



Accounting for the future

Client story



Client
Global healthcare and life sciences company

Sector
Life sciences

Project
Lease accounting change



Client challenge

With an over 100-year history of caring for families and healthcare professionals, this consumer packaged goods and life sciences company continues to innovate for customers around the world. But to lead in the market, make strategic decisions, and navigate changing regulations, they must also be at the forefront of regulatory compliance. Though new lease accounting standards were announced in 2016, the company had already committed to change years in advance of the announcement. As a large, decentralized organization with hundreds of individual reporting units, they needed a comprehensive solution to centralize their data and maintain financial credibility. Compliance was critical for this company with operations in over 60 countries.



Benefits to client

As an innovator in the industry, the company embraced the KPMG Leasing Tool (KLT) and is ready to adopt the new standards on time by:

- Preparing to report through their new system in 2019, facilitated by KPMG
- Being equipped with a lease portfolio inventory from over 400 individual reporting units now centralized in the system
- Reducing the number of vendors and increasing cost savings.



KPMG response

Creating iconic products for families and healthcare professionals for over a century, this global company turned their attention to rethinking the balance sheet. They took a proactive approach to lease accounting practices well before the Financial Accounting Standards Board and the International Accounting Standards Board proposed the new leasing standards.

The company teamed up with KPMG to leverage KLT and bring the new standards to life. A first-of-its-kind application, KLT brought together technical accounting, governance, project management, and data intelligence. The company began collecting data and analyzing their policies and procedures, leading to a better understanding of their lease portfolio. They looked at factors such as leasing by class of underlying assets and their number of worldwide vendors. By evaluating this data in KLT, they could make better decisions, reduce their number of vendors, and increase cost savings.

As KLT took shape, KPMG worked closely with the client to further tailor the solution and establish a training program. They then began to enter leases into the system. With each lease added, KLT became more customized and evolved over time. A trusted advisor every step of the way, KPMG continues to assist with insights and analysis. With KLT and the training needed to master the new standards, this company can ensure the best operations for the continued health and wellness of their customers.



KPMG insights

Accounting compliance takes more time than you think

When standards are set to change, it's important to proactively prepare for the future. New standards require different things: greater amounts of data and previously unheard-of requirements. By preparing well ahead of an issued mandate, organizations can work through challenges thoroughly and better ensure success by the adoption date.

Technology is one factor in the future

As accounting standards change, so do the processes and policies used to comply with them. Commitment to advancement in accounting goes together with advancing technology, but tech is only one part of it. Having a team in place that has the right technical know-how and insights helps ensure the technology succeeds.

“Leasing is a regulatory compliance that created implications for our organization beyond accounting. When we set out on this project we wanted to partner with a firm who had strong knowledge of all areas related to the standard. We selected KPMG because of their strong foundational knowledge of accounting change and their cutting edge technology which helped turn a manual process of moving financial data into an automated one. They were a strategic partner throughout the entire process providing guidance at every step.” Financial Reporting/Accounting Executive.



If you are experiencing similar issues or you would like to know more about this case study, please contact us.

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For more information about KPMG's lease accounting capabilities, go to:
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