GETTING THE GO-AHEAD

Making the case for lease accounting software
Stats and talking points for your slides and proposals
Having Trouble Making the Case for Lease Accounting Software?
You’re not alone. We understand the value of purchasing a tool to make us better at our jobs, but sometimes several stakeholders may take a little more convincing.

Some CFOs and Controllers think that Excel is enough to get the job done. But you’ve been in the weeds of the new standards, and you know that Excel will take up valuable time and make you more likely to make errors. You need a better solution.

So how can you justify the purchase? Use the information in this kit to make slides and proposals to get your company to see value in purchasing lease accounting software.

Scenario #1: Your Company Wants to Use Excel
The most common reason that companies choose Excel is familiarity, but it comes with major pitfalls. Here are 3 real-life horror stories that happened to accountants who tried to use Excel for lease accounting:

\[ \text{\$648,000 Overpayment [Retail Industry]} \]
Without a trigger to notify the accounting department that rent should have been fully abated on every anniversary of the lease, Excel caused this company to lose nearly \$650k.

\[ \text{\$2 Million Tenant Improvement Allowance (TIA) Lost [Banking Industry]} \]
In the process of an acquisition, one company realized that a \$2 million TIA was not transferred because there was nowhere in Excel to capture that information.

\[ \text{\$79,000 Overpayment [Restaurant Industry]} \]
One franchise restaurant group escalated payments on several leases too early because there was no way for Excel to notify them when they should actually escalate payments.
All of these errors were caught when the companies implemented lease accounting software.

Plus, Excel has no internal controls. If you work for a public company, that makes complying with Section 404 of the SOX Act very difficult. And all companies – public and private – should be concerned about being able to track changes and requiring a second party to approve them.

Scenario #2: Getting your Organization to Free up the Budget

You can’t blame your company for being reluctant to free up the purse strings. After all, accountants take pride in finding ways to save money. The key here is to show how making an up-front investment now will show value and justify the investment.

How to calculate the ROI of accounting software:

\[
\text{ROI} = \frac{(\text{Gain on investment} - \text{cost of investment})}{\text{cost of investment}}
\]

After providing that calculation, show your company the consequences of having to restate your financials:

- **$30 Million**
  - Consulting, auditing, and legal costs associated with Hertz’s restatement of financials.

- **25%**
  - Market value lost by companies after a restatement or fraud, on average.

- **Auditing Bills**
  - Restatements lead to more auditing hours. And those costs can add up quickly.

- **$216**
  - Median hourly audit rate.

Scenario #3: Your Company Thinks Outsourcing Solves the Problem

For many companies, outsourcing is a smart strategy for lease accounting, especially when you have limited bandwidth. If you plan to outsource, it’s a good idea to procure your own software.

With your own software, you can enable efficiencies that extend beyond accounting. Anyone who has a license can:

- Access lease data when they need it
- Build custom reports based on any segment or allocation, for any time period
- Maintain a centralized, searchable database of your lease documents

Scenario #4: You’re Short-Staffed

Small teams need to identify every efficiency possible. Present your leadership with these questions to give them an idea of just how much work it takes to do lease accounting on your own:

- How much time will it take to become experts on the standards?
- How much time will we spend building a spreadsheet?
- How will we ensure that we stay compliant after the transition deadline?
- What will we do if there are updates to the new standards?

According to a recent PwC poll, respondents ranked the following issues as somewhat/very difficult when implementing the new standards: 4

- **68%** Data abstraction
- **62%** Human capital/resources
- **61%** Process and controls

Managing these issues **without a solution can lead to burnout**: Employees who experience burnout are 2.6 times more likely to quit than other employees.5

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4. According to a recent PwC poll...

5. Managing these issues without a solution can lead to burnout: Employees who experience burnout are 2.6 times more likely to quit than other employees.
Bonus: The Hidden Benefits of Software
Companies that have invested in lease accounting software are more effective in ways that expand beyond the new standards:

- Better forecasting and budgeting capabilities
- Improved communication with facilities and procurement departments
- Enhanced transparency into the lease portfolio and its impact on key financial metrics
- Access to features that meet unique business needs, such as contingent rent and custom calendars

ADDITIONAL RESOURCES
Need more backup? Use these blogs to help make your case.

If your company thinks you have plenty of time: Your Lease Accounting Project: When to Start

Why using Excel for lease accounting puts your compliance in jeopardy: Excel Will Set You Up for Non-Compliance

How to identify what to look for in a solution: Lease Accounting Software Comparison: What You Need to Know

Outsourcing best practices: Outsourcing Your Lease Accounting - 4 Bests Practices to Consider

Your company thinks the new standards aren't a big deal: Attention CFOs & Controllers: Prevent Having to Update Your Resume in 2019

Restatement of Financials: What's the Impact to Public Companies?

You're using a standard software RFP instead of making one just for lease accounting: What To Consider When Creating an RFP for Lease Accounting Software

Be fully prepared for your presentation. Schedule a consultation and demo of LeaseQuery to see the #1-rated lease accounting software in action.

Schedule a consultation and demo to see:
- A comparison of financial statements under current and new GAAP
- Complete disclosures required by regulators and auditors
- Built-in controls for data accuracy
- How to enter a lease in minutes, including all pertinent details
- How the system distinguishes between capital/finance and operating leases
- Customizable and standardized reports
- How to track all changes made to a lease
- How to transition journal entries from current rules to new rules

Schedule a Consultation and Demo
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