Client situation

When an existing client of RSM’s technology consulting group, a national publicly-traded retailer with over 200 locations, faced implementing the new lease accounting standard—ASC 842—RSM was well-positioned to offer assistance.

Since the client had a legacy lease management system (CoStar), they only needed help with the technical accounting piece of the implementation (e.g., education on and determination of the practical expedients and accounting policy elections, lease population completeness, embedded leases analysis, etc.).

RSM proposed the following services: project management, accounting and financial reporting, embedded lease identification, training, accounting issue—incremental borrowing rate (IBR) model, business requirements and generally accepted accounting principles analysis, lease population completeness, and contract analysis and data validation. During the course of the engagement, RSM’s technical accounting consulting team introduced the client to RSM’s valuation team to assist with the development of the incremental borrowing rate.

Client team

The key relationship team at the client included the controller/senior vice president of human resources and accounting, who was the main contact, as well as the vice president of investor relations and external reporting, the chief financial officer and executive sponsor, and the Securities and Exchange Commission reporting manager.

How RSM helped

RSM was engaged to help the client in the following areas:

- **Project management**: RSM developed a project plan and assisted with project oversight.
- **Business requirements and gap analysis**: Working closely with the client, RSM was able to gain an understanding of the client’s current state leasing operations, and RSM was able to assist the client in developing the future state leasing operations to ensure compliance with the new leasing standard.
- **Practical expedient and accounting policy election education**: RSM provided training on the practical expedient and accounting policy elections that were available to the client; RSM also provided the client with perspective on what others in the industry were electing based on RSM’s experience.

- **Lease population determination**: RSM provided the client with support as they developed an approach to identify their known lease population.

- **Contract analysis and data validation**: RSM reviewed a sample of lease contracts, validated the abstracted data from CoStar with the analysis performed, and identified data gaps.

- **Identification of embedded leases and training**: RSM assisted the client in identifying any potential embedded leases in their service arrangements by developing the approach and providing training to the client’s operations team.

- **IBR determination**: RSM’s valuation team was brought in to develop the client’s IBR for transition purposes.

- **High-level accounting training**: RSM has provided technical lease accounting training to the client.

By collaborating with RSM and our technical accounting team for the ASC 842 implementation, our client was able to adopt the standard in a reasonable timeframe, by utilizing their existing lease management software, and ensured all potential risks were avoided. As a trusted advisor, RSM provided value to the client through not only achieving compliance but by helping them to gain greater efficiencies as well.

**Value Realized by Client**

- Accelerated understanding of new lease accounting treatment and policies
- Mitigated risk and complexity of lease data abstraction and increased confidence in completeness and accuracy of lease accounting outputs
- Accelerated timeline for adoption and readiness for new standard reporting
- Key personnel across departments were trained and ready to support ongoing leasing, procurement, contracting, accounting and reporting related processes and controls
- Well positioned for efficient testing and acceptance by external auditors