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Leases Accounting Standard – The Road to Compliance

Healthcare Summit 2018:
Simplifying Healthcare

Sept. 18, 2018

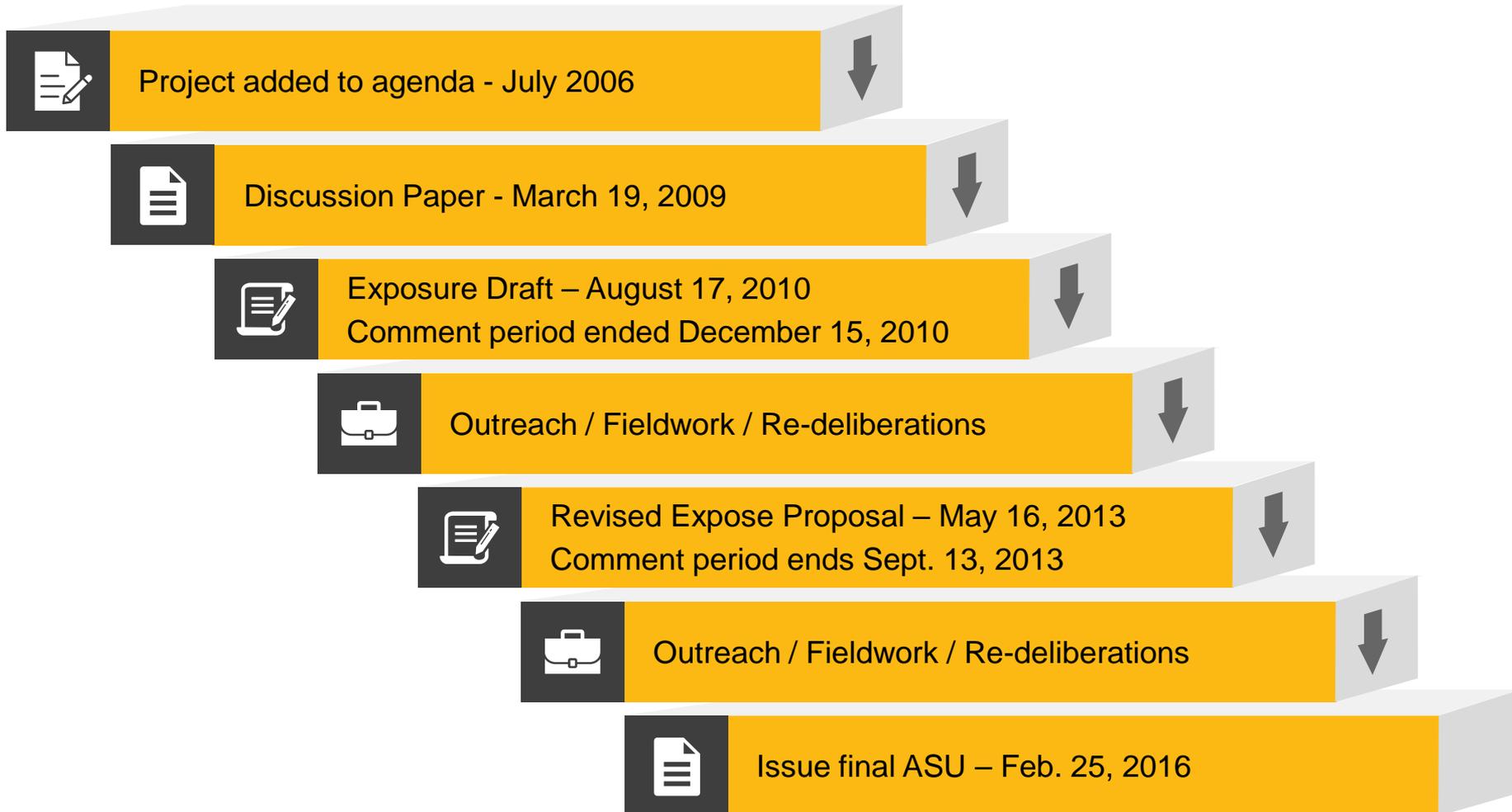
Simon Little and Bill Watts, Crowe

- Background
- Scope
- Effective dates & transition requirements
- Lessee accounting model
- Lessor accounting model
- Implementation framework
- Specialized topics
 - Sale leaseback
 - Lease modifications
 - Separating lease and non-lease components
 - Initial direct costs
 - Subleases
- Other practical considerations

Agenda

Background and Scope

Background



Scope

Identifying a lease includes determining that the following are present:



Identified Asset

Explicitly or implicitly specified

No ability to substitute
(or no benefit from substituting)



Right to Control Use During Term

Ability to obtain substantially all of the economic benefits from the use

Right to direct the use of the identified asset

Most leases today will be leases under the new standard!

Effective dates and transition requirements

Effective date



- Public business entities (PBEs) and certain not-for-profit entities and employee benefit plans - fiscal years (including interims within) beginning after Dec. 15, 2018, including interim periods within those fiscal years
- All other entities - fiscal years beginning after Dec. 15, 2019, interim periods beginning after Dec. 15, 2020.
- Early application permitted for all entities.

Transition



- Lessee – require modified retrospective for capital and operating leases existing at or entered into after the beginning of the earliest comparative period presented (no required transition for leases that expired before application).
- Lessor – require modified retrospective transition approach for sales-type, direct financing, and operating leases existing at, or entered into after, the date of initial application (no required transition for leases that expired before application).

Lessee Accounting Model – How to determine classification



Criteria

- Five classification criteria (ASC 842-10-25-2) similar to existing GAAP
- No bright line thresholds
- Largely based on whether lessee obtains control of the underlying asset rather than control over merely **the use of** the underlying lease asset
- “Reasonably certain to exercise”
 - Lease term includes periods subject to extension options if the lessee is ***Reasonably Certain*** to exercise that option
 - Application of reasonably certain in the lease term assessment and consideration of options to purchase is intended to be applied similar to the existing “reasonably assured” threshold



Related party leases

- Accounted for on the basis of legally enforceable terms and conditions stated in the lease, rather than on the basis of the lease’s economic substance.

Lessee Accounting Model – Measurement and presentation

 Impact	 Finance Lease	 Operating Lease
Has control of the lease asset passed to the lessee?	Yes	No
Balance sheet	Right-of-use asset Lease liability	Right-of-use asset Lease liability
Income statement (characterization)	Interest expense Amortization expense	Lease expense (including initial direct costs)
Pattern of expense	Front-loaded	Straight-line
Cash flow statement	Operating - cash paid for interest Financing - cash paid for principal	Operating - cash paid for lease payments

Lessee Accounting Model – Measurement and presentation (cont.)

Other considerations related to measurement and presentation



Most short term leases will not require recognition on balance sheet



Discount rate

- Practical expedient – non-PBEs may use a risk free rate in measuring the lease liability
- Portfolio approach – entities with large number of similar leases
- Implementation planning is critical in selecting a discount rate



Variable lease payments

- Only included in lease liability if they depend on an index or rate
- Use the applicable index or rate at the commencement date; no need to adjust the rate at each period unless another event causes the lease to be adjusted
- Recognize variable lease payments that were not included in the lease liability when the amounts become probable
- Variable payments could be considered fixed if the variable payments are virtually assured of being incurred (eg. below-market rent).

Lessee Accounting Model – Disclosures



Qualitative

- Nature of leases and significant terms
- Significant assumptions and judgments made in application
- Leases that have not yet commenced but create significant rights and obligations for the lessee
- Main terms and conditions of sale and leaseback transactions
- Whether the entity made an accounting policy election for the short-term lease exemption



Quantitative

- Finance lease cost, segregated between amortization and interest
- Operating lease cost
- Short-term lease cost
- Variable lease cost
- Sublease income
- Net gain or loss on sale and leaseback transactions
- Maturity analysis of lease payments
- Separately for finance and operating leases:
 - Cash paid for amounts included in lease liabilities, segregated between operating and financing
 - Lease liabilities arising from obtaining ROU assets
 - Weighted-average remaining term
 - Weighted-average discount rate

Let's walk through a hypothetical lease...

Entity ABC, a lessee, entered into a four year lease of a commercial office building. At lease commencement, management of Entity ABC determined that the lease should be classified as an operating lease because the lease did not meet any of the five criteria to be classified as a finance lease.

-  The lease includes the following annual escalating lease payments due at the end of each year:
 - Year 1 - \$12,000
 - Year 2 - \$14,000
 - Year 3 - \$16,000
 - Year 4 - \$18,000
-  The lessor agreed to provide Entity ABC with six months of free rent in the first year of the lease. There are no extension periods, no options to purchase, and no other lease incentives from the lessor. Additionally, there were no initial direct costs.
-  As the rate implicit in the lease could not be determined, Entity ABC used a discount rate of 6.682% which is its incremental borrowing rate.

Let's walk through a hypothetical lease...

At the commencement of the lease, Entity ABC would initially measure and record the right-of-use asset, lease liability, and the free-rent incentive as follows

Years	Payments
Year 1	\$ 6,000
Year 2	\$ 14,000
Year 3	\$ 16,000
Year 4	\$ 18,000
TOTAL	\$ 54,000

	Debit	Credit
Right-of-use asset	\$ 45,000	
Lease liability		\$ 45,000

PV of lease payments at the discount rate of 6.682% = \$45,000



The initial measurement of the lease liability and right-of-use asset was determined based on the present value of the lease payments using the 6.682% discount rate. Note that the free-rent incentive is factored into the Year 1 cash flows.

Let's walk through a hypothetical lease...

Entity ABC would then record the following entries in Year 1 of the lease:

	Debit	Credit
Lease expense	\$ 13,500	
Right-of-use asset		\$ 7,500
Cash		\$ 6,000

To record lease expense and adjust the right-of-use asset for the difference between cash paid of \$6,000 and the straight-line lease expense of \$13,500 (i.e., accrued rent).

Years	Payments
Year 2	\$ 14,000
Year 3	\$ 16,000
Year 4	\$ 18,000
TOTAL	\$ 48,000

	Debit	Credit
Right-of-use asset	\$ 2,993	
Lease liability		\$ 2,993



To adjust the lease liability to the present value of the remaining lease payments at the end of Year 1, with an offset to the right-of-use asset. The adjustment of \$2,993 is calculated as the initially recognized lease liability (\$45,000) less the present value of remaining lease payments (\$42,007) at the end of Year 1, or in-effect, the "principal" portion.

Let's walk through a hypothetical lease...

A summary of the lease contract's accounting (assuming no changes due to reassessment, lease modification, or impairment) is as follows:

	Initial	Year 1	Year 2	Year 3	Year 4
Cash lease Payments		\$ 6,000	\$ 14,000	\$ 16,000	\$ 18,000
Income Statement					
• Lease expense (straight-line)		\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500
• (Accrued) prepaid rent for period		\$ (7,500)	\$ 500	\$ 2,500	\$ 4,500
Balance sheet					
• Lease liability	\$ (45,000)	\$ (42,007)	\$ (30,814)	\$ (16,873)	-
Right-of-use asset					
• Lease liability	\$ 45,000	\$ 42,007	\$ 30,814	\$ 16,873	-
• Add: cumulative (accrued)					
• Prepaid rent	-	(7,500)	(7,000)	(4,500)	-
	\$ 45,000	\$ 34,507	\$ 23,814	\$ 12,373	-

Lessor Accounting Model – How to determine classification

Criteria

- Underlying theme of control
- If the lease does not meet any of the initial five criteria (ASC 842-10-25-2) for a sales-type lease, a lessor will determine if the lease meets the two criteria that trigger classification as a direct-financing lease (ASC 842-10-25-3(b)).
 - Present value of the sum of the lease payments and any additional guaranteed residual value equals or exceeds substantially all of the FV of the lease asset, and
 - It is PROBABLE that the lessor will collect the lease payments and any guaranteed residual value
- Leases that do not meet any of the initial five criteria to be classified as sales-type leases and that do not meet criteria to be classified as direct-financing leases will be classified as operating leases.
- Elimination of leveraged leases
 - Existing leveraged leases at transition date will be grandfathered

Lessor Accounting Model – Measurement and presentation

	Direct-Financing or Sales-Type	Operating Lease
Balance sheet	Recognize net investment in the lease and derecognize leased asset (unless, for sales-type lease, collectability is not probable, and the lease asset is not derecognized)	Continue to recognize underlying asset
Income statement (characterization)	<p>Direct-financing – interest and profit over lease term, loss at commencement</p> <p>Sales-type – interest over lease term, profit / loss at commencement if collectability is probable</p>	Lease income, typically straight-line
Cash flow statement	Operating – cash received	Operating - cash received

Lessee Accounting Model – Disclosures



Qualitative

- Nature of leases and significant terms
- Significant assumptions and judgments made in application
- Residual value risk management
- Significant changes in unguaranteed residual assets and deferred selling profit



Quantitative

- Table of lease income
- Lease income related to variable lease payments not included in measurement of lease receivable
- Maturity analysis of undiscounted cash flows; reconciliation to the lease receivable is required for sales-type and direct-financing leases
- Profit or loss recognized at commencement date
- Required PP&E disclosures for assets subject to operating leases

Specialized Topics – Sale and leaseback transactions



Has a sale occurred?
Definition of a sale conforms to the new revenue recognition standard, which requires giving up control of the underlying asset.



A sale leaseback resulting in a finance lease from a lessee standpoint, or a sales-type lease from a lessor standpoint, will not qualify for sale leaseback accounting because control has not transferred to the buyer-lessor.



Repurchase options preclude sale treatment, EXCEPT if the repurchase option is exercisable only at the then-prevailing fair value and the underlying asset is not specialized.



The accounting for both parties generally will be consistent with the accounting for the purchase and sale of any similar nonfinancial asset.

- The standard provides guidance for sale and leaseback transactions entered into at off-market terms.

Specialized Topics – Lease modifications

Lease modification – Defined in Topic 842 as: “A change to the terms and conditions of a contract that results in a change in the scope of or the consideration for a lease.

Lease modification guidance in Topic 842 was designed to more closely align lease modification accounting with contract modification accounting for sellers of goods or services under the new revenue recognition standard, Topic 606.

Guidance covering lease modifications in Topic 842 is radically different from prior GAAP. Entities should carefully assess any changes in lease contracts to determine whether a modification has occurred. Past practice may not be applicable under the new standard.

Start by asking whether a modification should be accounted for as a separate contract

- If YES – Then account for the new contract in the same manner as any other new lease
- If NO – Then remeasure and reallocate the remaining consideration in the modified lease, and reassess the classification at the effective date of the modification.

Specialized Topics – Separating lease and non-lease components

Common examples of non-lease components: bundled services, executory costs (taxes, insurance, common area maintenance)

	Lessee	Lessor
Separation	Separate unless applying accounting policy election	Separate non-lease components. Apply the ASC 606 revenue recognition guidance to separated non-lease components to determine further separation.
Allocation	Relative standalone price of components (observable prices or if not available, maximize observable information)	Apply the ASC 606 revenue recognition guidance
Accounting Policy Election	May elect, by class of underlying leased asset, to not separate non-lease components from the lease component.	N/A

Other Topics – Initial direct costs

Initial direct costs (IDC's) are incremental costs of a lease that would not have been incurred if the lease had not been obtained.

- Key difference in new standard – Lessees and lessors can no longer include allocated costs (eg. salaries) and other costs incurred before the lease is obtained (eg. legal review) in IDC's.

Lessees

- Include IDC's in the initial and subsequent measurement of the ROU asset.

Lessors

- Include IDC's in the initial and subsequent measurement of the net investment in the lease for direct financing leases and sales-type leases with no selling profit or loss.
- Expense IDC's at lease commencement for sales-type leases with selling profit or loss.
- Expense IDC's over the lease term for operating leases, consistent with recognition of lease income.

Specialized Topics - Subleases

Entities entering into subleases should give careful consideration to whether the original lessee/sublessor remains the primary obligor under the lease.

If the original lessee/sublessor is relieved of the primary obligation, the sublease transaction shall be considered a termination of the original lease and profit or loss is recognized upon derecognizing the ROU asset and lease liability.

If the original lessee/sublessor remains the primary obligor, the sublessor must assess sublease classification independent of the classification assessment that it makes as the lessee of the same asset. The sublease classification should be determined based on the lessor accounting model.

- If sublease is an operating lease – Continue to account for the original lease, and assess the ROU asset for impairment if lease cost exceeds anticipated sublease income.
- If sublease is a sales-type or direct financing lease – Derecognize the head lease ROU asset, adjust the head lease liability under finance lease provisions, recognize a net investment in the sublease, and evaluate the net investment for impairment.

Impacts to Internal Controls



How will the new process affect the way I engage in leases?

- Do approval chains need to be reviewed and adjusted?
- Is your process centralized or decentralized?



How do you ensure consistent application of the standard?



Do I have a standard process to inform accounting and record the activity?



How are amendments / renewals / modifications communicated?



New controls around the lease application and access

Other Topics – Implementation considerations (continued)



Other practical considerations

Non-PBEs – Consider whether it makes sense to elect a policy to use the risk-free rate. Ease of application versus smaller lease liability and lease asset.

Establish a methodology to determine the organization's incremental borrowing rate

Separating lease and non-lease components – Ease of application versus smaller lease liability and lease asset.

Consider the availability and practicality of other practical expedients offered as a package at transition. An entity may elect, as a package, to not reassess

- Whether any expired or existing contracts are, or contain, leases (as defined in Topic 842)
- The lease classification for any expired or existing leases
- Previous capitalization of initial direct costs for any existing leases

Entities can also make an election to use hindsight in determining the lease term (generally regarding options to extend or terminate the lease, or purchase the leased asset) and in assessing impairment of ROU assets. This may be elected separately or in conjunction with the above practical expedients, and must be applied consistently to all leases.

Implementation Considerations

Pain Points



Scoping

The standard will require organizations to know what all their leases are and have the necessary information to track them.



Manual Process

A software solution to perform the accounting will be needed. The leases tracked in Excel is no longer feasible.



Ongoing Controls

Processes and controls for lease acquisition and modification will need to be addressed in addition to the accounting

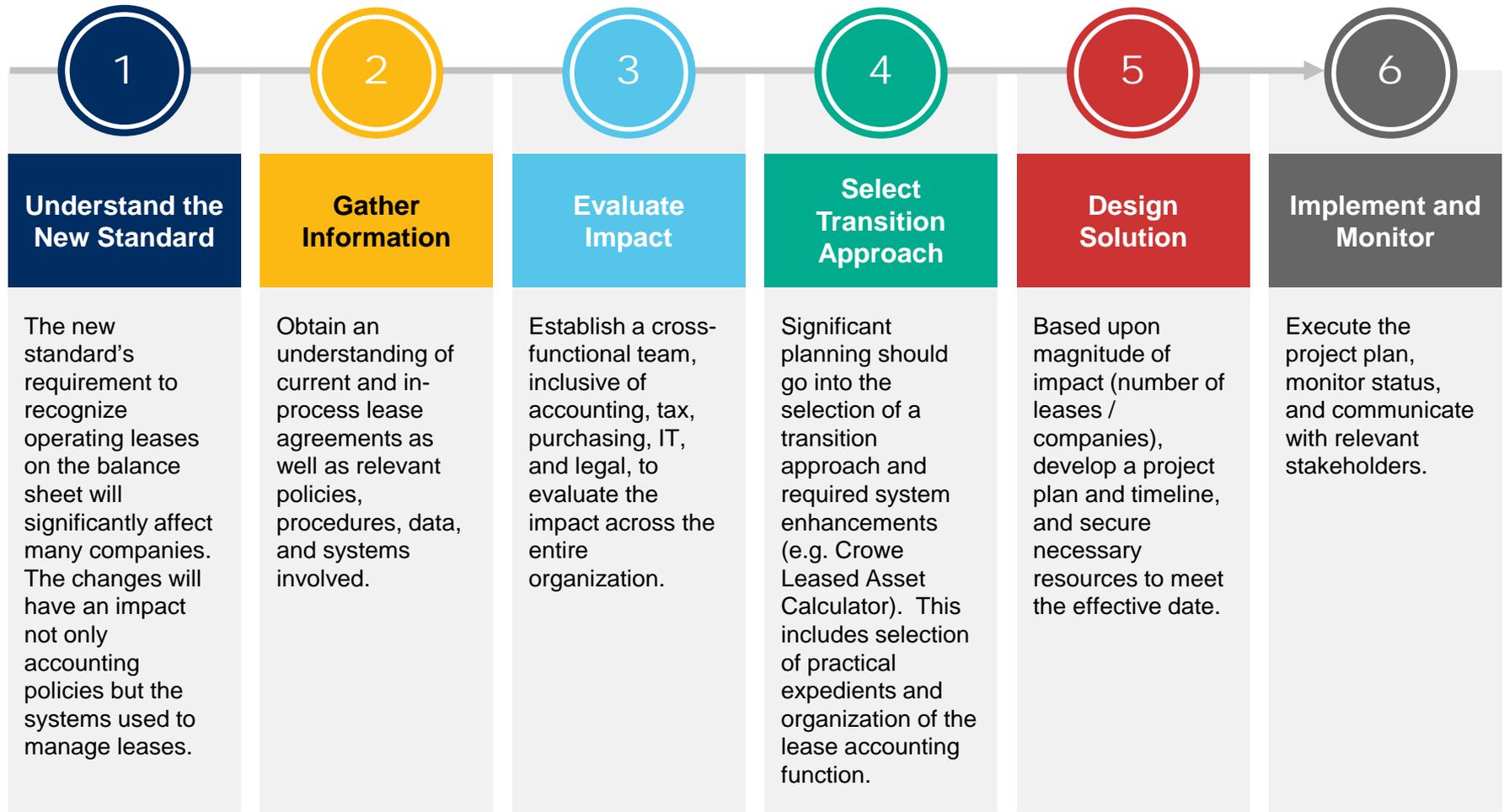


Resource Burden

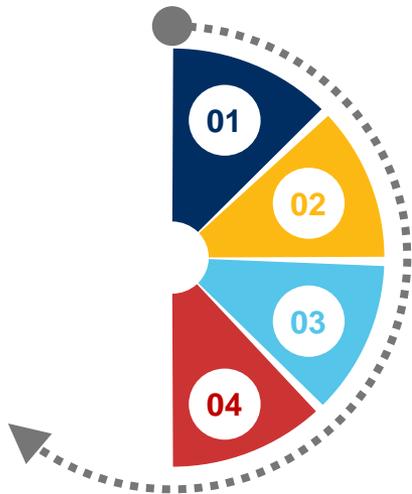
Companies will face a resource shortage to read through all their contracts, manage the implementation of the new standard in addition to regular accounting processes.



ASC 842 Impact Assessment And Implementation Consulting Services



Crowe's Lease Solutions



Scoping & Impact Assessment

- Scoping of leasing environment – determine population of all leases, look for unrecorded leases
- ASC 842 impact assessment report, including gaps noted, assessing ASC 842
- Technical memos and executive summaries, project plan and timeline for implementing ASC 842



Technology Enablement

- Technology Solution Implementation and Testing
- Integration into ERP backbone system, or GL package, as needed
- Crowe Lease Accounting Optimizer
- Lease Query



People, Process & Controls

- We cover people, processes and controls in this solution. We'll help with controls around the implementation of the standard, RCM modifications, sox and operational, etc.
- Process flow recommendations, and assistance on implementation
- Writing of policy and procedures around lease initiation, modification, and recording.



Analysis & Impact Completion

- Creation of the required disclosures
- Evaluation and implementation of required entries for full vs. modified retrospective
- Any additional entries to bring your entity into compliance with the standard



Scoping and Impact Assessment

CHAOS



COMPLETENESS & CLARITY

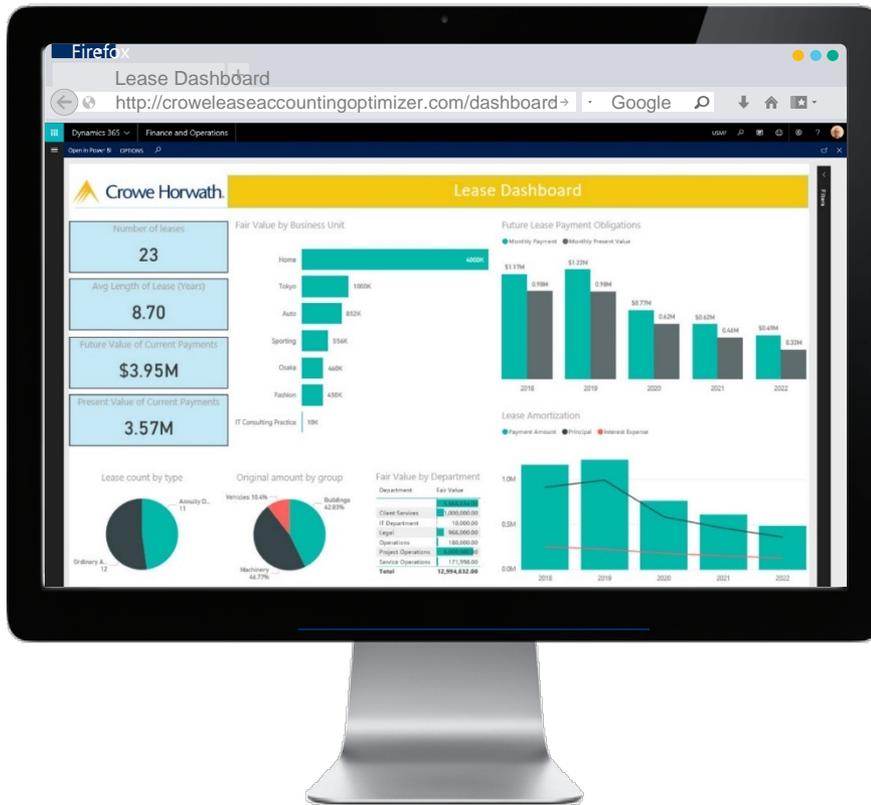
In the Scoping and Impact Assessment phase Crowe will work with management to identify the location of both lease contracts but the required metadata that will be required for entry into your selected ASC 842 software. This review is a combination of both qualitative and quantitative reviews to identify the location of lease asset classes and the applicable owners.

- **People, Process, Controls:** Crowe begins the scoping and assessment phase of the project with an assessment of the current lease initiation and modification controls. This allows Crowe to identify key process owners for further inquiry as well as identify bottleneck points for particular asset classes.
- **Quantitative:** Crowe utilizes both financial statement and transaction level detail to identify potential asset classes and services with embedded leases. Aggregated lease information is compared to financial results to ensure completeness.
- **Qualitative:** Utilizing information gathered in the inquiry stage and quantitative analysis, Crowe will train relevant process owners on the expectations of the standard and inquire to identify both leases that are apparent as well as services that may contain embedded leases.

Utilizing this approach, Crowe is able to clearly identify the entire population of leases and the process owners responsible for providing the required estimates and information needed to accurately calculate and record the required lease liabilities and right of use assets. Additionally, Crowe can assist Management with determining the impact of these populations under the standard and any resulting changes in accounting policies that will be required.

Crowe's approach provides Management, with a clear approach for implementation of ASC 842.

Lease Software



Crowe Lease Accounting Optimizer

Built by Crowe Horwath, our solution utilizes Microsoft Cloud to account for your leases efficiently and securely,



Built on Microsoft Cloud

Leverages existing technology such as database security, user restriction, currency conversion, and import/export to excel..



Designed for Automation

Automatically creates payment schedules, lease liability amortization tables and asset depreciation schedules



NPD Funded

Possible thanks to the NPD committee funding and collaboration.

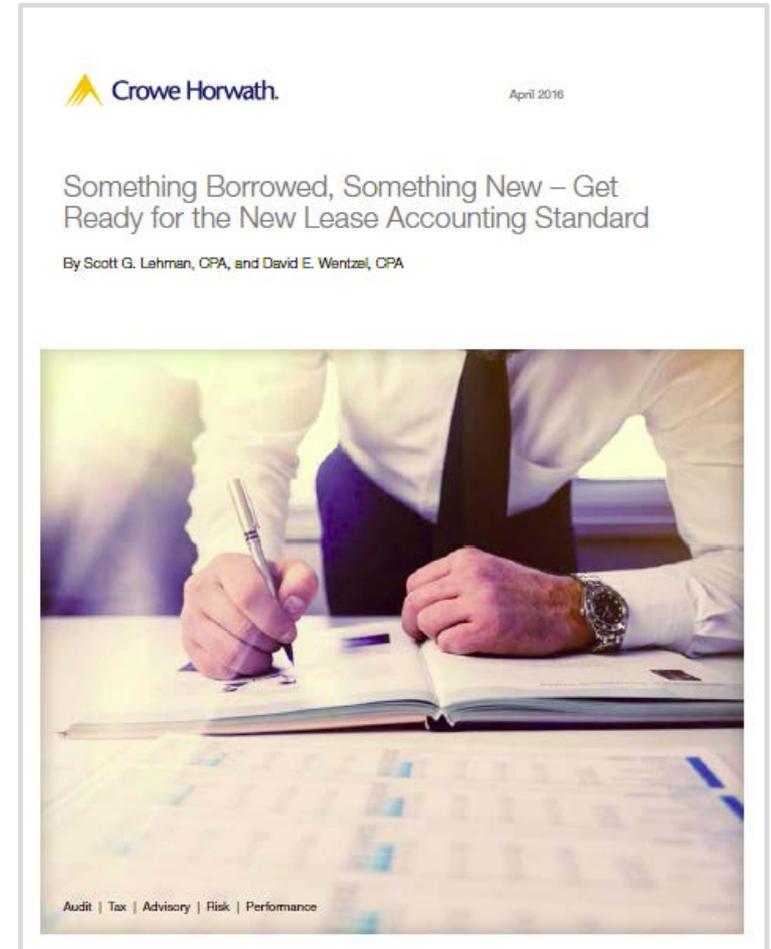
Resources

Resources

Crowe Newsletter, “Something Borrowed, Something New: Get Ready for the New Lease Accounting Standard”

- Issued April 8, 2016
- 16 pages
 - Background
 - Who Will Be Affected
 - Sale and Leaseback Transactions
 - Effective Dates
 - Transition
 - Disclosures

<https://www.crowehorwath.com/insights/asset/borrowed-new-lease-accounting-standard/>



Questions





Thank you

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Appendix A: Crowe Lease Accounting Optimizer

Crowe Lease Accounting Optimizer

Designed by the accounting and technology professionals at Crowe Horwath LLP, the Crowe Lease Accounting Optimizer combines lease management with a financial impact calculator for organizations seeking compliance with the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) regulation on accounting standards for leases.

**Financial Standards
Compliance**

**Automatic Schedule
Creation**

**Audit Controls and Data
Traceability**

**Cash Flow and Lease
Analysis**

**Automatic Journal Entry
Creation**

**Excel-based data
import / export**

Crowe Lease Accounting Optimizer: Features and components

This table contains a representative list of the features included in the Crowe Lease Accounting Optimizer. This list is not comprehensive but represents many of the functions that are included as part of the license subscription

Core functionality	
Calculation of the present value of minimum lease payments	Compliant with IFRS16 and ASC842
Calculation of journal entries <ul style="list-style-type: none"> ▪ Interest expense of the finance lease liability ▪ Depreciation on the right-of-use asset ▪ Payment on the lease liability ▪ Lease expense for operating leases 	Lease management <ul style="list-style-type: none"> ▪ Purchase option ▪ Transfer of ownership ▪ Residual value ▪ Lessor ▪ Contract dates ▪ Implicit rate and incremental borrowing rate
Calculation of lease schedules <ul style="list-style-type: none"> ▪ Lease payment schedule ▪ Lease liability amortization schedule ▪ Right-of-use asset depreciation schedule 	Forecast management <ul style="list-style-type: none"> ▪ Interest charges on the lease obligation ▪ Lease payments obligations ▪ Depreciation charge on the right-of-use asset
Payment approval workflow	Automatic determination of right-of-use asset life
Automatic classification leases as either finance or operating based on ASC842 criteria	Mass import of leases using standard, well-known tools like Microsoft Excel
Lease Adjustment including by Index Rate	Power BI Integration

Additional components of the subscription

- Access to User Guides and Videos
- Access to ongoing updates, new features, and hotfixes
- Break-fix support for existing features
- Early access to new App announcements

Lease Posting Parameters

Lease posting parameters

Journal name

Select accounts

Initial recognition

+ Add - Remove

Select

Lease asset

Lease liability

Account code	Account/Group number	Operating lease main account	Finance lease main account
Group	BUIL	180154	180155
All		180160	180150

Posting Setup

Functionality allows for posting accounts by lease group for each type of transaction

Lease Details

Click the edit button to make changes.

LEASE DETAILS
LEASEID-000253 : Office Space

General

IDENTIFICATION	Lease status	Incremental borrowing rate (%)	Currency	LEASE STATUS	Lease incentives	DATES	Contract signature data
Lease group BUIL	Open	7.00000	USD	Initial right of use asset 135,295.55	0.00	Transition date	
Lease ID LEASEID-000253	Fair value of the asset 500,000.00	Lease term (Months) 60	Vendor account CN-001	Initial lease liability 135,295.55	Lease payments 0.00	Commencement date 1/1/2016	Lease expiration/term date
LEASE DETAILS	Legal entity SMIT	Asset useful life 360	Fixed asset number	ADDITIONAL ROU CONSIDERATIONS	Disrupting costs 0.00	Delivery date	Location opening date
Lease description Office Space	Implicit rate (%) 7.00000	LEASE POSTING		Initial direct cost 0.00	ADDITIONAL LIABILITY CONSIDERATIONS		
		Annuity type Annuity due			Residual value guarantee 0.00		

Lease classification test

Contract detail

Index rate

Address

Location

Payment schedule lines

Financial dimensions

DEFAULT FINANCIAL DIMENSIONS

BusinessUnit

CostCenter

Department

Financial Dimensions

Supports financial dimensions

Initial Asset & Liability

Displays initial asset and liability balances

Lease Adjustment

LEASE DETAILS
LEASEID-000253 : Office Space

General

IDENTIFICATION	Lease status: Open	Incremental bonding rate (%): 7.00000	Currency: USD	LEASE STATUS	Lease identifier: 0.00	DATE	Contract signature date
BLU	Fair value of the asset: 900,000.00	Lease term (months): 60	Vendor account: CN-001	Initial right of use asset: 135,295.95	Lease payments: 0.00	Transition date	Lease expiration/term date
Lease ID: LEASEID-000253	Legal entity: usmt	Asset useful life: 360	Fixed asset number	Initial lease liability: 135,295.95	Discounting costs: 0.00	Commencement date: 1/1/2016	Location opening date
LEASE DETAILS	Implicit rate (%): 7.00000	LEASE INCENTIVE		ADDITIONAL INFO CONSIDERATIONS		Delivery date	
Lease description: Office Space		Amort type: Attributed		Initial direct cost: 0.00	ADDITIONAL LIABILITY CONSIDERATIONS		
					Residual value guarantee: 0.00		

Lease classification test

Contract detail

Index rate

INDEX RATE	Index change to apply: 100.00	Index rate: 0.00	Months between recalculations: 0	Limit on rate increase: 0.00	Manually override: No <input type="checkbox"/>	Allow decrease: No <input type="checkbox"/>
Index rate type						Index rate class

Address

Location

Payment schedule lines

Start date	Interval	Period	End date	Payment frequency	Payment amount	Index rate	Created by	Tax	Exercise	Cost per unit (€)
1/1/2016	Months	24	12/31/2017	Monthly	2,500.00	0.00	Manual	Yes	Yes	0.00
1/1/2018	Months	24	12/31/2019	Monthly	2,700.00	0.00	Manual	Yes	Yes	0.00
1/1/2020	Months	12	12/31/2020	Monthly	3,000.00	0.00	Manual	Yes	Yes	0.00

Adjust lease by:

- Time frame
- Payment amount
- Index rate
- Financial dimensions
- And more...

Inquiry & NPV of Asset

Inquiry

There are many enquiry windows available including, asset transaction, liability transactions, journals and many more

ROU Asset Balance

Current ROU asset balance is always available

LEASEID-000253 - OFFICE SPACE
ROU asset transactions

Overview Financial dimensions

✓ Voucher	Date	Account	LeaseID	Transaction type	Amount
USMF-01526	1/1/2016	180160--	LEASEID-000253	Initial recognition	135,295.55
USMF-01632	1/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,905.36
USMF-01633	2/29/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,915.42
USMF-01634	3/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,925.55
USMF-01635	4/30/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,935.73
USMF-01636	5/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,945.97
USMF-01637	6/30/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,956.27
USMF-01638	7/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,966.63
USMF-01639	8/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,977.06
USMF-01640	9/30/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,987.54
USMF-01641	10/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-1,998.08
USMF-01642	11/30/2016	180160--	LEASEID-000253	ROU depreciation expense	-2,008.69
USMF-01643	12/31/2016	180160--	LEASEID-000253	ROU depreciation expense	-2,019.36
USMF-01644	1/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,030.09
USMF-01645	2/28/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,040.88
USMF-01646	3/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,051.73
USMF-01647	4/30/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,062.65
USMF-01648	5/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,073.63
USMF-01649	6/30/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,084.68
USMF-01650	7/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,095.79
USMF-01651	8/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,106.97
USMF-01652	9/30/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,118.21
USMF-01653	10/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,129.51
USMF-01654	11/30/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,140.88
USMF-01655	12/31/2017	180160--	LEASEID-000253	ROU depreciation expense	-2,152.32
USMF-01805	1/31/2018	180160--	LEASEID-000253	ROU depreciation expense	-2,165.00

ROU asset balance
84,501.55

Import Lease

Import Lease

Functionality allows for importing leases directly from Excel

Import Lease Data

Parameters

IMPORT DATA FROM:

Browse

	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X
	Lease type	Fair value	Vendor	Incremental borrowing r	Lease t	Comment	Lease group	Currency	Asset	Annuity type	Lease desc	Lease class	Compounding	Payment freq	Implicit r	Transfer of own	Unique As	Fixed asset num	Initial direct	Lease incen	Lease repay	Dismantling
1	Finance	42900	1001		5	2	1/12017 Mach	USD		2 Ordinary annuity	Model 181 F:F De Finance	Annually	Annually	Quarterly	No		A-001		3000	2000	4000	1
2	Finance	42900	1001		5	2	1/12017 Mach	USD		2 Ordinary annuity	Model 181 F:F decrease Q (2)	Annually	Annually	Quarterly	No				3000	2000	4000	1
3	Finance	10,000	1001		5	2	1/12017 Mach	USD		2 Ordinary annuity	Model 171 F:F Decrease Semi (2)	Annually	Annually	Monthly	No				1000	2000	3000	4
4	Finance	42900	1001		5	2	1/12017 Mach	USD		2 Ordinary annuity	Model 181 F:F Decrease NS Annu	Annually	Annually	Annually	No				3000	2000	4000	1
5	Finance	55000	1001		5	2	1/12017 Mach	USD		2 Ordinary annuity	Model 151 F:F Increase Q	Annually	Annually	Quarterly	No				1000	2000	3000	4
6	Finance	55000	1001		5	2	1/12017 Mach	USD		2 Ordinary annuity	Model 141 F:F Increase Semi	Annually	Annually	Semiannually	No				1000	2000	3000	4
7	Finance	42900	1001	5.41984	2		1/12017 Mach	USD		2 Ordinary annuity	Model 131 F:F Increase Annual	Annually	Annually	Annually	No				3000	2000	4000	1
8	Operating	10000	1001	5.23632	24		1/12017 Mach	USD		24 Ordinary annuity	Model 121 D:F Decrease Gain	Annually	Annually	Monthly	No				1000	2000	3000	4
9	Finance	42900	1001	5.41984	12		1/12017 Mach	USD		12 Ordinary annuity	Model 111 D:F Decrease Gain	Annually	Annually	Monthly	No				3000	2000	4000	1

Lease Disclosures

GAAP disclosures

GAAP disclosures

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Contoso Entertainment System USA

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From 1/1/2018 To 12/31/2019

Legal entity	<u>usmf</u>				
Lease type	Finance				
Lease ID	Lease description	Lease group	Depreciation of ROU assets	Interest expense on lease liabilities	Right-of-use assets obtained
USMF-000992	123 S Main Street	BUILD	212,846.00	42,932.24	532,115.01
USMF-000994	Car Lease	VEHC	0.00	778.81	11,726.65
USMF-000996	Machine Lease	MACH	0.00	945.70	14,239.51
USMF-000997	225 N Wacker	BUILD	159,634.50	32,199.18	399,086.26
Finance Total			372,480.51	76,855.93	957,167.43

Legal entity	<u>usrt</u>				
Lease type	Finance				
Lease ID	Lease description	Lease group	Depreciation of ROU assets	Interest expense on lease liabilities	Right-of-use assets obtained
USRT-000001	Test_AJ	Test	9,774.91	447.08	117,298.94
USRT-000021	USRT- AVR	Test	0.00	0.00	0.00
USRT-000022	USRT- Model 12- AVG	Test	0.00	0.00	0.00
Finance Total			9,774.91	447.08	117,298.94

Lease type	Operating				
Lease ID	Lease description	Lease group	Depreciation of ROU assets	Interest expense on lease liabilities	Right-of-use assets obtained
USRT-000011	Test_AJ	Test	4,856.57	163.58	58,649.47
Operating Total			4,856.57	163.58	58,649.47
Total Operating expense				5,020.15	

IFRS disclosures

IFRS disclosures

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Contoso Entertainment System USA

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From 1/1/2018 To 12/31/2020

Legal entity usmf

Lease group BUILD

Lease ID	Lease description	Depreciation of ROU Assets	Interest expense on lease liabilities	Total cash outflow	Right-of-use Assets obtained	Carrying amount of ROU assets
USMF-000992	123 S Main Street	212,846.00	42,932.24	240,000.00	532,115.01	319,269.09
USMF-000997	225 N Wacker	159,634.50	32,199.18	180,000.00	399,086.26	239,451.70
BUILD Total		372,480.51	75,131.42	420,000.00	931,201.27	558,720.79

Lease group MACH

Lease ID	Lease description	Depreciation of ROU Assets	Interest expense on lease liabilities	Total cash outflow	Right-of-use Assets obtained	Carrying amount of ROU assets
USMF-000996	Machine Lease	0.00	945.70	0.00	14,239.51	14,239.51
MACH Total		0.00	945.70	0.00	14,239.51	14,239.51

Lease group VEHC

Lease ID	Lease description	Depreciation of ROU Assets	Interest expense on lease liabilities	Total cash outflow	Right-of-use Assets obtained	Carrying amount of ROU assets
USMF-000994	Car Lease	0.00	778.81	0.00	11,726.65	11,726.65
VEHC Total		0.00	778.81	0.00	11,726.65	11,726.65

Weighted – average discount rate disclosures

Weighted - average discount rate

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Contoso Entertainment System USA

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As of date 1/1/2019

Legal entity	<u>usmf</u>				
Lease type	Finance				
Lease ID	Lease description	Lease group	Discount rate used	Lease payments remaining	Weighted payments remaining
USMF-000992	123 S Main Street	BUILD	5%	470,000.00	23,500.00
USMF-000994	Car Lease	VEHC	5%	12,600.00	630.00
USMF-000996	Machine Lease	MACH	5%	15,300.00	765.00
USMF-000997	225 N Wacker	BUILD	5%	352,500.00	17,625.00
				850,400.00	42,520.00
Weighted - average discount rate-Finance					5%

Legal entity	<u>usrt</u>				
Lease type	Finance				
Lease ID	Lease description	Lease group	Discount rate used	Lease payments remaining	Weighted payments remaining
USRT-000001	Test_AJ	Test	5%	110,000.00	5,500.00
USRT-000021	USRT- AVR	Test	5.41984%	257,400.00	13,950.67
USRT-000022	USRT- Model 12- AVG	Test	5.41984%	471,900.00	25,576.22
				839,300.00	45,026.89
Weighted - average discount rate-Finance					5.36%

Lease type	Operating				
Lease ID	Lease description	Lease group	Discount rate used	Lease payments remaining	Weighted payments remaining
USRT-000011	Test_AJ	Test	5%	45,000.00	2,250.00
				45,000.00	2,250.00
Weighted - average discount rate-Operating					5%

Weighted – average remaining lease term disclosures

Weighted - average remaining lease term

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Contoso Entertainment System USA

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As of date 1/1/2019

Legal entity usmf

Lease type Finance

Lease ID	Lease description	Lease group	Years remaining	Remaining liability	Weighted liability
USMF-000992	123 S Main Street	BUILD	3.92	426,038.85	1,668,652.16
USMF-000994	Car Lease	VEHC	1.92	12,211.11	23,404.63
USMF-000996	Machine Lease	MACH	1.92	14,827.77	28,419.89
USMF-000997	225 N Wacker	BUILD	3.92	319,529.14	1,251,489.13
				772,606.87	2,971,965.81
Weighted - average remaining lease term (Years)-Finance					3.85

Legal entity usrt

Lease type Finance

Lease ID	Lease description	Lease group	Years remaining	Remaining liability	Weighted liability
USRT-000001	Test_AJ	Test	119.00	0.00	0.00
USRT-000021	USRT- AVR	Test	119.00	0.00	0.00
USRT-000022	USRT- Model 12- AVG	Test	119.00	(42,900.00)	(5,105,100.00)
				(42,900.00)	(5,105,100.00)
Weighted - average remaining lease term (Years)-Finance					119.00

Lease type Operating

Lease ID	Lease description	Lease group	Years remaining	Remaining liability	Weighted liability
USRT-000011	Test_AJ	Test	119.00	(10,000.00)	(1,190,000.00)
				(10,000.00)	(1,190,000.00)
Weighted - average remaining lease term (Years)-Operating					119.00