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**BUYER'S GUIDE TO LEASE
ACCOUNTING SOFTWARE
FOR CPA FIRMS**

Companies preparing to adopt the new lease standard are dealing with decisions now about whether they will need a software solution. There are many providers of lease accounting software in the marketplace. While most software has the necessary basic functionality, some also offer unique solutions and capabilities.

It is important to analyze your firm's objectives and budget to make the right choice when evaluating lease accounting software. The selection process will take some thoughtful planning and research and you only want to go through the selection process once. This guide discusses some of the most important features to consider as you evaluate which lease accounting software and software provider is best suited to your individual firm and client needs.

Table of Contents

What to look for in lease accounting software	PG 3
What to look for in a software provider	PG 6
What to ask a vendor when evaluating lease accounting software	PG 7



WHAT TO LOOK FOR IN LEASE ACCOUNTING SOFTWARE



ACCOUNTING

Compliance with the new lease standard's accounting and disclosure requirements is the first priority for any software selection. There may be both FASB (ASC 842) and IASB (IFRS 16) requirements to consider, because even smaller clients might have to comply with both if they have international subsidiaries. Consider chart of account capabilities, including the ability to customize account numbers and descriptions that match each client's chart of accounts and journal entry formats. Your clients will need functionality to prepare lease amortization schedules that tie out to the accounting system, that include all required accounts (e.g. right of use assets, short-term and long-term lease liabilities, interest expense, amortization expense, etc.) and journal entries. Also assess the ease of generating monthly journal entries and importing those journal entries into the accounting systems.

Accounting policy decisions and elections must be made at adoption, monitored on an ongoing basis, and be clearly documented. Evaluate how the software can simplify these elections and facilitate documentation and communication of these policies to all users in future years.



FINANCIAL REPORTING

To handle the significant new financial statement lease disclosure requirements, look for software that can perform all required quantitative calculations. Also evaluate whether these calculations can be performed for any combination of leases.

For ongoing management reporting, determine whether the software is flexible enough to report on different types of leases required. Ideally, all data should be exportable into a spreadsheet format. Also, ask whether the software offers the ability to save various custom reporting configurations so that the same reports can be run every month. Reporting capabilities should include both standard and customizable reports.

WHAT TO LOOK FOR IN LEASE ACCOUNTING SOFTWARE



LEASE FUNCTIONALITY

To meet the needs of many different clients, consider whether the software can handle all lease types. If the software focuses on solving the problems of one industry, like real estate or equipment, make sure it can adequately address the needs of other asset types.

Because the starting point is review of the lease documents, the ability to attach these documents is an important feature. This includes not only the original lease documents, but also modification and change justification documents over the life of the leases. In addition, consider the ability to add notes to the lease record, such as explanations of why a certain decision was made, to support the related accounting decisions and calculations.



ACCURACY

The migration of existing client lease data into the selected software is an important early activity in the implementation process, and it is important to understand how that data will be controlled and checked. Also, determine whether the software has built-in capabilities to ensure lease data is entered correctly, like validations and wizards, along with tooltips and hints integrated into the software so the user has access to the right information exactly when they need it. Consider whether users will have to perform certain calculations outside of the software, and what controls the software has to ensure the accuracy of calculations. The internal controls at the software provider are an important consideration, so ask whether a Service Organization Controls (SOC) report is in place or in process.



SCALABILITY

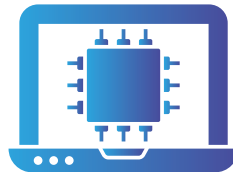
Your clients may have a small or very large number of leases, and these numbers may change over time. Also the complexity of the terms and provisions in those leases may vary greatly. Evaluate the software's capabilities as it relates to the number of users and the size of the lease portfolio. Also consider what the options are for the software to expand with the number of and type of leases.

WHAT TO LOOK FOR IN LEASE ACCOUNTING SOFTWARE



AUDITS & REVIEWS

Assess how the software can improve audit effectiveness and simplify quarterly reviews. If there are built in audit trails and transparency into the software's functionality, it will make your work on transition and day two accounting more efficient. Ask the vendor how their software can maximize your firm's audit efficiency, by reducing the number of overall audit hours required and facilitating your ability to use less-experienced associates for lease data entry.



HARDWARE & SOFTWARE

Ask vendors about the hardware and software associated with their solution, and how it can be integrated with your firm's systems and your clients' existing accounting and ERP system configurations. Understand the vendor's ability to meet potential future needs, including software upgrades and bug fixes. Depending on your firm's needs, determine if the vendor offers software as a service (SaaS), with anytime access from anywhere and no hosting requirements.

Pricing is always an important consideration, because the software you select must be cost effective for all client types and sizes. Prices from different vendors may vary depending on how they price their software—whether it is based on the number of users or the size of the lease portfolio, and whether a bundled standard package is offered or there is separate pricing for each additional feature selected.



TRAINING & TECH SUPPORT

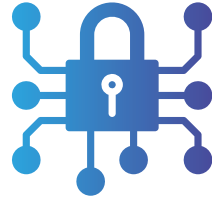
Given the time remaining until adoption, it is important to minimize the training required and to try to decrease learning curves. Evaluate how intuitive the software is to use, including whether users are provided with the information they need to accurately enter lease data and report on it. Ask whether any free training is provided to various user groups as part of the software implementation process, whether it is performed onsite or via online meetings, and whether additional training can be purchased later. Also determine whether there is ongoing technical support, a help desk for users, and whether there are also accounting experts available to assist.

WHAT TO LOOK FOR IN A SOFTWARE PROVIDER



INDEPENDENCE

When assisting clients with implementation of the new lease standard and ongoing accounting and reporting, independence must be maintained. Obtain an understanding of how the software has addressed CPA firms' independence needs. If the vendor understands and incorporated the requirements, they will be able to easily address your concerns about this important issue. Also consider whether the software can be 'white-labeled' for your clients.



DATA ACCESS & SECURITY

Depending on the size of the CPA firm and number of clients, how the lease data is input and accessed will impact transition and ease of use. Things to consider include whether both the CPA firm and clients can access the same data simultaneously, whether single sign-on capabilities are available to work within existing systems, and how new client data is added, such as whether bulk imports of lease data are possible. Data security is critical, so security protocols over client data should be understood and followed. Ask about the security standards and how security breaches are prevented and detected.



PRICING

To evaluate and compare pricing across vendors, discuss what implementation and other "add-on" charges will be included on initial and ongoing invoices. Some vendors may offer CPA firms pricing incentives for bringing new clients to the vendor's software platform, so inquire about these or other available discounts.

Selecting the right software for the transition to the new lease standard is challenging. No system will likely meet every user's needs, but you can use this tool to assess your requirements and make an educated choice. Contact LeaseCrunch today to learn how we can support you as you evaluate which software is the best choice for your firm and your clients.

LeaseCrunch® provides a comprehensive, cloud-based software solution to help companies implement the new lease accounting standards. Built with the CPA firm in mind, LeaseCrunch is designed to accommodate the needs for companies with large, complex portfolios, while still being a cost-effective solution for companies with as few as 1-5 leases.

WHAT TO ASK A VENDOR WHEN EVALUATING LEASE ACCOUNTING SOFTWARE

When purchasing software to address the new lease standard, consider the following list of questions:

- › Does your software handle both FASB and IASB requirements?
- › How many leases can you accommodate? What types of leases?
- › How many users can have access in total? Can multiple users access the software and the same data at the same time? Are there any additional per-user costs?
- › Can the chart of accounts be customized? What other customization options do you offer?
- › How are lease amortization schedules prepared?
- › Are journal entries automatically generated and how are they posted to ledgers?
- › How can accounting policy elections be documented?
- › What financial reporting options do you offer?
- › Can information for footnote disclosures be calculated and generated?
- › Can lease data be exported into spreadsheets?
- › Do you offer standard reports, and can custom reports be designed?
- › Can lease documents be attached/imported? Can comments be added?
- › How are revisions to lease documents maintained?
- › What controls exist for validating data completeness and accuracy?
- › How do you ensure your internal controls are functioning as intended? Do you have a SOC 1 or SOC 2 report?
- › What are your security standards? How do you prevent/detect security breaches?
- › Are there audit trails and reporting capabilities for CPA firms to use for audits/reviews?
- › How have you addressed CPA firm independence requirements?
- › What are the hardware requirements?
- › What technical support is available?
- › What is the user training and implementation process?
- › How is your software priced?
- › How are leases input for the first time?

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