

IFRS 16 LEASING TOOL

DEOS advisory

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Reason for development of the Leasing Tool

- **New Standard - IFRS 16 Leases**
- **New Requirements**
 - Higher number of and more complex calculations
 - More complex determination of interest rates
 - Increase in notes disclosure to be provided
- **Challenges in daily business**
 - Tool needed for ourselves, clients and network partners
 - Multilanguage Versions
 - German version and English version
 - New requirements / changes to be reflected in the tool in the future (updates)
 - Flexibility in calculations as “real life” is sometimes complicated...

Systematic approach

- **Systematic chosen**

- Easy to use as the tool is based on Excel with an additional “Leasing” – ribbon to support the user
- Providing ‘A’utomatic Calculation for standardized contracts and ‘M’annual Calculation for individual contracts or reassessments / modifications (supported by assistants!)
- Providing notes disclosure, booking entries, asset movement schedules and liability table
- Interfaces to other EDP systems can be customized (e.g. SAP)
- Not an “all in” tool (e.g. no document database for contracts), but the question always arises what is the system?
 - Accounting Software
 - Reporting Packages
 - Consolidation / Reporting Software
 - Stand alone solution with interface

Systematic approach

- **Advantages**

- Easy to use as people in general know MS Excel
- User is supported by “Assistants” when working on contracts
- User is supported by determining interest rates (or completely determined by the tool itself!)
- Transparency in calculations (asset schedule / liability schedule for each contract)
- Export of journal entries via interface possible
- Fast implementation and fast calculation results
- No “software implementation” (project) costs
- Flat rate licensing model (not dependent on users / units / contracts / etc.)

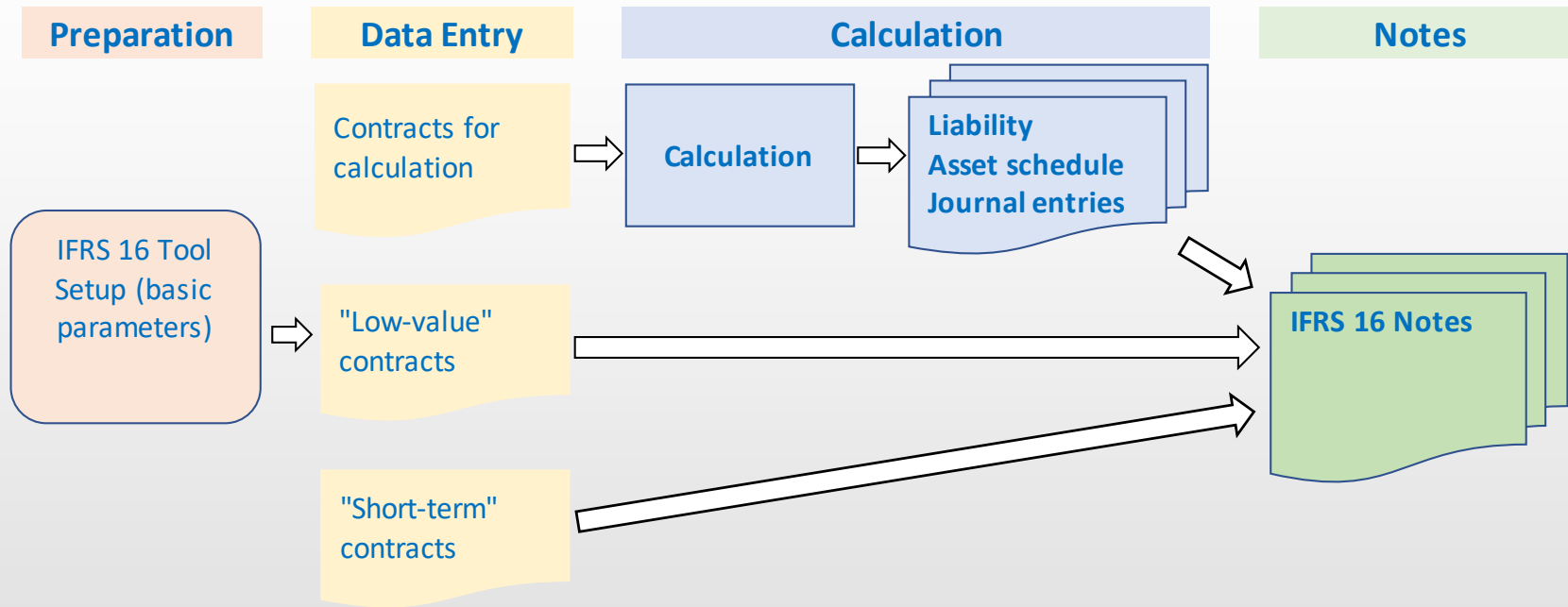
- **Disadvantage**

- Not suitable for an extremely high number of contracts that are underlying changes on a regular basis

Systematic approach

- **Target Group**
 - Industry
 - Public listed companies, small and medium-sized businesses and companies which are part of a group and have to provide reporting packages
 - Consultants / Auditors
 - „hands-on“ tool that provides flexibility and supports with integrated calculation logic
- **Free trial version for interested parties**
 - Visit www.deos-leasing.com and get your free trial version
 - Special license model for consultants / auditors
- **Documentation**
 - Processes of the tool explained on following slides
 - Additionally a detailed handbook in English and German

Process overview (1/6)



Process overview (2/6)

- **Preparation**








- **General**
 - Company name
 - Year for notes disclosure / booking entries
 - Currency (only 1 currency per tool – if there are contracts in more currencies simply use additional tools)
- **Journal entries**
 - Categories for right-of-use asset categories
 - Accounts for lease expense accounts
- **Information for interest determination (optional)**
 - Country of domicile of the company the tool is used for (use of dropdown-list)
 - Credit spread group
 - Credit spread company

Process overview (3/6)

- **Data entry in spreadsheets**

- Input
- Input Suppl (additional input for notes disclosure)
- LowValue Input (non-material contracts, no liability / right-of-use asset)
- ShortTerm Input (short term contracts, no liability / right-of-use asset)

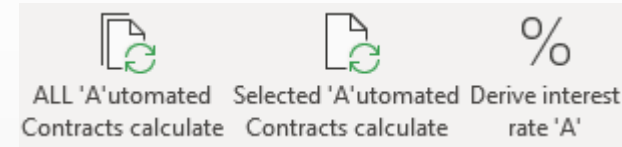
- **Colour scheme data entry**

- Purple  – entries for programme-specific functions (calculate, delete, etc.)
- Light-green  – entry fields for documentation purposes
- Amber  – entry fields to calculate lease liability
- Orange  – entry field for interest rate
- Blue  – entry fields for right-of-use assets
- Grey  – internal fields (references or internal calculations)
- Dark-green  – entry fields for the calculation of notes disclosure for short term contracts (see “ShortTerm Input”) or contracts that are not material (see “LowValue Input”)

Process overview (4/6)

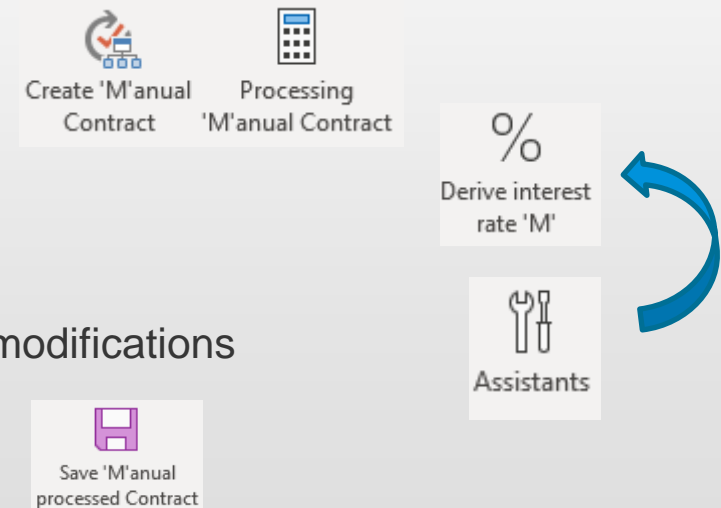
- **'A'utomated contracts**

- Calculation after data entry is finished
- Support for derivation of interest rate



- **'M'annual contracts**

- Start working on a 'M'annual contract
- Support for derivation of interest rate
- Support from assistants for reassessments / modifications
- Save changes (integrated consistency check)
- No limit on number of changes for a contract



Process overview (5/6)

- Assistants



Assistants ✕

Contract nr (ID) 1 Commencement Date 01.01.2019 End of non-cancellable term 31.12.2022

Int. nr. / contr. partner / summary Nr. 1 / Contract party 1 / Content 1

Assistants

Changes due to reassessments **Reassessments**

- Change of adjusted lease payments (not based on variable interest rates) and residual value guarantees
- Change of adjusted lease payments (based on variable interest rates)
- Recognition of an impairment or reversal of impairment
- Changes in the lease term (options to extend the contract, purchase options, etc.)

Changes due to contract modifications **Modifications**

- Cancellation of the lease before the end of the lease term
- Reduction in volume and / or time of the lease due to contract modifications
- Extension of the lease due to contract modifications (volume and/or time)

Start Assistant Cancel

Process overview (6/6)

- **Notes disclosure**

- N1 (notes disclosure with references to IFRS 16)
- N2 (liability schedule)
- N3 (asset schedule per asset category)
- N4 (additional information on expense)
- JE (journal entries – also included movements for asset schedule)
 - Deferred taxes (if tax rate / tax base is entered in “JE”)



- **Presentation / Presentation period?**

- Period is entered in spreadsheet 'P' – year (e.g. 2019)
- Presentation for any periods possible (e.g. 2020, 2021, etc.)
 - E.g. for planning purposes (adjustments can be added for future periods if needed)
- Calculation for every lease contract can be viewed via



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If you have any questions,
we will be happy to answer them...