

Deloitte Lease Accounting  
Managed Service



# Your challenges

In transitioning to the new lease accounting standard, have you encountered any of the following challenges in lease identification, accounting treatment, financial statement disclosures, application issues, or costs?



## Lease identification

- Do all leases fulfill the definition of leases under the new requirement?
- How does substantive substitution right of the supplier affect identification of the right to use an identified asset?
- Should utility charges for electricity, water, broadband, etc. covered by the leases be considered part of the leases?



## Application issues

- How should clients determine the timing and amounts of lease payments in the payment schedule?
- How should clients determine initial direct cost?
- How should clients estimate asset restoration cost? What if the actual cost is less or more than the estimate?
- If the lessee bears responsibility for taxes and fees, how should future lease payments be confirmed?



## Accounting treatment

- How should clients determine the discount rate?
- Is a short-term, low-value exemption applicable?
- How should lease components in a contract be identified and separated?
- How should clients consider subleases under the new requirement?
- Under what circumstances will there be impairment of an ROU asset? How should this be measured?
- What is the impact of lease modification?



## Disclosures

- The new lease standard not only requires recognition of ROU assets and lease liabilities on balance sheets, but also adds a number of lease-related disclosure requirements, such as depreciation expenses of ROU assets that need to be disclosed according to the relevant asset category, and ROU assets to be disclosed at the end of the reporting period
- Data collection is a resource intensive effort due to the expanded disclosure requirements

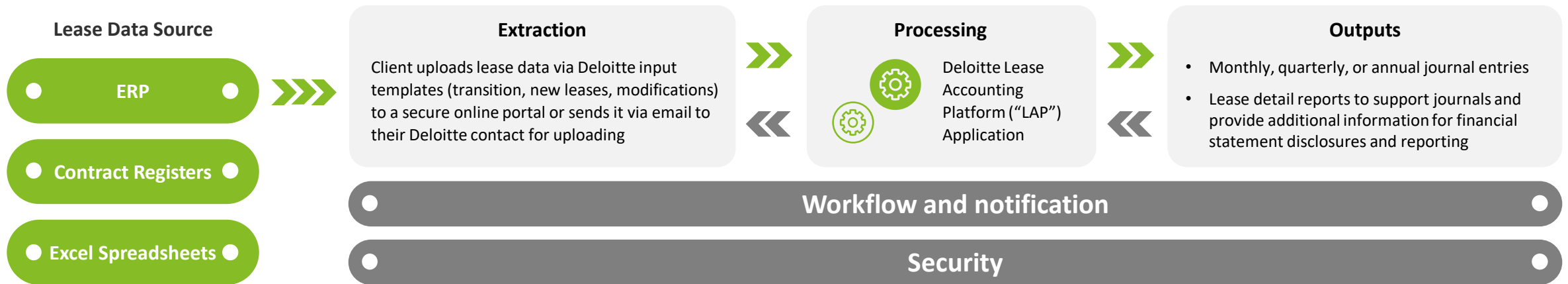


## Costs

- High total cost of ownership of IT system, related management, and resourcing
- Greater volatility of labor costs due to the complexity of compliance
- Lease accounting standards have been updated already following COVID-19. These changes are costly if a lease accounting system is not sufficiently flexible
- Adequate training for in-house employees or recruiting personnel with adequate accounting knowledge of new and changed standards

# Lease Accounting Managed Service

The Deloitte Lease Accounting Managed Service (“DLAMS”) uses our Lease Accounting Platform (“LAP”), which provides a secured online portal to collate lease data, prepare accounting entries for each month, quarter, or year, and prepare financial statements disclosure packs. DLAMS features a combination of proprietary lease accounting software and a professional accounting team behind-the-scenes to help manage your lease accounting efficiently. You will benefit from leaving the compliance and complexity of the new lease accounting standard to Deloitte professionals.



## Benefits to you:

- Lower total cost of ownership of IT management and resourcing costs via subscription model
- No need to invest in expensive software or undertake complex IT implementations
- Focus time on core responsibilities while being trained on lease accounting
- Reduce risk of non-compliance with IFRS 16, ASC 842, and CAS 21
- Provision of reporting for disclosure requirements



- Audit trail and reports provided to support auditors’ requirements
- Access to specialist advice, analysis, scenario planning, management support, and actionable insights on all aspects of leasing
- Centralized access to a broad, integrated service offering powered by Deloitte’s innovative solutions
- Option to extend subscription model at the end of year one or bring solution in house

# Why Deloitte DLAMS



## Deloitte LAP addresses the core issues of enterprise lease management

- Deloitte has developed a suite of tools to help companies maintain lease data and perform lease calculations under the new standard. LAP includes tools that help organizations automate lease contract analysis and abstraction; manage a centralized, secure repository; and facilitate the adoption of the new standard. It is user-friendly and can interface with upstream and downstream ERP systems and accounting modules



## Powerful LAP + Deloitte's lease specialists ensure efficiency and simplicity

- With powerful LAP and Deloitte's specialists you can save IT system and in-house resource budget
- Leasing data and outcomes from DLAMS will be kept securely by Deloitte



## Lease accounting and advisory specialists with unrivalled experience provide comprehensive services

- You will be served by a professional team of Deloitte lease accounting specialists with unrivalled experience in new lease accounting implementation and advisory services
- Our team has deep insights into lease accounting treatments, lease-related internal controls and business processes, which help accelerate implementation and can provide more value added advice for lease management
- You can choose to simply send your lease data to Deloitte and let us to do the complex calculations and accounting for you



## Lower cost of ownership of IT management and resourcing via subscription model

- No expensive software or complex IT implementation necessary, with the option of bringing the solution in-house
- Monthly or quarterly costs are fixed and predictable if Deloitte is hired to run your lease accounting
- In all cases, less internal resources are required

# Contact us

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