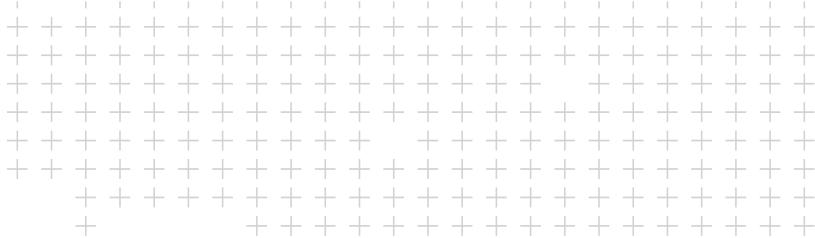


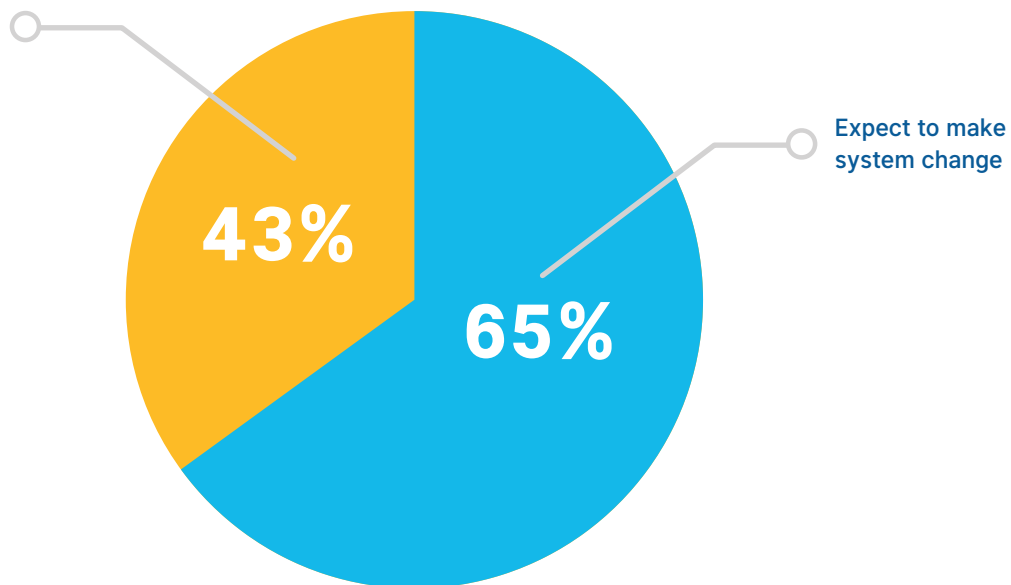
# FASB/IASB Action Team e-Book

Meeting New ASC 842/IFRS 16  
Standards in 2018 and Beyond  
Compliance System Selection





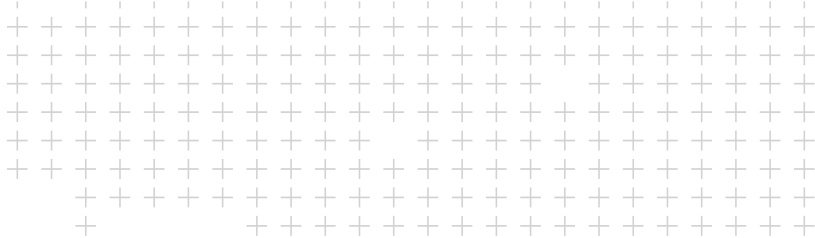
Implementing a new lease management system



**A significant majority (66%) (of affected companies) expect to make some type of a system change, with 43% indicating they will implement a new lease management system.**

Source: PwC/CBRE 2017 lease accounting survey





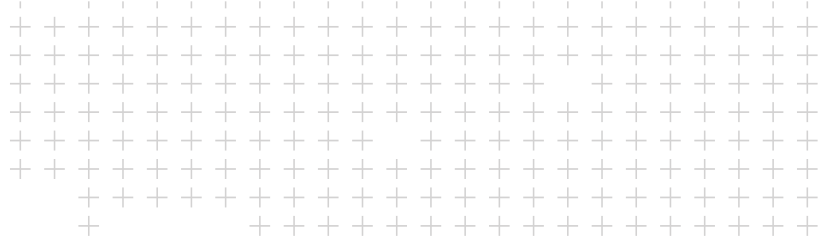
## The Revolution in Lease Accounting

For many organizations, adopting and complying with the new FASB ASC 842 and IASB IFRS 16 guidelines is now one of their biggest challenges.

Under the new rules, companies will no longer be able to treat operating leases as a period rent expense. Instead, they'll have to show them on the balance sheet as a lease obligation and its related right of use asset.

- Will you be ready to perform the necessary calculations and capitalizations as well as prepare the required year end footnote disclosures required under the new rules?
- Will you be ready to provide pro forma statements that will be requested by investors and lenders in the months leading up to the adoption deadline?
- And will your accounting technology be up to the task of transitioning and adopting the new lease accounting guidance using best practices?





**In a study by Deloitte, 88% of respondents predicted the new standard will place a 'significant' reporting burden on lessees of real estate**

Source: Deloitte Lease Accounting Survey 2014 Preparing for implementation

# A pivotal time for Corporate Real Estate and Lease Accounting Professionals

With the FASB ASC 842 & IASB IFRS 16 deadlines looming, many real estate and finance leaders are scrambling to make sure their businesses are prepared. Yes, the new standards will place increased reporting requirements on lessees of real estate. But the challenges also come with great opportunity.

The shift in working styles, an increasingly mobile workforce, and other external forces has created a whole new set of challenges for those who are responsible for managing and maintaining real estate.

Organizations have a chance to reassess their system's capabilities and limitations, as well as internal company policies and evaluate the obvious advantages of implementing an integrated real estate and lease accounting system, such as an IWMS (Integrated Workplace Management System).

Large enterprises continue to face the challenge of fully capturing lease information and having insight across all disciplines in real estate and facilities management. IWMS solutions not only provide the required functionality designed specifically to support the new FASB and IASB lease accounting guidelines, but they can also more accurately and efficiently manage disparate information across the real estate lifecycle; and deliver high integrity insights that help identify cost savings and efficiency in other areas such as space, projects, maintenance and sustainability.

Some systems also provide fully integrated recording and reporting financial capabilities as well as providing additional functionality, such as an embedded Subledger with all the capabilities of a General Ledger.

To paraphrase Lewis Carroll, before you can decide what you want and where you're going, you have to know what you have and where you are.



## Will your organization be at risk?

One of the first steps to being prepared is understanding the potential pitfalls you might encounter along the way.

The new guidance will not affect all organizations in the same way. But to comply with the new standards, many companies with a large portfolio of complex leasing arrangements will have to introduce substantial operational and system changes.

This will potentially disrupt many functional areas within the business — including corporate real estate, financial accounting, financial planning and analysis, financial reporting, tax, treasury and technology.

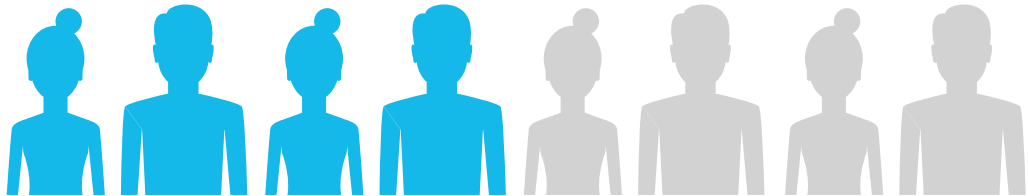
There will be financial risks too. The new FASB/IASB leasing model will have a significant impact on your organization's financial metrics and ratios due to the changes affecting the balance sheet and income statement. It will have a profound effect on the company's overall capital structure — including leverage, liquidity ratios and return on investment — which could have a bearing on the firm's credit rating.

The changes will increase the complexity of your organization's lease accounting functions but also provide an ideal opportunity to take a fresh approach to the lease management and lease administration functions.





## What should you be doing to prepare for the changes?



**More than 50% of organizations that responded have made no progress in a number of areas, including developing system or process requirements**

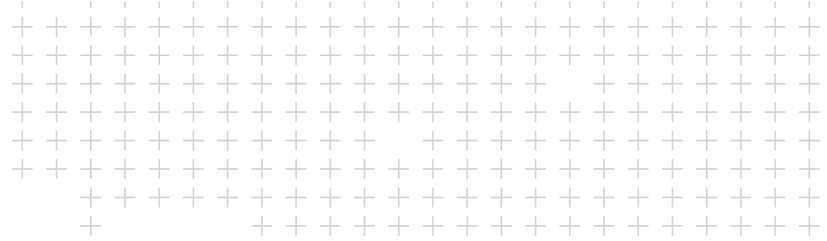
Source: KPMG 2017 Accounting Change Survey

In a recent survey by KPMG, the responses suggest that although organizations are on the road to compliance, a large number are not quite as far along as they hoped to achieve compliance by deadline day.

### Five core steps to compliance

#### **Step 1: Project 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.



## Step 2: Project Plan

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: Lease Contract 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.

## Step 4: Systems

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!



# How to choose the right Lease Management & Accounting System

The new FASB ASC 842 & IFRS 16 lease accounting standards will put a significant new lease accounting and reporting burden on all lessees of real estate, vehicles and equipment. This, in turn, will place greater demands on the capabilities of an organization's accounting technology.

Selecting the right lease management software for compliance is no easy task. There are so many things to consider—like costs, capabilities, and compatibility. It can feel overwhelming. But what if you could find the right solution to help you meet compliance...

## Create a Must-Have Checklist

In order to streamline the software selection process, start with a list of must-haves and some nice-to-haves. Obviously, making an investment of this size means you want to make sure you're choosing a lease management, accounting and reporting solution that will not only prepare you for compliance with the new regulations, it will also streamline your finance and lease management functions for future growth.

To make sure you choose the best system for your company, we've shortlisted the 10 essential questions to ask before you buy.







## 10 Essential Questions to Ask Before You Buy

- 1 Has the software solution been validated by a Big 5 or Big 6, global accounting firm?**

Companies must be able to rely completely on a system which has been pressure tested from a recording and reporting perspective by an independent firm. The composition of the staff must be that which includes professionals that have been following and providing advisory services to Fortune 100 companies for many years rather than riding the current Lease Accounting wave.
- 2 Is the software solution delivered in a cloud-based, SaaS (software-as-a-service) format with SOC 1 and ISO 27001 data security certification?**

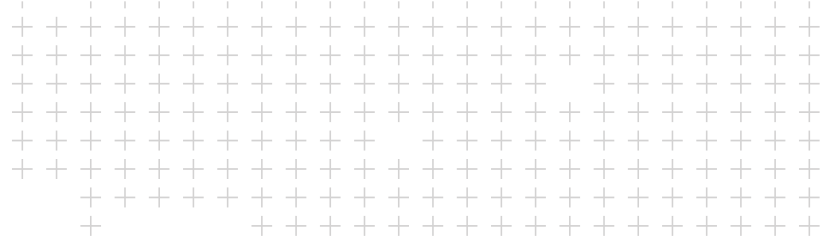
Companies must be able to rely on a system which has been attested to from an Information Technology General Computer Controls perspective by a major International accounting firm.
- 3 Does the software solution support the concurrent use of multiple subledgers to facilitate transitioning and dual reporting?**

Multiple concurrent subledgers are essential for those Companies who desire to adopt the guidance utilizing the Modified Retrospective transition methods available for both FASB and IASB. After adoption, multiple concurrent subledgers will facilitate the requirement for dual reporting for those Companies who have multinational operations.
- 4 Does the software solution provide and an out-of-the-box interface with most major ERP systems?**

Back end ERP's will rarely be replaced due to the complexity of such a task, even though the Lease Accounting is so important and urgent. Therefore the selected software solution should be pre-configured for interfaces with multiple ERP systems required minimal detailed final configuration
- 5 Does the software support both FASB and IASB as well as Lessee, Lessor and Sublease accounting?**

The software solution must be able to support both accounting standards as well as leasing arrangements from both a Lessee and Lessor perspective including Subleases and Intercompany leases.
- 6 Does the software solution come with Lease Classification templates for FASB lessee and FASB/IASB lessor accounting?**

Although IASB lessee arrangements are not impacted by this requirement, both standards still emphasize the importance of proper classification of lease arrangements which therefore drives the proper accounting and reporting. These templates need to be historically archived to provide a sound audit trail for year end audit purposes especially the year of initial adoption.



**7 Is the system able to handle retrospective processing of lease transactions?**

Trigger events which are not communicated in a timely fashion make it essential for the solution to process transactions in the current period and account for an adjustment to the prior periods. The adjustment needs to be systematically calculated and recorded.

**8 Does the system provide full audit trail tracking?**

The solution needs to support the functionality of being able to record and archive transactions systematically as well as being able to retrieve the archive easily.

**9 Does the software solution include out-of-the-box standard reports designed to meet the specific requirements of the new FASB and IFRS guidelines?**

One of the major components and intents of both the guidance documents was the need to expand the footnote disclosure related to leasing activity from both a qualitative and quantitative perspective. Although the qualitative disclosures will differ from one company to the other, the quantitative disclosures are universal and should be systematically generated with integrity to ease the year end footnote disclosure process.

**10 Can the system be implemented using “quick start” methodology?**

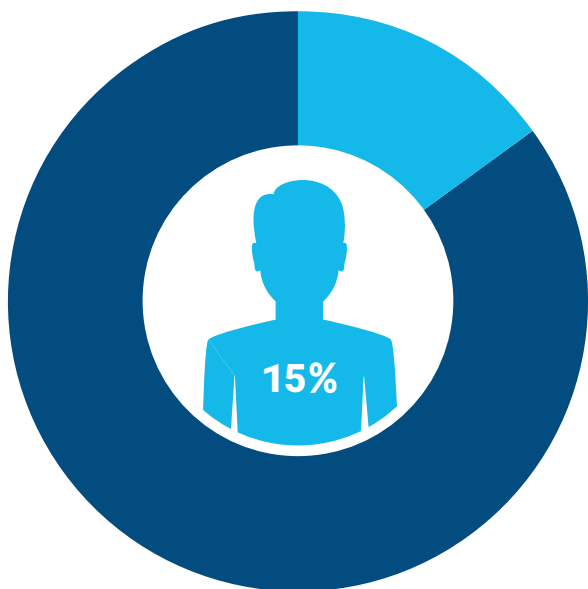
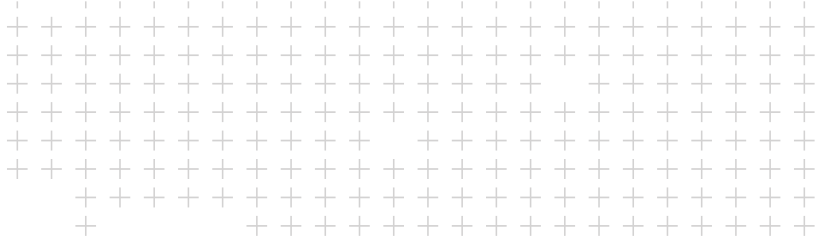
Time is of the essence given the time frame for selection and implementation of a solution. Those solutions which offer an abbreviated implementation cycle provided the client does not demand extensive configuration will be best poised to accomplish the feat.

**Proof of concept test cases**

Potential purchasers of a software solution should require that the Vendor’s application has been pressure tested utilizing test cases which are complex in nature rather than merely creating 10 test cases which only differ in terms of a single value. You have a lot riding on this purchase; make sure it is the right one.

**Purchase from a trusted, reputable company**

Whichever lease management, accounting and reporting solution you choose, make sure you choose a reputable company that’s been around for quite awhile with strong capital support. You want your investment to give you a strong return, from a company you can trust and will be around tomorrow.



**Only 15 percent of respondents have completed their system implementation.**

Source: KPMG 2017 Accounting Change Survey





# Give your Real Estate and Financial Accounting Teams the Lease Management, Accounting and Reporting Tool they need

You're not alone in needing a solution to increase the efficiency and accuracy of your lease data storage, collection and abstraction processes. With the FASB ASC 842 & IASB IFRS 16 deadlines looming, many real estate and finance leaders are scrambling to make sure their businesses are prepared. The good news is with Trimble, the new regulations don't have to be a doomsday scenario.

## See for yourself why Trimble's Manhattan makes perfect sense

Our enterprise-level management system is like your personalized Action Team for the new FASB 842 and IFRS 16 standards.

- **We're integrated.** Financial Management, Lease Management and Compliance functionality - all built into a single system
- **We've got recognition.** Our solution has earned SOC 1 Type 1 certification
- **We're fast.** QuickStart methodology allows clients to be Go Live Ready in a short time frame

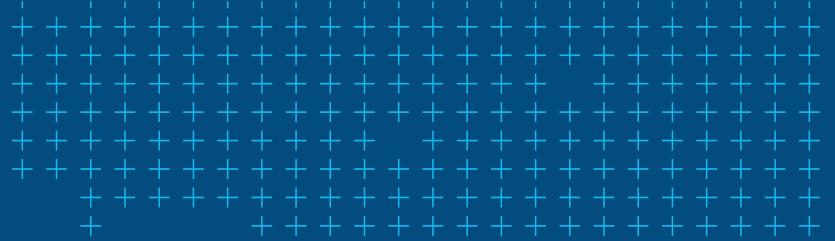
Stop worrying about FASB & IASB compliance and start preparing with Trimble's Manhattan application.

Book a live demo with one of our experts today.

[realestate.trimble.com](https://realestate.trimble.com)  
[realestate\\_info@trimble.com](mailto:realestate_info@trimble.com)

- FASB/IASB Action Team





# Technology for the planning, management and optimization of the entire real estate lifecycle

## About Trimble Real Estate & Workplace Solutions

Founded in 1978, Trimble (NASDAQ: TRMB) is a global leader in technology solutions that help businesses significantly improve efficiency and productivity. Trimble Real Estate & Workplace Solutions, a segment of Trimble's Buildings group, is committed to transforming the way real estate, people and facilities are managed and optimised, wherever they are located.

As a specialist in the real estate industry, we deliver advanced, intuitive technologies and scalable enterprise software solutions that provide deep functionality and help streamline communication and collaboration throughout the real estate management lifecycle. Our Manhattan and CenterStone software applications assist in reducing costs, increasing performance, enabling visibility and maximising utilisation. Solutions include Integrated Workplace Management, Lease Administration & Accounting, Space Planning & Management, Operations & Maintenance Management, Room & Desk Booking, and Real Estate Investment Management.

With offices around the world, Trimble Real Estate & Workplace Solutions employs dedicated professionals and supports clients in over 140 countries.

