



 **Important Data Capture
Points For Lease
Accounting**

Background

At the beginning of 2016, the IASB officially issued new guidelines and rules on lease accounting.

The new standard, IFRS 16 Leases, supersedes IAS 17 Leases (and related interpretations) and requires lessees to account for their leases under a single accounting treatment, bringing almost all leases 'on balance sheet' and recognising a right of use asset and a lease liability.

Central to the creation of the new standard was the fundamental aim of improving the transparency of financial statements through the recognition of leases commitment on an entity's balance sheet. The implications of which is set to have a significant impact on many companies' financial operations.

It is estimated around 1:2 listed companies will be impacted by the new standard. As it currently stands, listed companies under IFRS and US GAAP jurisdiction have an estimated \$3.3 trillion worth of leased assets and commitments, of which the vast majority (85%) are not included on their balance sheets. This means approximately \$2.8 trillion in lease commitments will have to be accounted on balance sheets worldwide.

The effective date for IFRS 16 is for accounting periods beginning on or after 1st January 2019, with early adoption permitted for companies that also apply the changes to revenue recognition - IFRS 15 Revenue from Contracts with Customers.

At present, IFRS 16 will predominantly affect lessees, as currently, the finance and operating lease distinction and accounting for lessors remains largely unchanged, except for additional disclosures.

To successfully comply with the new standards, many large organisations may have to implement new accounting processes and policies, deploy new IT systems and infrastructure, as well as develop effective controls.

Data Is Key

One of the most challenging, resource intensive and time-consuming aspects of transitioning to the new lease accounting standards will be the collation of all the necessary lease data and information required to accurately perform the accounting.

In order to successfully collect the appropriate data, businesses will need to pull on the resources of various departments and groups across their entire company such as Finance, IT, Logistics, Procurement, and Property (Real-Estate) in order to source the required data for every active lease in their portfolio.

But what are the mandatory data capture points companies need to gather in order to perform the accounting requirements?

This short document looks to highlight the key data capture points required for lease accounting compliance.

Highlighting both the mandatory and optional data fields that need to be collated well before the 1st January 2019 implementation deadline if compliance is to be achieved.

Leases

Mandatory Lease Data



Leases
Lease Reference
Lease Type
Lease Start Date
Original Purchase price
Notice Period (Months)
Lessor
Country
Local Currency
Useful Life (Months)
EOL Lessee Take Ownership
Initial Implicit Rate %
Incremental Borrowing Rate %
Rate To Be User For Reporting Purposes

Optional Lease Data



Leases
Division
Calculate IRR
Initial Payments
Incentives Received
Initial Direct Costs
Dismantling Restoring Costs (IFRS)
Date Of Obligation (IFRS)
End User Name
End User Ref
End User Contract End Date
Head Lessor
Customer Reference
Rental Cap Percent
Contractual IRR % (Override)
Discount Rate %
End User Contract Notice
Asset Reference
Asset Overview
Rental Cap Term (months)
Rental Cap Frequency

Rentals

Mandatory Lease Data



Leases
Lease Reference
Number of Rentals
Frequency
Start Date
End Date
Total Rental Amount
Non Lease Component

Assets

Mandatory Lease Data



Assets
Lease Reference
Asset Category - Type
Asset Description
Cost Centre
Quantity
Purchase Price

Optional Lease Data



Assets	
Serial No.	Rental
Product Code	Maintenance
Supplier Name	Asset ID
Invoice No.	Location
Asset Details	Invoice Date
Purchase Order	Order No.

About Innervision

Innervision is a leasing consultancy and specialist lease service supplier, providing Lease Portfolio Management services and SaaS solutions to large corporates since 1992.

Innervision's thorough lease accounting solution, LOIS – Lease Accounting, is the most advanced application available on the market and supports both lease accounting standards, IFRS 16 & FASB ASC 842, as well as existing IAS 17. The system allows users to account for and manage all lease asset types, ranging from IT, plant & machinery to material handling equipment, vehicles and property.

Companies that use LOIS are easily able to comply with the new standards as the application allows them to produce all the accounting information required to accurately complete the financial statements obligatory for compliance; including income statement, cash flow and balance sheet.

With LOIS, users are easily able to run critical amortisation schedules, journal entries and disclosure summaries, as well as centralise lease information on one unified platform, validate lease information and forecast initial balance sheet implications. What's more, users have the ability to account for all lease categories or lease types at an asset level.

In addition to providing a pioneering lease accounting solution, Innervision also offers a revolutionary lease management software, LOIS – Lease Management. This solution provides companies with a central hub for storing critical lease data, intuitive dashboards that provide users with an instant overview of the performance of a portfolio, as well as integrated lease management functionality – such as advanced reporting, end-of-lease management and full audit trails.

The lease management module also provides users with exemplary new lease arrangement capabilities, that alongside Innervision's extensive panel of lessors will ensure organisations have all the tools to negotiate optimal lease terms at the best rates.

Based in the City of London, Innervision helps clients from all over the world, including Capgemini, General Electric Company, XPO Logistics and Amey amongst many other household names. So, whichever solution you choose, Innervision and LOIS will provide you with all the necessary tools to unlock valuable, actionable insight from within your lease portfolio and avoid the complications surrounding lease accounting compliance.

We believe that LOIS is the perfect partner for transitioning to the new standards.

How Innervision can help

Our experience and knowledge with leasing, coupled with over a decade worth of expertise as a lease management and lease accounting software provider puts us in a unique position to not only offer an innovative lease accounting solution, but also allows us to offer guidance on centralising and optimising lease portfolios, maximising efficiency, enhancing lease processes, as well as delivering timely portfolio savings and return on investment (ROI).

By combining our knowledge and expertise in leasing, with our flexible lease accounting software LOIS, we are able to deliver a distinct solution that will enable simplified compliance with the new lease accounting standards.

For more information or to request a software demo, please contact:

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