

Whitepaper

Streamline and Automate Lease Accounting Processes with IBM TRIRIGA



Watson IoT™

IBM

Overview

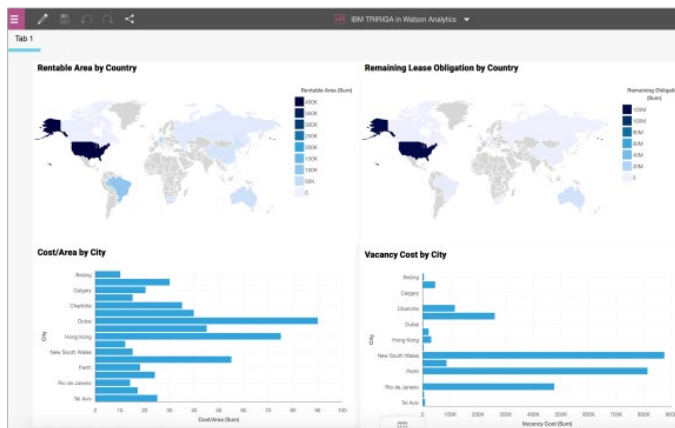
In 2016, the US-based Financial Accounting Standards Board (FASB) and the European-based International Accounting Standards Board (IASB) published new lease accounting standards. Today, all public organizations and most large private organizations face the challenge to comply with the new standards and improve their real estate, fleet, and equipment leasing. Some are just beginning that long process. In either case, it will require significant investments of time, effort, and budget to succeed. These new lease accounting standards will increase the complexity of most organizations' lease accounting functions because they will create a significant impact on corporate balance sheets and income statements. However, compliance activities do not have to cripple an organization's day-to-day operations or the productivity of its lease accounting staff.

The IBM® TRIRIGA® Real Estate Manager lease accounting solution provides a comprehensive, consolidated and easily configurable system that helps organizations streamline and automate their lease accounting processes—from the initial data import to ongoing audit and compliance reporting. As a result, IBM designed its advanced lease accounting offering to boost the productivity of organizations, including large and multinational companies. It allows organizations to more strategically manage the leased portfolio and more easily comply with the standards.

Data challenges

Companies will need to capture and validate all their lease data to comply with the new standards, applying audit-level scrutiny. This effort will be more onerous for companies with a decentralized leasing process. Determining how many leases a company has can take months, and internal and external resources may be scarce. Locating and standardizing the additional lease details required by the standard places additional demands on organizations. To aid this process, IBM TRIRIGA has created critical functionality:

- Pre-built real estate and asset lease types in a single data repository
- Integrated document management capabilities
- Data import forms and processes for offline lease abstraction via internal and third-party resources
- Data validation rules and processes to test imported lease abstracts and flag noncompliant records
- Support for multiple currencies as well as a system currency standard for global reporting purposes and multiple units of measure
- Pre-built and ad-hoc approval processes for leases, based on assigned roles, geographies and organizations
- Integration with Watson Analytics to speed data validation exercises and alert users to gaps.



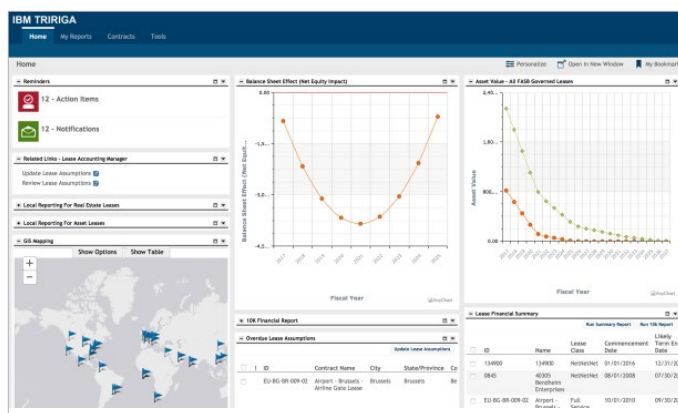
Looming deadline

Most publicly-traded companies must comply with the new regulations beginning in 2019, and most private companies in 2020. Prior to the adoption date, business users should test their data and assumptions to ensure that the results of the system implementation align to what auditors and investors are expecting. This data-driven exercise shortens the timeline available for implementing a new system.

The software implementation will include identifying all leases; gathering the associated documents and data; validating data; standardizing new leasing processes; and loading and testing new systems. Some organizations may express concern about the risk and penalties of non-compliance. IBM software solutions have supported many hundreds of standards and regulatory requirements in the past. Based on this experience, organizations face the more likely scenario that they pay premium prices and employee overtime to achieve compliance.

If a company has debt, and debt covenants include liabilities that the real estate lease obligations now present, companies may face issues of financing or debt covenant violations. To meet this demanding timeline, IBM TRIRIGA offers important features and services:

- Automated creation of lease contract records, payments and amortization schedules based on approved lease abstracts
- Pre-built pro-forma cash flow, balance sheet and income statement impact analysis
- Data integration with enterprise resource planning and other financial accounting systems
- Experienced internal consultants and an extensive partner network that can apply best practices in any industry.



Entering a new era

Companies rushing to comply with the new standards may forget to realize that the new standards will create a “new normal” in leasing. With virtually every lease impacting the balance sheet, accountants, business users, real estate managers, and financial executives will need to develop new standards for day-to-day business. For an advanced lease accounting solution designed to help orchestrate compliance, the solution must do more than calculate the appropriate Right-of-Use (ROU) asset and liability values. It must guide an organization through the effort, providing confidence in not only the numerical outputs calculated, but in the decisions made based on them. IBM has embraced this goal with TRIRIGA’s advanced lease accounting capabilities in its Real Estate Manager offering. Under the new standards, organizations must reassess lease terms, remeasure ROU assets and liabilities, and provide detailed disclosure reports to a far greater extent than they do today.

This increased reporting invites heightened scrutiny. To streamline these new processes, TRIRIGA has designed process and audit functionality:

- Predefined, yet configurable, user roles to focus users on tasks at hand
- Automated notices and alerts for lease contracts such as lease assumption reviews based on company-defined periods of time
- Pre-built option selector to simplify “likely term” assumption reviews
- Bulk-update processes for incremental borrowing rate, index growth rate and FMRV assumptions
- Bulk-update processes that update pending payments based on index adjustments, including the consumer price index (CPI) and producer price index (PPI)
- Streamlined workflows for batch payment processing, journal entry creation, period closings, and disclosure reporting.

Since organizations will continue to refine their processes to comply with the new standards, IBM plans to continuously improve its offering for customers and partners. By helping organizations expedite their compliance, IBM TRIRIGA empowers users to more purposefully manage leased portfolios of both real estate and equipment, with robust reporting capabilities to measure impacts.

Configurability

Organizations cannot know what compliance will look like because no one has completed it. Standards like ASC 842 and IFRS 16 are guidelines, not blueprints. The new standards tell companies what has to be done but not necessarily how to accomplish it. Each organization has its own operating principles and business processes for lease administration and lease accounting—not only for evaluating leases, but also for making decisions on them and managing them over time. Personnel from leasing, accounting, finance, treasury, real estate, procurement, and human resources could all be affected during the transition to the new standards.

With this in mind, IBM TRIRIGA delivers extensive configurability that allows organizations to implement the system in a way that meets their unique requirements, without requiring changes to source code. No two organizations are alike, and with IBM TRIRIGA, organizations can enable business processes unique to their business.

Why IBM?

The IBM TRIRIGA development team did not build its lease accounting solution in a vacuum. It considered guidance from industry leaders, Big 4 accounting firms, financial experts, real estate providers, and equipment experts to fully understand the challenges and opportunities the new standards present. More than one-third of the Fortune 100, and hundreds of other companies, have chosen TRIRIGA to meet these challenges.

For more information visit

ibm.com/internet-of-things/iot-solutions/facilities-management

© Copyright IBM Corporation 2017

IBM Corporation
Route 100
Somers, NY 10589

Produced in the United States
of America, May 2017

IBM, the IBM logo, ibm.com, and Watson are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at www.ibm.com/legal/copytrade.shtml

This document is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

PROVIDED "AS IS" WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT.

IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

Statement of Good Security Practices: IT system security involves protecting systems and information through prevention, detection and response to improper access from within and outside your enterprise. Improper access can result in information being altered, destroyed, misappropriated or misused or can result in damage to or misuse of your systems, including for use in attacks on others. No IT system or product should be considered completely secure and no single product, service or security measure can be completely effective in preventing improper use or access. IBM systems, products and services are designed to be part of a lawful, comprehensive security approach, which will necessarily involve additional operational procedures, and may require other systems, products or services to be most effective. IBM DOES NOT WARRANT THAT ANY SYSTEMS, PRODUCTS OR SERVICES ARE IMMUNE FROM, OR WILL MAKE YOUR ENTERPRISE IMMUNE FROM, THE MALICIOUS OR ILLEGAL CONDUCT OF ANY PARTY.

