

Workbook Accounting for a Highly Rated KLAS Company

Client

Computer Software
Company

Services

Accounting Software
Implementation

Areas of Expertise

ASC 842

Industry

International Public
Sector

Our Challenge

The client had to comply with ASC 842, a new standard governing how leases are reflected within company financial statements. The most significant impact of the new standards will be to move all operating leases (real estate, equipment and embedded) longer than 12 months onto the balance sheet.

The client had a small lease portfolio consisting of real estate and equipment. As a private company, they elected early adoption of ASC 842 with the effective date of January 1, 2020. The client had to evaluate their options on how they were going to successfully adopt the new standard.

Unexpected Challenge

Upon completion of the project, the client informed Vaco that they had been purchased by a private-equity firm. The private equity firm requested that the effective date of ASC 842 be rolled back to the date of the acquisition, to be included as part of the Purchase Accounting transaction.

Vaco was able to quickly execute the revision of the original workbook to enable the client to roll back the effective date and include the takedown entries as part of the Purchase Accounting transaction in a timely manner.

Our Solution

Vaco provided advisory services assisting the client in making a decision to either utilize lease accounting software or Microsoft Excel. The client decided that transition and ongoing accounting would be executed in a Microsoft Excel model instead of an automated software system due to the small size of their lease portfolio.

Vaco provided technical accounting knowledge on adoption requirements, such as Practical Expedients and Policy Elections. Vaco assisted with assessing the client's leases and identifying potential Embedded leases as well as abstracting all lease data for their current lease portfolio. Vaco's consultant designed a Microsoft Excel central depository/ template to capture abstracted data for current and future leases. The key benefit of this tool is pre-populated data validation lists that eliminate human error. The abstractor is forced to select specific values for certain fields from a dropdown list. The pre-populated data list also serves as a technical tool to guide an abstractor through the processes without intimate knowledge of ASC 842.

The Vaco team then designed a Microsoft Excel Model to capture transition takedown entries and ongoing accounting journal entries, supporting Amortization Tables and Calculations of initial ROU and Liability Balances. The developed Accounting Model was fully automated to ensure maximum data accuracy and clear audit trail through various checks and balances by footing, cross footing, and referencing data from a high level to the most detailed level. This enables the client to perform an accurate, repeatable close process.

After Vaco successfully implemented a full technical solution prior to the client's target date of January 1, 2020, Vaco provided training and education on Day 2 Reporting to the client and their team for continued compliance.

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