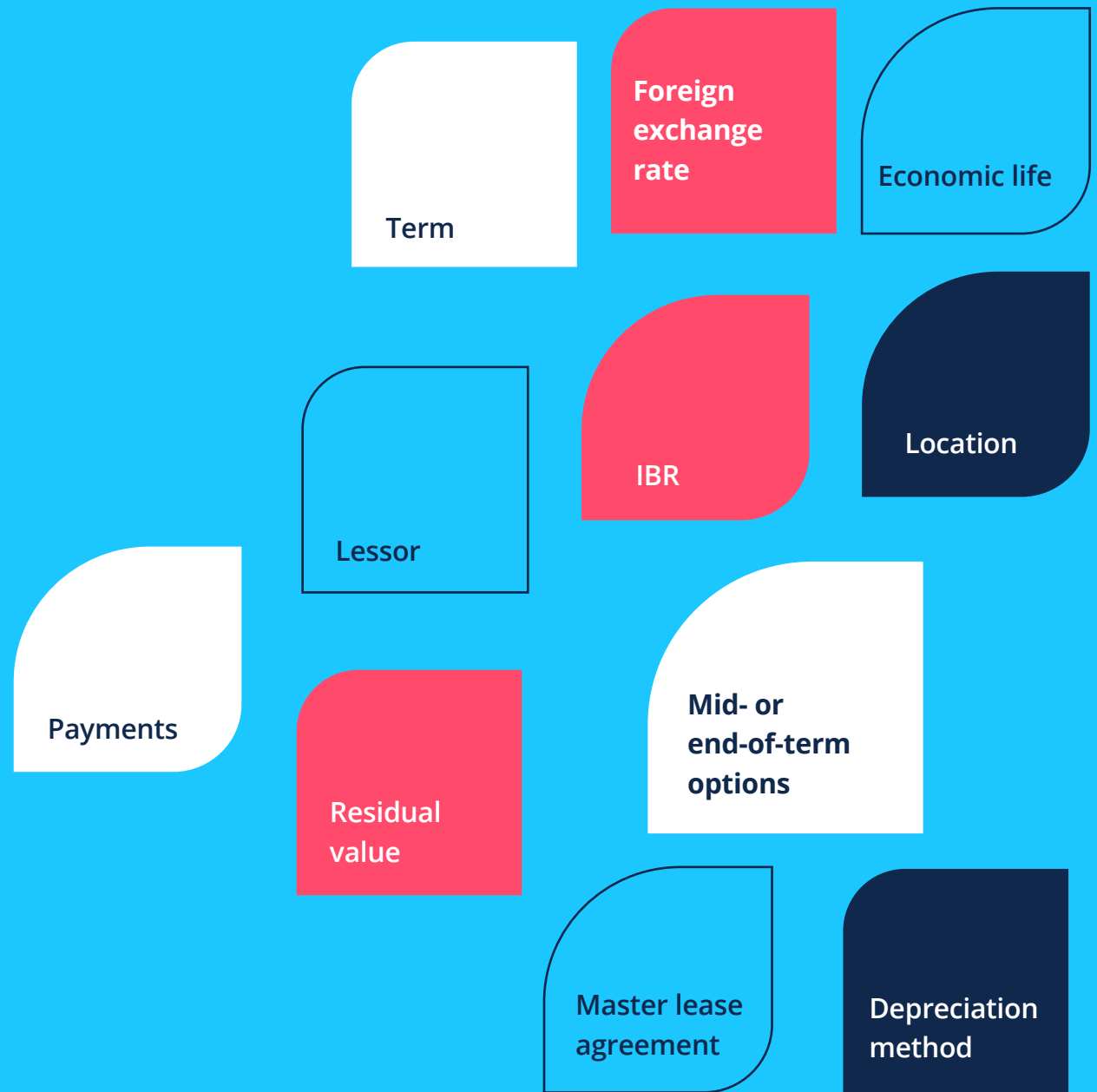
15%
International leases

Since the publication of the new lease accounting rules, one of the most common questions asked by companies is - How do I find out what we lease? In most cases, the real estate team knows what buildings are being leased. But what about all the other leases, for things like photocopiers, office furniture, laptops, servers, forklifts, trucks, cars, or even aircraft?

A study by LeaseAccelerator found that private companies had the most difficulty finding and analyzing their equipment leases, followed by real estate leases, embedded leases, and international leases.

It might sound surprising that big companies would not know what they are leasing, but it is understandable when you consider that most large organizations have highly decentralized leasing processes.

Of course, it is inaccurate to say that any company doesn't know what they lease. Various people within the organization know exactly what is leased and what is owned. But the leasing data is not centralized into a single database. And in fact, until the new lease accounting changes, there was little accounting motivation to track all leases in a single enterprise-wide application.

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Typical leasing data

Term

Foreign exchange rate

Economic life

Lessor

IBR

Location

Payments

Residual value

Mid- or end-of-term options

Master lease agreement

Depreciation method

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Key questions to ask

Who signs the leases?

Every lease has a contract that was probably negotiated by procurement, legal counsel, and perhaps your treasury organization. Check with these groups for the master lease agreements, purchase orders, and lessor vendor information.

Who do you lease from?

For real estate leases, there is a landlord at the other end of every lease. There is also a lessor on the other end of every equipment contract. Equipment lessors might include commercial banks, captive finance organizations, or independent leasing companies. These lessors know what you are leasing, because they bill you for each lease on a periodic basis.

Who manages the leased assets?

Look across your organization to figure out who is managing the assets you lease. For example, IT probably manages your leased laptops and data center gear. The corporate real estate group probably manages the leases for your buildings, warehouses, stores, and manufacturing plants. The logistics team probably manages the leased forklifts and trucks. These asset owners may collect data about the leased property in various asset management systems.

Who reports on the leases?

Various finance roles are responsible for ensuring that property taxes are paid, insurance coverage is obtained, and the assets are properly reported under the current accounting rules. As a result, the financial reporting, tax, and treasury teams should have information about what you are leasing.

Who pays for the leases?

Accounts Payable is responsible for ensuring that the invoices for leases are paid monthly (quarterly or another periodic basis). As a result, the A/P department should know what purchase orders and recurring payments are being made that could be a lease.
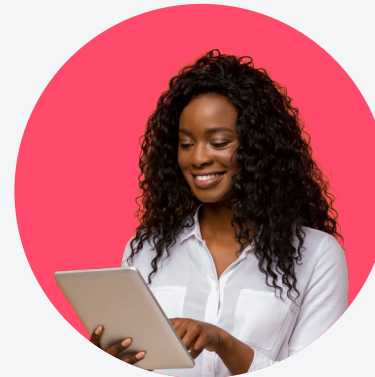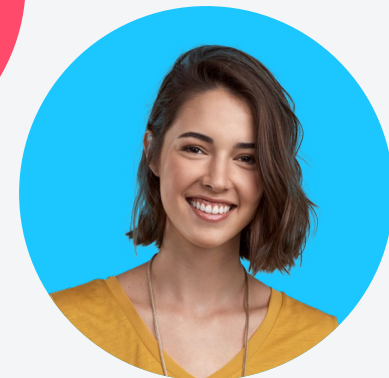
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Typical owners

IT

Lessors

Fleet

Real estate

Treasury

Procurement

Financial reporting

Accounts payable

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Typical sources

IT asset management system

Fleet management application

Procurement & sourcing system

Accounts payable application

Lessor and landlord systems

Regional or business unit spreadsheets

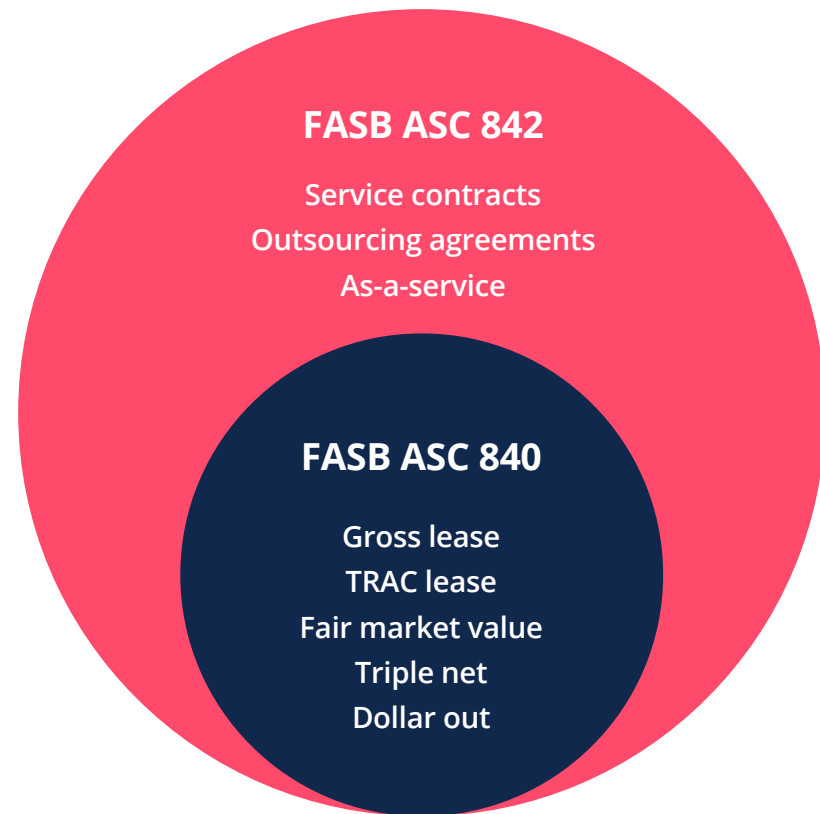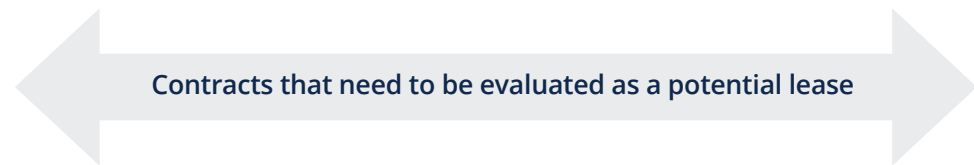**Fixed asset register**

Other random spreadsheets

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Expanded lease definition

You may have to look beyond traditional leases because the definition of a lease has expanded. Certain assets embedded in outsourcing and service contracts may be considered leases as well. In other words, arrangements that a banker or a lawyer may not consider a lease will be treated as leases from an accounting standpoint. The expanded definition of a lease complicates matters because you will need to collect data for a much broader set of contracts than just traditional leases.

Make sure to plan for time to understand the terms of existing service and outsourcing agreements.

Contracts that need to be evaluated as a potential lease

FASB ASC 842

Service contracts
Outsourcing agreements
As-a-service

FASB ASC 840

Gross lease
TRAC lease
Fair market value
Triple net
Dollar out

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6 steps to finding and loading leases

1

Staff team

Who will lead the project?

2

Confirm required data

What fields does the standard need? What fields does your chosen solution require?

3

Find leases

Reach out to stakeholders or likely asset owners to identify and gather lease contracts.

4

Abstract lease data

Capture, organize, and reconcile leasing data from contracts, spreadsheets, and other data sources.

5

Attest data

Review and verify completeness and accuracy of data with asset owners and other stakeholders.

6

Load data

Upload to lease accounting application. For sustainable compliance, look for a solution that allow self-service bulk import for leases and modifications via templates. Look for automation of data validation and lease classification to help with future processes.
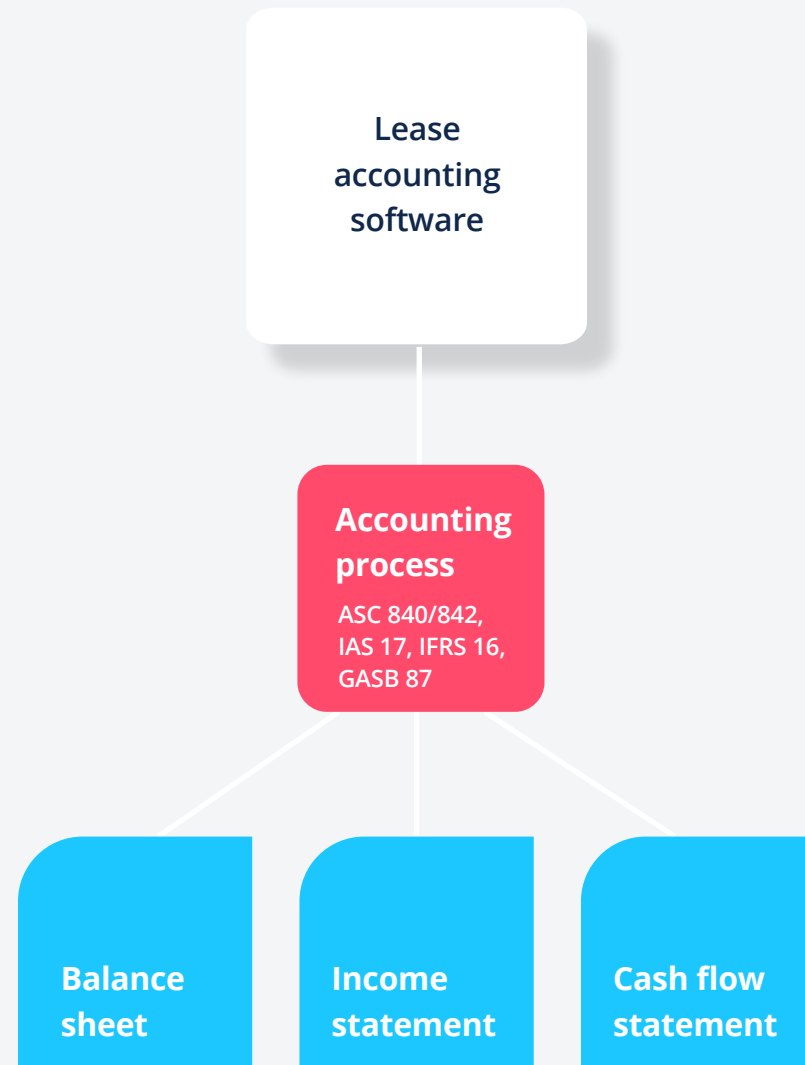
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How do you account for them?

Now that you have aggregated, cleansed and uploaded all the leasing data, it is time to apply the accounting standards to each lease. You will need to review each lease to:

- ✓ Determine if it meets the definition of a lease
- ✓ Classify it as an operating lease or finance lease
- ✓ Separate lease components from non-lease components
- ✓ Perform initial recognition and measurement
- ✓ Perform subsequent accounting

This process will create another set of accounting data that you need to capture in the application. Examples of the accounting data might include:

- ✓ Lease classification
- ✓ Lease recognition begin date
- ✓ Lease recognition end date
- ✓ Discount rate
- ✓ Discount rate source
- ✓ Short-term lease status
- ✓ Assumptions, judgments, and comments

Lease accounting software

Accounting process
ASC 840/842, IAS 17, IFRS 16, GASB 87

Balance sheet

Income statement

Cash flow statement

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You're done

Congratulations, you have your lease data loaded. With all the data uploaded and the accounting performed, you are compliant and ready to begin disclosing financials under the lease accounting standards.

To keep your project on schedule:

- Make sure you have the right sponsorship to get buy-in from all the stakeholders supplying the data

- To avoid rework, capture all the data required up front. Don't forget about embedded leases in service and outsourcing contracts.

If you need help with finding and abstracting leases, EZLease has a network of trusted partners who can make the process even easier.
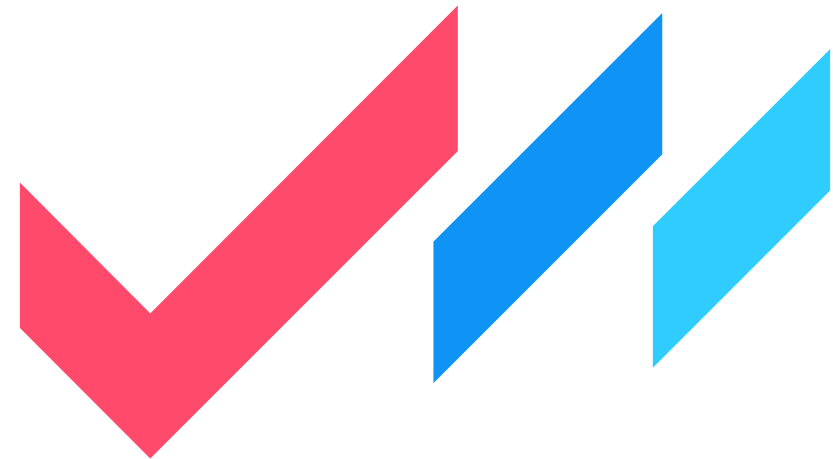
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EZLease provides fast, simple lease accounting software for ASC 842, GASB 87 and IFRS 16 that ensures long-term compliance across equipment and real estate assets for lessees and lessors. With over 15 years of implementations across private, government and public organizations of all sizes, EZLease manages and automates lease data management and lease accounting and reporting processes, leveraging customer-first support and deep accounting expertise.

Start your free trial today

www.ezlease.com