Canadian Companies Are Lagging Behind on Lease Accounting Transition



Survey: More Than Half of Firms Yet to Begin Process of Adopting New Standard

TORONTO, March 22, 2017 /CNW/ - When the International Accounting Standards Board (IASB) issued anew standard on lease accounting in January 2016, companies had nearly three years before the first deadline. Recent research, however, suggests that more than a year in, most companies have made no progress. Fifty-six per cent of Canadian CFOs in the Robert Half Management Resources survey said their organization has not begun the transition to the new standard.

The new standard is designed to improve reporting of lease transactions, according to the IASB, and all organizations with lease assets, from real estate to equipment, are affected. The new regulations go into effect January 1, 2019.

The research found that among the businesses that have started the transition to the new standard, more than eight in 10 (84 per cent) have completed the diagnostic work necessary to determine how much effort will be required. The top pain points described by CFOs who have taken steps toward compliance include staff training, assessing the changes that need to happen in the transition, and upgrading technology.

The good news for those who are working toward compliance: The majority have identified their team members and responsibilities for completing the transition (86 per cent) and 82 per cent have made an inventory to prioritize system changes that need to happen. More than three-quarters (78 per cent) have begun or completed writing new accounting policies and a similar number have started or completed new procedures (76 per cent).

"Integrating the new lease accounting standard is a complex process that involves cooperation from all areas of the business," said David King, Canadian president of Robert Half Management Resources. "Companies must anticipate the additional time and effort required, and proactively lay the groundwork for a successful transition."

Chris Wright, managing director of the financial reporting remediation and compliance practice for global consulting firm and Robert Half subsidiary Protiviti, said the scope of the transition is creating challenges for companies. "The new guidance is much more than accounting," said Wright. "It requires systems upgrades, new reporting processes throughout the business and updated training. The transition also necessitates a well-rounded change-management initiative, which is proving to be a massive effort, especially for large companies, and particularly coming on the heels of the adoption of the new revenue recognition standard."

With the standard's requirements being so new, firms are having difficulty finding individuals with the necessary expertise to

support the transition, King added. "Organizations should employ professionals who have dealt with comparable compliance initiatives in the past, and seek help from consultants with experience navigating the new lease accounting standard."

Research Highlights by Company Size

- The largest companies, those with 1,000 or more employees, are the farthest behind. Only eight per cent of the largest businesses have begun the transition, compared to 36 per cent of the smallest companies (20-49 employees).
- A greater percentage of the largest firms have at least started writing new accounting policies, but they're also the group least likely to have a project plan developed to address the gaps revealed through their diagnostic work.
- Conversely, the smallest companies are more likely than the largest to have made an inventory of systems changes to be made, and begun new written accounting procedures.
- Similarly, companies with 100 to 249 and 250 to 499 employees are facing the most acute challenges in attempting to diagnose the needed changes.

Research Highlights by Industry

- Only 26 per cent of wholesale businesses have begun the transition process.
- More construction (53 per cent) and manufacturing (47 per cent) companies have started the transition than organizations in other sectors.
- Less than half of financial companies (36 per cent) currently in the adoption process have developed a project plan to identify gaps in the transition process.
- Professional services CFOs are experiencing the greatest difficulties in training staff, and finding professionals with the needed expertise.

Research Highlights by Market

- Companies in Saskatchewan, Ontario and Alberta are leading the pack when it comes to preparation. At least 43 per cent
 of businesses in each of these provinces have begun the transition to the new lease accounting standard, and a minimum
 of 75 per cent of those firms have started their diagnostic work.
- On the other end of spectrum, only five per cent of Manitoba companies have begun the move to adopt the new standard.
- While almost all Quebec companies that have started the transition have also started the diagnostic work (99 per cent), only 29 per cent have developed a project plan to address gaps that have been diagnosed.
- While most provinces find that training staff is their biggest pain-point, Manitoba firms' greatest challenge is finding
 employees with the necessary skills, the research found.

About the Survey

The survey was developed by Robert Half Management Resources and Protiviti and conducted by an independent research firm. It is based on telephone interviews with more than 270 CFOs from a stratified random sample of companies in Canada.

About Robert Half Management Resources

Robert Half Management Resources is the premier provider of senior-level finance, accounting and business systems professionals for companies' project and interim staffing needs. Customizing its approach for each organization, Robert Half Management Resources can provide a single consultant, a financial team or full-service consulting services, delivered through Protiviti, a Robert Half subsidiary. With more than 140 locations worldwide, Robert Half Management Resources works with companies of all sizes, including more than half of the top 100 companies from the FORTUNE 500[®]. For more information, visit roberthalf.ca/management-resources. Follow us at roberthalf.ca/blog and @RobertHalf_CAN for additional workplace advice and hiring trends.

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