

Some plan to dig into leases in 2017, some not so much

The latest poll on big accounting change says some companies are making plans to devote time in 2017 to the new requirements around lease accounting, according to **Tammy Whitehouse**.

The latest poll on big accounting transformations suggests some companies are making plans to devote time in 2017 to the new requirements around lease accounting.

More than half of companies who responded to a recent Deloitte poll said they expect to increase in 2017 the amount of time and effort they will devote to transitioning to new lease accounting standards issued by both the Financial Accounting Standards Board and the International Accounting Standards Board in early 2016. FASB's standard for companies that follow U.S. GAAP doesn't take effect until 2019, a year after companies must adopt an even bigger accounting change around revenue recognition.

The Deloitte poll, taken among some 3,300 participants in a recent webcast on the new lease accounting requirements, says roughly one-third of companies are "somewhat prepared" to take on the new accounting in 2019, but only 14 percent are very prepared or extremely prepared. Another 28 percent said they are not prepared for the new requirements.

In addition to the 55 percent of companies who said they planned to devote more time and effort to the lease accounting standard in 2017, another 16 percent said they plan to make no change in their allocation of resources to the new standard in the coming year. Nearly one-third said they weren't sure what the company had planned, or the question

didn't apply to them.

One-fourth of participants said they expected the biggest challenge in the next 12 months to center on simply collecting all the data necessary on all leases throughout the organization into some kind of centralized electronic inventory. Another 16 percent said they are a little busy right now with other new accounting standards, namely revenue recognition and the recognition of current expected credit losses, another major new FASB standard; 15 percent said they're not even sure where to start with implementing the new lease standard.

A recent white paper from PwC says applying the new lease accounting guidance to equipment leases in particular will produce a rude awakening for many companies. The firm says an estimated \$3.3 trillion in lease commitments will be affected by the new standard, and 85 percent of those currently are not recognized on balance sheets.

According to a recent PwC poll, 45 percent of respondents said their lease contracts were scattered in metal filing cabinets throughout the company or they simply didn't know where lease contracts were stored. Companies face challenges in complying with the new standard as a result of outdated manual processes, a lack of centralized ownership around leased assets, and inefficient tracking methods that would otherwise reveal competitive cost benefits, the firm says. ■