LeaseQuery

Lease Accounting Transition Checklist

DETAILED CHECKLIST FOR YOUR TRANSITION TO THE NEW LEASE ACCOUNTING STANDARD

Organizations are either in the process of implementing the new lease accounting standard, or they are preparing for the transition. With the shift to the new standard comes many considerations, and so we have assembled this checklist to assist you in your transition journey.

Step 1: Educate organization and stakeholders

- [ ] **Explain the new lease accounting standard**
  - *Potential impacts to your entity, both during and after transition*
  - *Requirements from each department, stakeholder*
- [ ] **Establish a point person to be the leader for the project**
  - *Form an interdepartmental team*
- [ ] **Create a new lease process across the organization**
- [ ] **Update and document lease policies**

Step 2: Create an inventory of leases

- [ ] **Obtain a listing of leased assets from all entities, departments, locations, etc.**
  - *Download our **Lease Asset Tracker***
- [ ] **Obtain a listing of recurring payments from accounts payable**
- [ ] **Obtain copies of all contracts from all entities, departments, locations, etc.**
- [ ] **Evaluate all contracts to determine scope**
  - *Try our **Embedded Lease Test***
- [ ] **Determine classes of underlying assets**
- [ ] **Set materiality thresholds**
- [ ] **Ensure all contracts are included in the listing**
  - *Reconcile contract copies with leased asset and location listings*
  - *Compare lease listing with 5-year lease commitment schedule*
  - *Extrapolate rent expense from lease portfolio and reconcile to actual rent expense*
- [ ] **Communicate preliminary conclusions, critical accounting estimates and policies with auditors**

Step 3: Establish functional requirements for software solution

- [ ] **What features are important to your organization? (e.g. centralization, cost efficiency, etc.)**
  - *Download our **LeaseQuery Competitive Advantage** guide sheet*
- [ ] **What features are important to the accounting team? (e.g. disclosures, treatment of modifications, incentives, etc.)**
- [ ] **What features are important for other departments? (e.g. ad hoc reports, lease management, etc.)**
- [ ] **What features are necessary? (e.g.security, cloud-based, compatibility/integrations, available customizations, etc.)**
- [ ] **Do you currently have the necessary functionality and resources or do you need to purchase a solution?**
  - *Download the guide: **Making the Business Case for Lease Accounting Software***

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Step 4: Identify potential solutions

- [ ] Research options
  - *Download our **Lease Accounting Software Comparison** guide*
- [ ] Narrow list to top 3 - 5 vendors
- [ ] Budget approval
  - *Utilize our **RFP Template***
- [ ] Schedule demonstrations

Step 5: Select vendor

- [ ] Vendor presentations
- [ ] Research company viability & reputation
- [ ] Price evaluation

Step 6: Execute contract

- [ ] Circulate contract for review and approval
  - *IT department review*
  - *Legal review*
- [ ] Management signatures

Step 7: Develop your plan for adoption

- [ ] Establish timeline: What is your target adoption date?
  - *Plan backwards from that date*
  - *Download our **Transition Guide***
- [ ] Determine available internal resources

Step 8: Update and finalize lease accounting policies and processes

- [ ] Establish review and approval process for:
  - *New leases*
  - *Subsequent lease activities, i.e. modifications and terminations*
- [ ] Determine lease accounting software solution policies:
  - *Name administrators*
  - *Establish role-based and location-based accesses*
  - *Define input, change and approval thresholds*
- [ ] Create interest rate guidelines
- [ ] Develop and document control and output testing procedures

Step 9: Input lease data

- [ ] Train lease accounting software solution users
- [ ] Create & distribute template to all entities, departments, locations, to capture lease data
- [ ] Perform testing
  - *UAT testing provides comfort with software functionality and outputs*
- [ ] Ensure all leases are accurately captured in software solution

Step 10: Record transition entries

- [ ] Determine interest rates at transition date
  - *Try our **Rate Implicit Calculator***
- [ ] Create new GL accounts and put into financial statement hierarchy
- [ ] Generate/calculate transition entries
  - *Review for accuracy using the **Present Value Calculator***

Step 11: Prepare and review subsequent outputs

- [ ] Generate month-end close entries
- [ ] Create financial statements and draft disclosures
- [ ] Reconcile outputs, financial statements and disclosures to GL and lease accounting solution
- [ ] Update/document processes for month-end close and reporting

Visit LeaseQuery.com/free-demo to schedule a consultation and demo.