

CASE STUDY: RSM HELPS GLOBAL COMMERCIAL KITCHEN RETAILER ADOPT ASC 842

Client situation

A current client of RSM's risk advisory practice, one of the world's leading commercial food service equipment companies with 12 brands and operations in over 100 countries, and with average annual revenue of approximately \$1.5 billion, was looking to implement the new lease accounting standard known as ASC 842. The global organization designs, manufactures and supplies best-in-class food and beverage equipment for the global commercial food service market, offering customers unparalleled operator and patron insights, collaborative kitchen solutions, culinary expertise, and world-class implementation support and service.

In early 2018, the organization's corporate controller and director of accounting began working closely with RSM to start the ASC 842 implementation; an impact assessment was performed to understand and analyze the existing lease portfolio as well as select the appropriate software solution.

Based on the results of the impact assessment, it was determined that the company had over 500 lease contracts. RSM therefore developed a comprehensive project plan and approach for implementation of the lease standard across the global entity, which included assistance with project management, lease completeness procedures, identification and assessment of embedded leases, and lease abstraction.

Solution

The identification of this company's service arrangement population, as well as review of the service arrangements identified, was a key aspect of the ASC 842 compliance process. Coordination of the gathering and evaluation of this information across the company's global business units added complexity to the project. Understanding the arrangements was facilitated through extensive discussions with relevant client personnel and RSM's internal team of professionals.

RSM also assisted the client with the evaluation of multiple lease software solutions; the company ultimately chose AMTdirect lease software and RSM successfully provided project management for the implementation, including implementation of the accounts payable module. RSM was able

to coordinate efforts among all parties to achieve timely design, testing and implementation of AMTdirect.

Our team also prepared an implementation and transition memo, provided assistance with new accounting policies and procedures under ASC 842, and provided financial reporting support for mapping and compilation of financial statement disclosures. In addition, we developed and delivered training to the company's global business units on the new lease accounting standard, on abstraction of new leases into the lease software solution, and on future state accounting and financial reporting procedures.

Results

Upon completion of the ASC 842 implementation, there were several key takeaways and successful outcomes including:

- The identification of this company's service arrangement population, as well as the review of the identified service arrangements, was a key aspect of the ASC 842 compliance process. Coordination of the gathering and evaluation of this information across the company's global business units added complexity to the project. Understanding the arrangements and discussing them with relevant client personnel and RSM's internal professionals helped in the process.
- The corporate controller and director of accounting were committed to achieving a successful implementation, allowing for a streamlined approach to the project.
- Leasing software solutions are not perfect and may not have functionality for all lease scenarios under ASC 842. In this context, RSM has experience assisting clients in the development of processes needed to comply with all of the accounting and reporting requirements of the new standard.

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