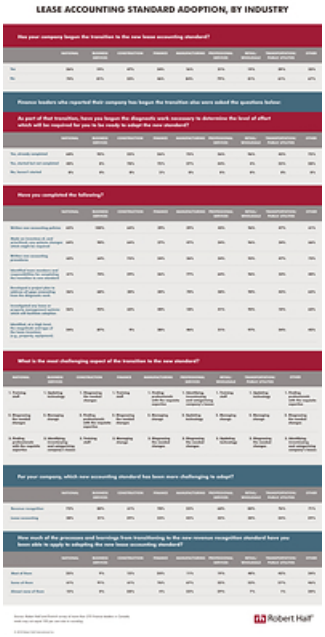
Robert Half Canada

Most Canadian Companies Haven't Started Lease Accounting Transition



Smaller Firms Lagging Behind; Organizations Experiencing Multiple Challenges

- The majority of Canadian companies surveyed (74 per cent) have not begun transitioning to the new lease accounting standard
- Forty-nine per cent of the largest firms have begun the process, compared to 18 per cent of the smallest organizations surveyed
- The top three challenges firms face in transition include training staff, diagnosing the needed changes and finding professionals with the requisite expertise
- More than eight in 10 finance leaders feel they can apply at least some of the learnings from the revenue recognition transition to adopting the lease accounting standard

TORONTO, May 24, 2018 /CNW/ - Although the deadlines to adopt the International Accounting Standards Board's new lease accounting standard draw closer, many firms have yet to approach the starting line. ARobert Half and Protiviti survey of finance leaders found only 26 per cent of Canadian companies have begun the transition.

Public companies will need to adopt the new standard by 2019. All other organizations must adopt it by 2020.

Even among companies that have moved to adopting the standard, much work remains. Two in five respondents at these organizations (40 per cent) reported having started but not completed an assessment of how much needs to be done. In addition, the road to adoption is filled with challenges, namely training staff, diagnosing the necessary changes and finding professionals who have the requisite expertise, according to financial executives surveyed.

"With the adoption date just around the corner, companies can't afford to underestimate how intensive an undertaking the new lease accounting transition will be," said David King, president of Robert Half Management Resources. "Firms that have yet to assess for key technologies, personnel and processes, risk overlooking significant compliance requirements in their rush to get the new standard in place."

The research suggests financial leaders see previous revenue recognition work as a stepping stone for lease accounting. Seventy-two per cent of financial executives reported the revenue recognition transition has been the more challenging of the two, and 86 per cent expect to apply at least some of the learnings from that process to the lease accounting adoption.

"Companies may be tempted to pause and take a breath after completing their revenue recognition work, but time is a luxury they don't have," said Chris Wright, managing director of the financial reporting remediation and compliance practice for Protiviti, a Robert Half subsidiary. "Adopting the new standard requires a substantial effort to prepare a firm's people, processes and systems. For example, identifying and implementing a lease administration system and abstracting relevant data from leases require a significant investment of time and resources. Although lessons learned from the revenue recognition transition are

valuable, not every organization was as impacted by that standard as they will be by new lease accounting rules."

"Consultants who have experience implementing new accounting initiatives are an excellent resource for companies feeling overwhelmed by the changes," added King. "Not only can these professionals help develop procedures, they can also provide expertise not available internally, and support training efforts to ensure staff are equipped to navigate the standard post-transition."

Research Highlights by Company Size

- Only 18 per cent of the smallest companies, which have 20-49 employees, have started the lease accounting adoption process. Conversely, 49 per cent of firms with 1,000 or more employees have begun the transition.
- Firms with 100-249 employees report finding employees with the needed skills as their top challenge with the transition.
- The two largest sizes of organizations, 500-999 and 1,000 or more employees, are more able to apply most of their revenue recognition learnings to the lease accounting transition.

Research Highlights by Industry

- Finance firms are most likely to have begun the transition (54 per cent).
- Only 16 per cent of manufacturing executives said their organizations are currently working on adopting the new standard.
- Business services firms struggle the most with updating technology, while finance companies have issues adequately training staff.
- Professional services and construction companies are least able to apply their learnings from revenue recognition to the lease accounting transition.

About the Survey
The survey was developed by Robert Half Management Resources and Protiviti and conducted online by an independent research firm. It is based on responses from more than 270 finance leaders in Canada.

About Robert Half
Celebrating its 70 anniversary, Robert Half is the world's first and largest specialized staffing firm. The company has more than 300 staffing locations worldwide. Protiviti and Robert Half combine domain experience, rigorous methodology and technical expertise with the largest network of highly skilled professionals to provide firms with access to cost-effective solutions that can help address their compliance challenges. Robert Half's divisional websites and blog can be accessed at roberthalf.ca.

About Protiviti
Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independently owned Member Firms provide consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit to clients through its network of more than 70 offices in over 20 countries. The firm has served more than 60 per cent of Fortune 1000® and 35 percent of Fortune Global 500® companies. Protiviti is a wholly owned subsidiary ofRobert Half. Visit **protiviti.ca** for more information.

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