

5 Common Lease Accounting Implementation Mistakes and How to Avoid Them

Since 2017, the simpLEASE accounting team has helped private and public companies across all industries prepare for and successfully meet their respective ASC 842 lease accounting requirements. Through extensive experience with ASC 842 projects, our team has witnessed several pitfalls (mostly self-imposed) that stalled the implementation process.

Here are five of the most common lease accounting mistakes organizations make and best practices to avoid them:



1. **Not Providing ASC 842 with Enough Attention for Proper Execution**

ASC 842 lease accounting requirements are complex and require a thorough understanding. If you are not well organized, you may face challenges at the last minute. Proactively gathering and reviewing lease data is essential to ensure your team has both the necessary information and the capacity to implement the requirements that are crucial to effective ASC 842 execution.



2. **Underestimating the Information Gathering Process**

ASC 842 requires in-depth research early in the process. Gathering your leases, understanding the classifications, and evaluating your options regarding non-lease components and interest rates takes time. If you wait until the last minute, you might make mistakes, which can lead to audit findings.



3. **Putting Too Much Pressure on Staff and Vendors**

Failing to prepare your staff and vendors for ASC 842 implementation, including insufficient time allocated for training and software/system integration, can result in significant operational disruptions. When organizations run out of time against their accounting deadlines, staff and vendors will feel the pressure and burden, which could negatively affect the overall implementation process.



4. **Poor Decision Making**

The decisions you make during the implementation process will impact your reporting in the long term, so you want to select a vendor that identifies your unique reporting variables up front and can guide you through the decision-making processes so that your long-term reporting is accurate and appropriate.



5. **Viewing Vendors as Implementation Panacea**

Hiring a vendor to implement ASC 842 is a great option when you don't have the necessary internal resources, but it doesn't make the process fully hands-off. Your vendor should be a key partner in the implementation process, guiding you through the knowledge-transfer and decision-making processes to ensure everything goes smoothly and that you're not scrambling for final reviews and sign-off at the last minute.

How Can SD Digital Help?

Whether you're looking for new lease management software, replacing an existing solution, or navigating complex lease accounting scenarios, such as multiple currencies, complex general ledger setups or non-accounting schedules, we can support your unique business needs.

Ready to get started?

Contact us at contact@sddigital.com or visit www.simpleleaseaccounting.com to learn more.

About simpLEASE Accounting

simpLEASE is lease accounting software built by accountants for accountants. Designed to solve leasing accounting challenges for organizations of all sizes, simpLEASE is a scalable web-based solution that streamlines the lease accounting process and provides fast and accurate results regardless of whether you have a small lease portfolio or one with thousands of leases.

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