

Excel vs lease management and lease accounting software

Excel can do almost anything, but can it handle IFRS 16?

We've all experienced the brilliance of Excel for forecasting, budgets, preparing journals and accruals, financial modeling and everything in between. It's incredible what Excel can do if you know how to use it. Almost every organisation has a resident Excel wizard who can dazzle you with its capabilities. Excel, in the hands of an Excel master, can do just about anything.

For leasing portfolios greater than ten leases can it handle the new lease accounting standard, IFRS 16 (AASB 16), and everything that comes with it?

What can early adopters tell us?

Our in-house IFRS experts have spoken with a wide range of finance and accounting professionals who have completed their implementation projects or are still working through IFRS 16's complexities.

We asked them about their biggest hurdles and if they made any mistakes that could have been avoided with a little hindsight or better planning. As you would expect, a range of learnings came through, but there were also some strong, common themes.

1. We didn't have a project plan
2. We should have started much earlier
3. We underestimated the time it would take to source, compile and assess our contracts
4. We should have consulted all of the stakeholders involved with leasing
5. We should NOT have assumed we could manage the transition and ongoing reporting requirements in Excel

Early adopters in the retail, healthcare, telecommunications, infrastructure, hospitality and a range of other sectors quickly recognised the limitations of Excel. They have chosen to use end-to-end lease management and lease accounting software which not only gives them complete confidence in their IFRS 16 compliance, but also transforms the management of their entire leasing portfolio.

What CAN Excel do?

Once you've completed the not-insignificant task of finding and assessing your leases, it's likely someone in your organisation will be tasked with recording them in a lengthy Excel spreadsheet. At this point, especially if you are an Excel savant you'll be tempted to take ownership of the spreadsheet, or create your own one so you can work your magic for financial reporting purposes. Unfortunately, it's just not that simple, however if you are considering it, let's take a look at what Excel can offer:

Feature	Nomos One	Excel	Why is it important?
Single source document repository	✓		Having a single source of truth gives you confidence that you're accessing the most up-to-date, accurate data for financial reporting and lease management purposes.
Event notifications for renewals, start and end dates, payment increases	✓		It is critically important for organisations to keep on top of their lease events. We've seen overlooked events cost anywhere from \$1,000 to \$100,000 over the term of a lease.
Give an unlimited number of users access (with a range of permissions)	✓		Everyone involved in the lifecycle of a lease, whether or not it's your legal, property, finance, maintenance, IT team or your internal auditors will have access to accurate, relevant information reducing risk and creating efficiencies across your entire organisation.
Step-by-step walkthrough of transition requirements	✓		IFRS 16 is a complex standard that requires a considerable amount of judgment. Nomos One walks you through all of the transition requirements to ensure you don't overlook anything. This level of structure and guidance is invaluable.
Compare financial impacts under all three transition approaches	✓	✓	Although you can do your own modeling in Excel, Nomos One allows you to compare approaches without having to write a single formula, so you can be confident you are selecting the best transition approach for your organisation.
Accurately calculate ROU asset and lease liability	✓	✓	With Nomos One, calculations are done behind the scenes improving the integrity of your financial reports. If done manually, ongoing remeasurement and reporting requirements can be time-consuming and overly complex. One formula error can have a significant impact on your bottom line.
Ability to separate out lease and non leases components	✓	✓	Nomos One allows you to separate out the lease and non lease components by asset classification.
Ability to elect the practical expedients	✓		Nomos One knows which of the practical expedients have to be selected together and which can be selected separately.
Multi-currency	✓		Nomos One allows you to easily work with multiple currencies.

10 Excel pitfalls to look out for

1. It's inevitable that other spreadsheets will be created elsewhere in the organisation. As variations occur they will diverge.
2. You'll no longer have a single source of truth which means you'll have to triple check agreements and corresponding data on a regular basis.
3. As masterful as Excel is, it can't account for human error.
4. One typo or an incorrect formula can dramatically alter your organisation's financial position.
5. Once set up, making changes to complicated formula can be troublesome and incredibly time consuming.
6. It's difficult to track who has made changes, and on which dates, making audit time more challenging.
7. The more leases you take on, the less manageable an Excel spreadsheet is.
8. Other mistakes including over and under payments, missed end or renewal dates or breaches of contract will have serious implications for your organisation.
9. Companies with leases in more than one country need to factor in multi currencies.
10. Your Excel expert, who built and may be the only person who knows how your spreadsheets work, might leave your company.

10 benefits of Nomos One

1. Nomos One is a single source repository for all of your lease agreements and other relevant documentation.
2. Any changes made to lease term and rates will automatically be accounted for in your financial reporting – you won't have to transcribe numbers.
3. All formulas and calculations are done behind the scenes in accordance with the standard, significantly reducing the risk of human error.
4. Nomos One allows you to assess all three transition options – you won't have to write a single formula.
5. You can view your entire lease portfolio, including landlord and tenant details, properties on a map, and a timeline of all of your upcoming lease events.
6. You can give 'edit' or 'read-only' access to other teams, external stakeholders and auditors.
7. The audit process is far more straight forward saving your organisation time and money.
8. You'll receive email reminders of your upcoming lease events ensuring you don't overlook important lease events.
9. Nomos One handles multi currencies.
10. Lease accounting won't fall over when someone moves on from your organisation.