FASB/IASB Action Team
e-Guide

5 Steps to implementing the new FASB ASC 842 & IASB IFRS 16 guidelines

STEP 1

Assemble a Team

Assemble a cross functional FASB/IASB pronouncement implementation team.

If you haven't done so already, you immediately need to form a cross-functional compliance project team — comprising key people from your real estate, finance and IT and possibly other functional departments. This team of experts should be tasked with thoroughly reviewing and understanding the implications of the guidance and identifying implications to their functional areas.

Prepare a Project Plan

STEP 2

Prepare a complete project plan with specific deliverables identified by the implementation team, due dates and responsible party starting from the date of first reporting under either ASC 842 or IFRS 16 pronouncement and working back through the present. Assign a project manager if only on a part time basis to maintain momentum. Plan the work and work the plan!

STEP 3

Compile an Inventory

Compile a full inventory of all leases and lease-like agreements which may have previously been classified as a Lease but included an embedded Service Agreement. Review these documents for completeness in terms of original leases as well as all amendments and Memorandums of Understanding terms and conditions. Review arrangements to differentiate between a lease and a service agreement under the new guidance. Identify those leases which are Gross Leases for possible bifurcation so as not to capitalize non-lease operational expenses if desired. Ensure leases for equipment as well as vehicles are captured and evaluated.

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Evaluate Systems

STEP 4

Evaluate the operational effectiveness and functional capabilities of your existing lease administration and lease accounting system. You should also be taking steps to evaluate systems that will offer you the highest level of support as you prepare for the new standards. If decided, implementing a new lease accounting/administration system prior to the transition and adoption of the new rules will help to make the transition and adoption process much easier. This may not be possible given the proximity of the adoption deadlines.

STEP 5

Lease Capitalizing

Understand and plan for the effect of capitalizing the leases from both a Balance Sheet and income statement perspective. Share the results of your forecasting and data modelling with interested parties such as Corporate Real Estate , Financial Planning and Analysis and Corporate Accounting professionals to name a few. Maintain open communication lines and equip them with value added information to do their job better. Remember, as a publicly traded company, failing to comply with the new standards by the first reporting period of 2019 WILL put your company at risk ... the only variable is the extent of the damage!

"First and foremost, it's all about planning and making sure all the people who should be thinking about it are thinking about it," says FASB/IASB Lease Accounting and Administration expert Al Dente, CPA, MBA. "You have to come up with a comprehensive, all-inclusive, well-thought-out plan for both preparedness for the transition and then for adoption."

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About Trimble Manhattan

Manhattan is a market-leading integrated real estate and workplace management software application for managing the complete real estate and facilities lifecycle — from financial management and budgeting, to project management and real estate and portfolio management, through to capital asset planning, space planning, space scheduling, operations and maintenance.

Financial Management and Accounting at its Core

Significantly, Manhattan was designed and built with financial management and financial accounting at its core. That's why Manhattan is currently the only solution with a Financial Management module which uniquely provides an embedded sub-ledger that supports all leased assets with the functional capabilities of an enterprise resource planning (ERP) General Ledger. This is a capability that will be essential to ensure full compliance with the new reporting standards.

Manhattan's advanced software is now able to support lessees during the complex FASB/IASB preparatory, pre-transition, transition and final adoption periods … and beyond.

Contact Us

If you would like to learn more or arrange a demonstration of our lease and compliance modules please call your regional office or visit **realestate.trimble.com**.

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