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IFRS 16 Guide:

Converting from Excel to lease
accounting software

In 6 simple steps

A practical guide for converting from spreadsheets to software in IFRS 16 reporting



In this guide, we will take you through the practical steps of leveraging specialized software for lease accounting – after explaining the professional complexity, and why it should not be solved using spreadsheets.

We start by talking about common challenges businesses face when managing IFRS 16 in Excel, and how converting from Excel to lease accounting software can create business synergies and make the IFRS 16 burden easier to carry.

The guide covers three basic themes:

- The complexity of IFRS 16
- Why spreadsheets are not fit for the job
- How lease accounting software can help



The complexity of IFRS 16

The complexities of IFRS 16 are well known to controllers and CFOs. In our opinion, they can be grouped into six categories:

Contract size: Leasing contract documents can be voluminous, with hundreds of pages. Often, they also include judicially important contractual clauses.

Countries of operation: Although we have come a long way with translation programs, it is always easier to understand a contract written in your native language. Add to that different regional interpretations of how to treat a leasing contract. And of course, and of course, handling contract currency, accounting currency, and group presentation currency according to the standard.

Price adjustments: When can prices be adjusted? What price index should be used? Who needs to be alerted before prices can be adjusted? Should price increases be negotiated?
Other adjustments: Extensions, early termination, sudden termination, variable payments.





GAAP accruals: Most companies reporting on IFRS 16 do so on the group level. That means each legal entity will do their normal bookings according to GAAP, with expensing the lease payments or lease accruals. Those accruals need to be removed from the profit and loss for the group before we add back the IFRS 16 depreciation and interest expenses.

Exemptions: Low value and short-term leases are usually exempt from IFRS 16, plus you have the effects of financial subleases which must be handled according to the standard.

Why spreadsheets are not fit for the job

If calculating the net present value of a lease was the only challenge of IFRS 16, we would not argue against the use of spreadsheets. However, there is much more to lease accounting that makes spreadsheets unfit for the challenges at hand:

Human error: We often see incoming clients struggling with errors no one can understand. Often, those errors are simply references to a wrong cell or other human input errors.

This is also the first thing the auditor looks for when going through excel-based IFRS 16 reports. Normally, it's an addition or a reassessment that has been handled wrong.



Simultaneous updates: Many of our customers have a portfolio of offices, storage, cars and other machinery. Let's say that all cars have a new payment starting next year: To update 50, 100 or 200 cars is a challenge doing in a spreadsheet. However, with an IFRS 16 tool like ours, it is way easier to do a bulk update and handle everything according to the standard without allowing room for the human errors again.

Long and expensive audits: The auditor will normally recreate your spreadsheets. Then they will check all the calculations and input fields before they start asking you for the documentation. They may find errors and if so, there will be a lot of discussion. Most of this will be eliminated if the company instead uses a designated lease accounting software, where the auditor can have reader access and work more solely.

The inheritance problem: Often, new customers come to us because they have inherited someone else's spreadsheet, and find that reporting on IFRS 16 using that is challenging. It requires a lot of resources just to understand it, and then comes the validation. But, what if all the reporting was readily available in a standardized cloud solution?

The challenge of distributing responsibility: To make the IFRS 16 burden lighter, a key point is being able to distribute responsibility for contract management. However, sending spreadsheets around the organization, asking people to update it, is not a good idea. Chances of you getting a correct answer on time is close to zero.



6 steps: How lease accounting software can help

Let us now provide you with a recipe for lease accounting success in six simple steps. Too many? Even if you only do at the three first points, then you will end up in a place where the responsibility is spread out, which is always a good thing.

1. Collect all your contracts in one place

Most often our new customers have a thorough professional understanding of IFRS 16. However, they don't necessarily know the internal landscape of leases – how many contracts should be included? This complexity increases for companies present in several countries and distributed rights to enter into leases. Collecting all contracts in one place is a prerequisite for the finance department to assess whether it is an IFRS 16 contract.

3. Add the discount rate, and make the first assessments

This can be done in bulk in the system, and then you are up to speed on IFRS 16 as well. It's really about using the contract management tool that we have as base to get the IFRS 16 figures as well: Having the right and precise contract data, understanding the contract, and then utilizing that information for IFRS 16 reporting.

5. Extract reports

Using the lease accounting software tool, it's easy to extract the reports you need. You can see the exact value for each contract. You can sort by category, or by currency. You can see lease contracts per legal entity or for the group. To mention a few of the possibilities.

2. Add the basic contract data

What's the start date? What's the stop date? Who is the internal contract owner? Who is the lessor? Where is it? Here, it's good to distribute responsibility: Because, it's easier for a person close to the contract to add a few contracts than for the finance department to enter all of them. Distributing responsibility also makes for better contract management: Is the data correct? Are the terms competitive? Do we need this contract?

4. Upload documentation

Once you've done the IFRS 16 calculation, the software enables you to upload documentation – a PDF for example. The auditors with reader access can log in and find documentation, calculation, contract input – all together in one place. They can also look at reports and drill down on each contract, which makes the audit faster and cheaper, and reduces stress for controllers.

6. Compliance and contract management

Consistency in IFRS 16 compliance is strengthened by better contract management. Signed a new contract? Add it! Terminated a contract? Remove it. This way, continuous contract management makes it far easier to be compliant – compared to conducting detective work once a year.



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Two methods to simplify data input

OCR Scanning

Our solution includes an inbox where you can send the contract documents and other documentation. It will be scanned by an OCR, finding key data points such as dates, the partner, or the location. This makes it easier to get the contract into the system and for you to make the assessment if it is an IFRS 16 contract or not.

ERP System Integration

Our solution connects to your ERP system, where it looks for payments to companies or organizations. It checks if there is a contract with that company. If it cannot find a contract in our contract management solution relating to that payment, the system will suggest establishing one. Or, maybe you have a contract that hasn't been added yet. By following these steps and leveraging the capabilities of specialized lease accounting software, you can simplify and streamline your IFRS 16 reporting process, reduce errors, and ensure compliance.

**Thank you for your interest in
our guide!**



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**Read more about our
IFRS 16 solution**

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