Implement your lease accounting faster

As a result of the new lease accounting standard IFRS 16, virtually all leases will be recognized in the lessee’s balance sheet. This involves major changes, as the new standard completely eliminates off-balance-sheet accounting for leases and has additional effects on many important figures.

The new IASB standard IFRS 16, which replaces IAS 17, requires lessees to recognize all leases in their balance sheet – except for short-term leases (with a term of up to 12 months) and small-ticket leases (with a purchase value of up to $5,000). The previous distinction between finance leases and operating leases no longer applies.

Impact

IFRS 16 affects all lessees’ balance sheets, as you will need to capitalize all leasing values as assets in the future. Due to this balance sheet extension, your balance sheet ratios may decrease, particularly the equity ratio.

Under IFRS 16, you must recognize lease payments as interest and repayment components instead of operating expenses. Also, the asset depreciates over its scheduled useful life.

Meaning, the expense is no longer included in the EBITDA but is reported in the EBIT or the financial result. This leads to a shift in the results within the leasing period (higher interest expense at the beginning, which then decreases over the course of the term) and changes in the P&L key figures.

What you can expect:

- Automate the import of leasing contracts and database-driven recording
- Multi-user capabilities
- Identify the effects on your balance sheet, P&L and KPIs with a single click
- Secure data storage
- Transparent calculations
- Simulation and analysis options (including visualizations)
- Compatibility with all ERP or consolidation systems
- A cost-effective and easy to implement (5-10 days) cloud-based solution

Fig. 1: Dashboard
Identify the effects for each leasing contract on your balance sheet, P&L and KPIs with a single click and use intuitive simulation and analysis options to see the full picture.

Challenges for lessees
- Collecting, structuring and documenting all existing and future leasing contracts within the company or group
- Reassessment of on-balance-sheet leases
- Changes in operational calculations and performance indicators

Unit4 IFRS 16 app
In cooperation with our partner Sigma Conso – the expert for CPM and consolidation – we have developed an application that allows a quick and easy introduction of IFRS 16 that you can implement without investing large amounts of time and costs.

With the help of our IFRS 16 app, you can adapt your company to the new regulations with just a few steps:
1. Import or use database-driven recording of your company or group’s leasing contracts
2. Identify the effects on accounting for each contract and aggregate the effects for each selected dimension (such as contract group, company, cost center, group, etc.)
3. Create a posting template to transfer data to the ERP or consolidation system to adjust the (consolidated) financial statements according to IFRS