

Are you revisiting your IFRS 16 Accounting? Here are some key considerations!

Now that you are through the year end process it's a good time to reassess how you manage your IFRS 16 / AASB 16 accounting.

Progenesis is Australia's leading home-grown provider of lease accounting software. We support some of the country's most recognised brands, some of the biggest state governments as well as corporates both large and small with an audited, high performance and robust [IFRS 16 software tool](#).

Based on our extensive expertise we would like to share some key takeaways that an organisation should consider when automating their lease accounting. This could be when assessing an alternative solution, to the one already in use, or migrating lease accounting from spreadsheets.

Adopting some of these advisory points will help to substantially reduce risk when selecting your IFRS 16 software provider. This is important as there are many implementation stories where organisations have invested in systems only to discover, at a later stage, the system is not fit for purpose.

Does it do what it says on the tin?

It's important to test the software's capabilities. Sometimes the system's functions don't live up to the sales pitch. It's always advisable to provide several of your most complex leases for modelling and testing on the prospective system to make sure that it delivers what you need.



Will you be supported locally?



It's often overlooked but it's very important to be supported by a dedicated team that is locally based and understands the complexities of the Australian leasing market. It's also essential that the organisation has in-house IFRS 16 accounting expertise to both work with you on the implementation and to provide ongoing support.

Automation

If you are investing in a system, you don't want to continue with any manual workarounds. Check that the system you are considering can automate the calculation of reviews, options, early terminations and make goods and can generate the reports you need. This includes integrations with ERP's.



Specialist Functionality

You may have complex leasing scenarios that require specialist functionality. Retailers, for example, may have variable elements to lease agreements that are based on sales or other metrics. It's important to test the system you are considering, to ensure that your specialist requirements can be met thus avoiding messy and risky workarounds. If you are a lessee and a lessor, make sure it can provide functionality for both scenarios.

Budget & Forecast in a “test” environment



You really want a system that can offer budgeting, forecasting and scenario modelling outside of the main production system. This provides you with the confidence that your production data is free from corruption when analysing the potential impact of changes to the lease portfolio.

Get value and efficiencies with a system that can service multiple departments

Whilst the main purpose of an IFRS 16 system is to provide lease accounting to finance departments, remember that one of the advantages of adopting IFRS 16 is the idea of a better managed lease portfolio. It's well documented that before IFRS 16, lease portfolios often lacked transparency and management. Lease renewals, option dates and lease termination dates were often overlooked, and this delivered poor value to the lessee. Consider investing in a system that can help manage the organisation's lease portfolio, this might involve the system being available to other teams, such as the property team.

Progenesis is experienced at successfully implementing its IFRS 16 solution into a wide variety of organisations. If you are considering automating your IFRS 16 accounting and have any questions or would simply like to bounce some ideas around, please don't hesitate to get in touch with one of our consultants for a confidential discussion.



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