



# A stable, robust and scalable AI solution

KPMG helped businesses process leasing  
contracts automatically with AI

by Chelle Kifer  
4-minute read



From cars and office space to laptops and networking equipment, nearly every business relies on leasing agreements to finance assets and resources. But to comply with IFRS 16, the International Financial Reporting Standard introduced at the beginning of 2019, companies had to claim all leases on their balance sheets, including those previously classified as operating leases and considered exempt.

To meet the new disclosure demands, organizations had to extract and analyze an unprecedented amount of data from



their contracts and agreements. For those without supporting processes and technology in place, the new requirement posed a daunting and potentially time-consuming challenge.

For KPMG AG Wirtschaftsprüfungsgesellschaft, the development presented an opportunity to help its customers address a pressing requirement with the latest IT. “KPMG had a clear strategy to expand its scope and work more intensively with artificial intelligence and other new technologies,” said Stephan Rinck, then Consultant for Cognitive Business Solutions at KPMG. “With IFRS 16, it identified an area where there’s a lot of need.”

To develop an offering, KPMG sought high-performance AI technology from a trusted IT provider. “We needed a stable, robust solution capable of scaling with customer demand,” said Rinck.

Processing speed  
increased by

75%

for IFRS 16 contract  
review and data output

Contracts  
processed

70,000

# A cognitive tool to pinpoint relevant data

Impressed by the comprehensive capabilities IBM demonstrated during a proof of concept, KPMG chose IBM Watson® and [IBM® Enterprise Content Management](#) technology. “KPMG’s needs went beyond simple data extraction,” said Rinck. “IBM was capable of providing an end-to-end solution.”

Working with IBM Digital Business Automation and IBM Watson teams, KPMG created the KPMG Content Abstraction Tool (KCAT), an offering designed to quickly analyze contracts and identify data relevant for addressing the new IFRS standard. “There’s no better solution on the market for this than Watson,” said Rinck.



With IBM providing advisory services, KPMG used [IBM Watson Knowledge Studio](#) to teach KCAT to “understand” the language of leasing contracts. Training by the team provided the

platform with a knowledge base specific to key data attributes within leasing contract content and the relationships between these attributes. Incorporating the [IBM Watson Explorer](#) platform,

KCAT applied the Knowledge Studio machine-learning model to pinpoint relevant information for extraction.

The team also integrated Enterprise Content Management middleware, including [IBM Datacap](#) software to scan and prepare contracts for optical character recognition (OCR) processing, [IBM Business Automation Workflow](#) software to govern system workflows, and [IBM Operational Decision Manager](#) software to automate rules-based decisions.

The solution enabled KCAT to convert companies' contract files into a machine-readable format and categorize them by type—for example, real estate, technology or vehicle. The platform identified relevant data points based on contract type and fed the information to KPMG experts for validation. Finally, the tool made the extracted data available in a structured format for an organization's accounting platform.

“There’s no better solution on the market for this [the KPMG Content Abstraction Tool] than Watson.”

**Stephan Rinck**, former Consultant for Cognitive Business Solutions,  
KPMG AG Wirtschaftsprüfungsgesellschaft



# Fast and cost-effective with higher quality

KPMG enterprise customers used KCAT to avoid error-prone contract review efforts that would demand valuable employee time and labor. “This was boring, time-consuming work,” said Rinck. “Even including our manual validation review, our solution completed the process in just 25% of the time. And we did this for an attractive price and with exceptional quality.”

For KPMG, delivering the solution deepened its long-term partnerships with customers while introducing a new revenue stream and bolstering its reputation as a technology leader.



While other advisory firms have launched IFRS 16 reporting platforms, KPMG maintained a competitive edge by offering its solution as a service.

“Our customers didn’t have to worry about implementing anything,” said Rinck. “They simply uploaded contracts to our secure environment, and we produced the results they needed.”

In addition to the leading cognitive technology and hands-on guidance IBM provided, KPMG appreciated the strength of the IBM brand and reputation in helping to launch and go to market with KCAT. “Whenever we pitched our offering, we emphasized that this was an IBM solution with IBM components,” says Rinck. “The market awareness of IBM as an IT solution provider was very helpful. IBM technology and KPMG domain expertise are an unbeatable combination.”

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## About KPMG AG Wirtschaftsprüfungsgesellschaft

KPMG is a global network of independent member firms offering audit, tax and advisory services. KPMG member firms operate in 147 countries, collectively employing more than 219,000 people, serving the needs of business, governments, public-sector agencies, not-for-profits and the capital markets through member firms' audit and assurance practices. In Germany, KPMG has over 10,200 employees and more than 20 office locations.

## Solution components

- IBM® Business Automation Workflow
- IBM Datacap
- IBM Enterprise Content Management
- IBM Operational Decision Manager
- IBM Watson® Explorer
- IBM Watson Knowledge Studio

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