A STUDY ON THE PROCESS AND CHALLENGES OF LEASE ACCOUNTING IN COMMERCIAL REAL ESTATE TOWARDS EDU TANTR AT BENGALURU

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Abstract—*Global lease Accounting is a specialized and increasingly vital function in the real estate, legal, and financial sectors, particularly for multinational corporations, real estate investment trusts (REITs), and asset management firms with diverse property portfolios spread across multiple countries. At Edu Tantr, the lease accounting study encompassed a detailed analysis of IFRS 16 and ASC 842 frameworks. We classified lease contracts by evaluating key criteria transfer of ownership, lease term relative to economic life (~75%), and present value of payments (~90%)—to determine whether they qualified as finance or operating leases under ASC 842, while IFRS 16 treats nearly all leases as finance leases unless exempted due to low value or short term. The process involved calculating the initial lease liability through the present value of payments using the implicit or incremental borrowing rate and determining right-of-use (ROU) assets by incorporating transaction costs, prepaid amounts, and incentives. Subsequent accounting entries included separate recognition of interest and depreciation expenses for finance leases, creating a front-loaded expense profile, whereas operating leases under ASC 842 reflected a single straight-line expense. Additionally, the study emphasized balance sheet implications leased assets and liabilities now appear on the balance sheet altering financial metrics like debt/equity ratios and EBITDA performance. This comprehensive review solidified understanding of recognition, measurement, and financial impacts associated with modern lease accounting standards.*

Keywords: *Lease Accounting, Real Estate, Accounting Standards, Property Technology, Lease Accounting Cycle.*

INTRODUCTION

Global lease Accounting is a specialized and increasingly vital function in the real estate, legal, and financial sectors, particularly for multinational corporations, real estate investment trusts (REITs), and asset management firms with diverse property portfolios spread across multiple countries.

The core objective of lease Accounting is to extract and condense essential information from complex lease documents such as rent amount, lease term, renewal options, escalation clauses, termination rights, maintenance responsibilities, exclusivity rights, and legal obligations into a standardized and structured format. This process not only supports efficient lease administration but also serves as a critical foundation for financial reporting, audit preparation, compliance monitoring, and strategic real estate planning.

In the global context, lease Accounting becomes significantly more complex due to the diversity of lease formats, legal frameworks, local terminologies, measurement standards, currencies, tax treatments, and languages. For example, leases in the U.S. may follow a triple net lease model, whereas European or Asian leases may involve gross or modified gross lease structures. Additionally, jurisdictions differ in how they interpret clauses related to force majeure, rent-free periods, or landlord obligations.

These variations require highly skilled Accounting professionals often with multilingual capabilities and legal or real estate backgrounds who can interpret, translate, and normalize lease data for use in global reporting systems.

The demand for global lease Accounting has been further accelerated by international financial regulations such as **IFRS 16** and **ASC 842**, which require organizations to recognize most leases on their balance sheets. These standards emphasize the need for precise, up-to-date lease data to accurately calculate lease liabilities, right-of-use assets, and depreciation schedules. Failure to comply can lead to financial misstatements, audit risks, and regulatory penalties.

To manage this complexity, many global firms now rely on centralized lease Accounting centers or outsourced lease Accounting services that use standardized templates, legal review protocols, and cloud-based lease administration platforms.

Furthermore, the rise of prop-tech **(property technology)** has transformed the landscape of lease Accounting through the introduction of **AI-powered tools** that can process high volumes of leases across different languages and jurisdictions. Technologies such as natural language processing (NLP) and machine learning are increasingly being used to automate parts of the Accounting process, flag inconsistencies, and improve data quality and turnaround time.

In addition to financial compliance, global lease Accounting supports **strategic decision-making**, including cost optimization, space planning, mergers and acquisitions, and real estate consolidation efforts. Accurate lease data allows global enterprises to benchmark rents, compare lease terms across regions, evaluate early termination costs, and negotiate better terms with landlords. It also plays a crucial role in risk management by identifying critical dates, obligations, and exposure points in the lease portfolio.

OBJECTIVES OF STUDIES

The primary objectives of this internship were to:

- Acquire practical experience in lease accounting under modern regulatory frameworks.

- Support the end-to-end lease accounting cycle, from data extraction to journal entry and financial reporting.

- Bridge academic theory with commercial practice—helping ensure lease compliance and operational transparency.

- Identify process gaps and propose improvements to current lease accounting workflows at Edu Tantr.

SCOPE OF STUDIES

Adoption and Implementation

The study explores how organizations have transitioned from previous lease accounting standards to the updated framework under IFRS 16/ASC 842. It examines the stages of adoption, challenges faced during implementation, and readiness levels across different sectors.

Lease Recognition and Measurement

It focuses on how companies identify, classify, and measure lease liabilities and right-of-use (ROU) assets on the balance sheet. The scope includes analyzing the methods used for lease term estimation, discount rate selection, and subsequent measurement practices.

Financial Reporting Impact

The study evaluates the financial statement impact of lease capitalization, particularly on key metrics such as **EBITDA, total liabilities, return on assets (ROA), and net income**. It assesses how the standards affect both lessees and lessors.

Compliance and Audit Readiness

The research assesses organizational preparedness for compliance with the lease standards and their ability to meet audit and regulatory requirements. This includes examining internal controls, documentation practices, and system integration.

Lease Accounting and Data Management

The scope includes the processes related to **lease Accounting**—extracting key information from lease contracts for accounting purposes. It also covers data accuracy, digitalization, and the use of technology or automation in managing lease data.

Use of Technology and Software Tools

The study investigates the role of **lease accounting software** and **ERP integration** in improving the accuracy and efficiency of lease processing. It also considers the level of automation and AI use in Accounting and compliance.

Sector-Specific Analysis

The scope may include a comparative analysis of how lease accounting is handled across industries such as **retail, real estate, manufacturing, logistics, and IT**, where lease obligations are often significant.

Limitations of the Current Practice

It identifies gaps or limitations in current lease accounting practices, including manual errors, inconsistent lease formats, or lack of automation.

Perception and Satisfaction

The study may include survey-based findings on how finance professionals perceive the standards' effectiveness, the usefulness of training programs, and overall satisfaction with the current lease accounting system.

LIMITATIONS OF THE STUDY

1. Limited Sample Size

The study may have relied on responses from a small or regionally confined group of companies, which could affect the generalizability of the findings across industries or geographies.

2. Industry-Specific Focus

Although lease accounting applies across sectors, the study may disproportionately reflect data from specific industries (e.g., real estate or retail), limiting its applicability to others like healthcare or transportation.

3. Reliance on Self-Reported Data

The survey responses are based on self-reporting by finance professionals, which may introduce **bias or inaccuracies** due to overestimation, underreporting, or misunderstanding of lease accounting standards.

4. Variation in Standard Implementation

Different organizations may interpret and implement lease accounting standards differently. Variations in how IFRS 16 or ASC 842 is applied may affect the consistency of results and comparisons.

5. Lack of Access to Confidential Financial Data

The study may not include detailed, audited financial records due to confidentiality concerns, which limits the ability to analyze actual financial impacts (e.g., changes in EBITDA, liabilities).

6. Time Constraints

Given the rapid evolution of accounting technologies and regulatory updates, the study reflects a **snapshot in time**. Changes in policies, software upgrades, or future regulatory revisions may affect the long-term relevance of the findings.

7. Technological Differences Among Respondents

Some respondents may use advanced lease automation tools, while others rely on manual processes. This disparity makes it challenging to draw uniform conclusions about efficiency or effectiveness.

8. Geographical Limitations

If the study is focused on a specific country or region (e.g., India, US, EU), the results may not be applicable to organizations operating under different legal, regulatory, or economic conditions.

9. Focus on Lessee Perspective

In many cases, the study emphasizes the lessee's point of view and may not fully address lessor accounting, which has distinct rules and considerations.

DATA SOURCE

Primary Data

Primary data was collected directly from respondents through a structured questionnaire. The participants included finance professionals, accountants, auditors, and lease administrators from various industries such as real estate, retail, logistics, IT, and manufacturing. The questionnaire covered areas such as awareness of lease accounting standards (e.g., IFRS 16, ASC 842), implementation status, use of lease Accounting tools, compliance challenges, and the impact of lease accounting on financial statements.

Secondary Data

Secondary data was obtained from various published and credible sources including:

- Accounting standards and regulatory documents (e.g., IFRS 16, ASC 842, Ind AS 116)

- Articles from accounting journals and white papers

- Industry reports from Big Four firms (e.g., Deloitte, PwC, EY, KPMG)

- Financial reports and disclosures of listed companies

- Research papers, books, and academic publications related to lease accounting practices and compliance trends

INTERVIEWS & COLLABORATION

Purpose of Interviews

The interviews were conducted to:

- Gain deeper insights into the **practical challenges** faced during the adoption of IFRS 16 / ASC 842.

- Understand how organizations are handling **lease Accounting, ROU asset calculations,** and **disclosure requirements**.

- Explore the **impact on financial metrics**, internal controls, and audit preparedness.

- Evaluate the **effectiveness of software tools** and automation in managing lease data.

Nature of Collaboration

Collaboration involved:

- Sharing best practices and industry-specific experiences with lease accounting.

- Review of anonymized lease Accounting templates, policy documents, or process flows.

- Consultation with ERP consultants and accounting software vendors to understand integration challenges.

Interview Format

The interviews were conducted in both **structured and semi-structured formats**, lasting approximately **20–40 minutes** each. They were done via video conferencing, telephone calls, and, in some cases, in-person where feasible.

Confidentiality

Participants were informed that their inputs would be used strictly for academic and analytical purposes. No personal or organizational identifiers were disclosed in the report to maintain confidentiality and ethical standards.

DATA ANALYSIS AND INTERPRETATION

To gain insights into the internship experience and effectiveness of Edu Tantr's training programs, a small-scale data collection and analysis was conducted. The data was gathered through informal feedback from fellow interns and direct observation over the course of the internship.

The analysis focused on key factors such as satisfaction with the training, clarity of tasks, work environment, and skill development.

Parameter	Rating Scale (1-5)	Average Score	Interpretation
Clarity of Assigned Work	1-5	4.2	Most interns found tasks well defined
Support from Team & Supervisor	1-5	4.5	Highly supportive work culture
Learning and Skill Development	1-5	4.6	Strong focus on skill-building
Use of Tools and Technology	1-5	4.1	Adequate exposure to digital tools
Overall Internship Satisfaction	1-5	4.3	Generally positive experience

Interpretation:

● The majority of interns reported a **high level of satisfaction** with their internship at Edu Tantr.

● **Learning and mentorship** received the highest average rating (4.6), indicating that the internship offered strong personal and professional development opportunities.

● Interns appreciated the **clarity of assigned tasks** and the **supportive work culture**, both essential for productivity and morale.

● Exposure to tools like Excel, CRMs, and digital communication platforms was rated positively, reflecting Edu Tantr's use of relevant **technology in training and operations**.

● This analysis highlights that Edu Tantr provides a valuable and well-structured internship experience, which aligns with its mission of preparing individuals for the corporate world.

Core Services and Products

EduTantr is an emerging EduTech company that focuses on creating innovative, accessible, and engaging learning solutions for students, educators, and institutions. The company integrates technology with education to bridge gaps in traditional learning systems. Below are the key services and products offered by EduTantr:

Learning Management System (LMS)

EduTantr provides a cloud-based LMS platform that allows educators to create, manage, and distribute digital learning content. Features include:

● Course creation and scheduling

● Assignment tracking and submissions

● Grade book and performance analytic

● Discussion forums and live classes integration

Interactive E-Learning Content

The company develops multimedia-rich learning materials, including:

● Animated video lectures

● Gamified quizzes and assessments

● Interactive simulations

● Subject-specific modules (Math, Science, English, etc.)

Test Preparation Platforms

EduTantr offers specialized platforms and mobile apps for competitive exam preparation (e.g., NEET, JEE, UPSC, SSC), featuring:

- Mock tests and real-time scoring

- Personalized performance feedback

- Adaptive question banks

- Study plans and doubt-clearing sessions

Teacher & Student Portals

Dedicated portals for teachers and students with distinct dashboards:

- Teachers can monitor student progress, upload resources, and host sessions

- Students can access course materials, track progress, and submit assignments

Analytics and Progress Tracking

Using AI-based analytics, EduTantr provides data-driven insights for:

- Student performance trends

- Topic-wise understanding levels

- Customized learning recommendations.

Mobile Learning App

EduTantr's mobile app allows students to learn anytime, anywhere. Key features include:

- Offline content access

- Daily learning goals

- Push notifications for reminders and updates

Corporate and Institutional Training

EduTantr also partners with schools, colleges, and corporates to deliver:

- Custom e-learning solutions

- On-boarding and skill development courses

- White-labeled LMS platforms

RECOMMENDATIONS

Based on my analysis of Edu Tantr's lease accounting operations and the challenges faced during my internship, this chapter presents a series of strategic and operational recommendations. These proposals aim to improve **efficiency**, **accuracy**, and **compliance** across the lease accounting function, aligning with global best practices and emerging industry trends.

Lease Accounting Automation & Software Upgrades

Current Scenario:

Edu Tantr currently uses a semi-automated lease accounting process involving spreadsheets and legacy systems. While functional, this approach requires manual data entry, reconciliation, and validation, which increases the risk of errors and consumes considerable time.

Recommendation:

Invest in advanced, cloud-based **lease accounting platforms** that are fully compliant with **IFRS 16 and ASC 842** (e.g., LeaseQuery, Visual Lease, or Nakisa). These systems can:

- Automatically calculate ROU assets, lease liabilities, amortization schedules, and interest expenses.

- Generate journal entries and integrate with ERP systems like SAP or Oracle.

- Track lease modifications, renewals, CPI adjustments, and terminations in real-time.

Benefits:

- Increases speed and reduces manual effort.

- Ensures compliance with current accounting standards.

- Improves audit readiness through automated reports and version control.

Standard Lease Data Templates and Checklists

Current Scenario:

Lease Accounting is often delayed due to varied lease formats and a lack of standardized input structures, especially for leases originating in different regions or from legacy portfolios.

Recommendation:

Develop and enforce **standard lease data templates** for internal Accounting and accounting purposes. Templates should include:

- Lease start/end dates

- Rent components (fixed, variable, CPI-based)

- Payment frequencies

- Incentives and fit-out contributions

- Renewal/termination clauses

- IFRS 16 classification indicators

Implement a **lease Accounting checklist** for all new leases to ensure consistency in captured data and minimize oversights.

Benefits:

- Reduces time spent deciphering custom lease formats.

- Enhances the accuracy and completeness of lease data.

- Facilitates faster onboarding of new team members.

Dashboards and Analytics for Lease Accounting

Current Scenario:

Reporting is currently performed using spreadsheets and PDF summaries, which limits visibility into lease portfolio trends and impairs real-time decision-making.

Recommendation:

Implement **interactive dashboards** using Power BI, Tableau, or integrated reporting tools within lease accounting software. Key features should include:

- ROU asset and lease liability trends over time

- Drill-down views by region, property type, or lease class

- Alerts for upcoming lease renewals or reassessments

- Real-time amortization reports and CPI tracking.

Benefits:

- Empowers finance and asset teams with actionable insights.

- Helps anticipate accounting impacts of new leases or modifications.

- Enhances compliance tracking and reduces reporting cycle time.

Cross-Functional Training Programs

Current Scenario:

Teams in legal, finance, and asset management sometimes work in silos, resulting in miscommunication or delays in resolving complex lease terms.

Recommendation:

Conduct **cross-functional training** that covers:

- Overview of lease accounting standards (IFRS 16, ASC 842)

- Legal and financial interpretations of lease clauses

- Common Accounting challenges and escalation protocols

- Basics of financial reporting and journal entry validation

Include onboarding modules for interns and new hires, supplemented by case studies and e-learning certifications.

Benefits:

- Reduces misinterpretation of complex lease terms.

- Improves collaboration and information flow between departments.

- Enhances overall process efficiency and employee confidence.

Establish Structured Peer Review and Reconciliation Processes

Current Scenario:

Manual data entry and a lack of uniform quality control lead to inconsistencies in journal entries and lease summaries.

Recommendation:

Implement a **two-tier peer review process** with structured documentation for each stage:

1. **Pre-QC Checks** by the preparer using a checklist (dates, escalations, liabilities).

2. **Secondary Review** by a senior accountant or team lead.

3. **Periodic Reconciliations** between lease accounting records and general ledger balances.

Use color-coded tracking sheets or built-in audit logs in accounting platforms to manage and trace changes.

Benefits:

- Ensures higher data accuracy and consistency.

- Reduces errors during financial close cycles.

- Supports internal and external audit requirements.

Strengthen Document Management and Accessibility

Current Scenario:

Lease agreements, amendments, and rent schedules are stored across multiple platforms and folders, making retrieval time-consuming.

Recommendation:

Consolidate all lease-related documents into a **centralized, searchable digital repository** with:

- Tagging features by property, region, and lease ID

- Version control for document updates

- Role-based access to sensitive data

- Integration with lease accounting software

Adopt platforms like SharePoint, Box, or specialized real estate DMS tools.

Benefits:

- Streamlines access to critical data during Accounting or reporting.

- Reduces risk of working with outdated or incomplete documentation.

- Enhances team productivity and response times.

Periodic Compliance Audits and Policy Refresh

Current Scenario:

Compliance with IFRS and GAAP is largely reactive and driven by closing deadlines, with limited time allocated for self-audits or reviews.

Recommendation:

Establish a quarterly internal **lease compliance audit** process that reviews:

- Classification accuracy

- Validity of amortization schedules

- Completeness of lease data

- Documentation of lease incentives and variable rents

Update the lease accounting policy manual annually to reflect new guidance from IASB/FASB.

Benefits:

- Improves long-term compliance and audit preparedness.

- Identifies gaps in internal control before external audits.

- Keeps accounting policies aligned with regulatory changes.

FINDINGS

Recent real-world data shows that integrating AI and automation into lease accounting under IFRS 16 / ASC 842 can:

- Slash manual processing time, saving hundreds to thousands of labor hours annually and reducing operating costs by 15–60%.

- Boost accuracy to over 95–99%, dramatically cutting error rates in journal entries, amortization, and compliance reporting.

- Ensure continuous ASC 842/IFRS 16 compliance, with AI automatically monitoring lease remeasurements, deadlines, disclosures, and generating audit-ready trails.

- Shorten audit cycles, lowering external audit fees and reducing time-to-close by enabling real-time reporting and exception detection

SUGGESTION

At **Edu Tantr**, the lease accounting study encompassed a detailed analysis of IFRS 16 and ASC 842 frameworks. We classified lease contracts by evaluating key criteria transfer of ownership, lease term relative to economic life (~75%), and present value of payments (~90%)—to determine whether they qualified as finance or operating leases under ASC 842, while IFRS 16 treats nearly all leases as finance leases unless exempted due to low value or short term . The process involved calculating the initial lease liability through the present value of payments using the implicit or incremental borrowing rate, and determining right-of-use (ROU) assets by incorporating transaction costs, prepaid amounts, and incentives . Subsequent accounting entries included separate recognition of interest and depreciation expenses for finance leases, creating a front-loaded expense profile, whereas operating leases under ASC 842 reflected a single straight-line expense . Additionally, the study emphasized balance sheet implications leased assets and liabilities now appear on the balance sheet altering financial metrics like debt/equity ratios and EBITDA performance. This comprehensive review solidified understanding of recognition, measurement, and financial impacts associated with modern lease accounting standards.

CONCLUSION

The internship at Edu Tantr Company provided an invaluable opportunity to deepen my understanding of lease accounting within the commercial real estate sector. Through hands-on experience with lease data analysis, accounting entries, and interdepartmental collaboration, I gained comprehensive insights into the practical application of complex accounting standards such as IFRS 16 and ASC 842. This exposure enhanced my technical skills in lease accounting software, Excel modeling, and financial reporting, while also strengthening my ability to interpret nuanced lease agreements and address challenges like data inconsistencies and multi-jurisdictional issues. Robust lease accounting plays a critical role in effective asset management by ensuring accurate recognition of lease liabilities and right-of-use assets, enabling transparent financial reporting, and supporting informed decision-making. Precise lease accounting helps organizations maintain compliance with evolving regulations, optimize cash flows, and reduce risks—ultimately contributing to the financial health and operational success of real estate portfolios. This internship has not only broadened my professional skillset but also clarified my career aspirations within real estate finance and accounting. The practical knowledge and collaborative experiences have inspired me to pursue roles that blend financial expertise with legal and operational insights, positioning me to contribute meaningfully to the dynamic commercial real estate industry. I am confident that the foundation built during this internship will support my growth as a competent and adaptable professional in lease accounting and beyond.

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