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Deloitte dLease©

2018

Introduction

IFRS 16 was issued in January 2016 and is applicable for periods starting on or after 1 January 2019.
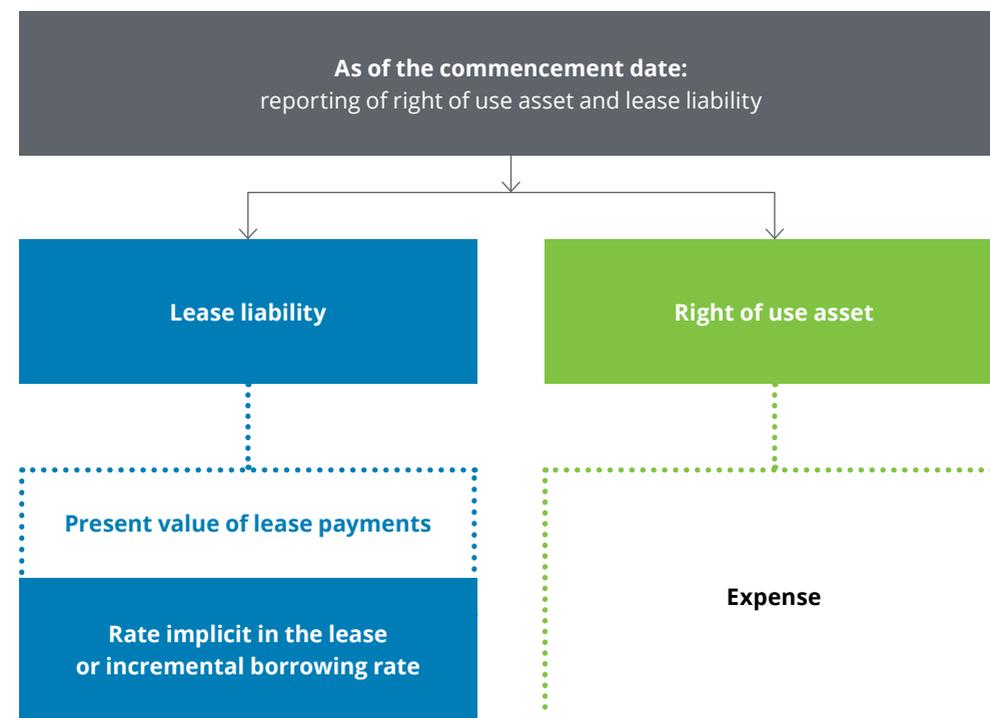
Do the changes and implementation seem to be challenging? Are you seeking a simple tool designed to calculate compliant figures? If your answer is positive, then the dLease tool is the perfect solution for you.

The tool was developed by our team of specialists that focus on IFRS advisory services and support our clients in conducting a comprehensive assessment of the effects of IFRS 16 implementation.

What changes does IFRS 16 bring?

In case you are the lessee, you will be substantially affected by the changes. According to IFRS 16: "the lessee does not make the distinction between operating and financing leases any more. Instead, the lessee accounts for all leases in the same way by recognising the right-of-use asset and lease liability on its balance sheet."

The standard contains enhanced guidance on identifying a lease, brings rules on how to determine lease term or lease payments and, among others, sets rules for accounting for subleasing and sale and lease back arrangements.

As of the commencement date:
reporting of right of use asset and lease liability

Lease liability	Right of use asset
Present value of lease payments	
Rate implicit in the lease or incremental borrowing rate	Expense

Apart from a heavier balance sheet you will also observe an impact on financial ratios and the cash-flow statement. Your company's EBITDA will go up, while the profits will be lower in the earlier years of the lease. You will see an increase in operating cash inflows and in financing cash outflows.
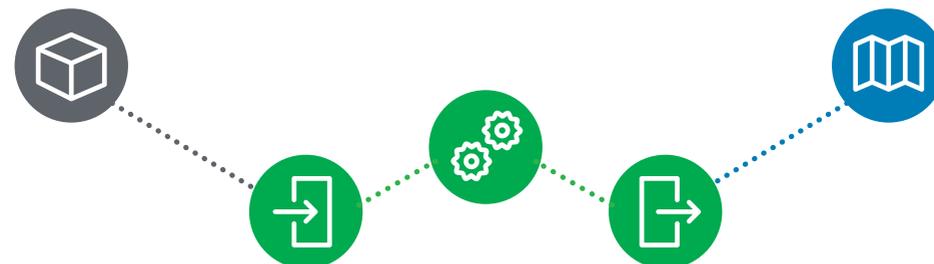
dLease
IFRS 16 SOLUTION

A smart and intuitive SQL-based application developed by Deloitte's IFRS experts.

dLease ensures a standardised lease data collection, the calculation of IFRS 16 effects, the compilation of note disclosures and the provision a detailed or summary report.

Core functionalities

1/ dLease proposes efficient user management with different defined roles and the possibility to create multiple entities within the same environment.

2/ The pre-configured Excel upload functionality enables the user to easily upload lease component data existing in other tools or in Excel sheets into dLease.

3/ The dLease calculation engine covers most of the possible cases that may exist in leasing contracts, e.g. different payment frequencies, extension, termination or purchase options, penalties, contracts dependent on the rate or index evolution, contracts in different currencies, etc.

4/ Contracts entered into dLease can be further modified or reassessed in line with the IFRS 16 rules by selecting the appropriate scenario. dLease guides the user to enter only relevant information needed for each modification / reassessment.

5/ dLease offers an intuitive, simple and user friendly working environment.

6/ dLease offers standardised reporting with all relevant data for IFRS adjustment booking and disclosures. The report can be displayed in a contract by contract view providing an audit trail for the summary figures.

7/ dLease also serves as a planning and simulation tool to see the future effects of leased assets.

8/ dLease supports all three of the transition methods proposed by IFRS 16.

DLease working process

1/ Lease data gathering   **2/ Structured and standardised processing**   **3/ Accounting**

Input of lease component data into one centralised global lease database via.

- Pre-configured **MS Excel upload** capability.

- **Web-mask** for manual entry of contracts, enhancements of uploaded information and changes of data.

Analysis, evaluation and administration of all existing contracts.

Application of contracts modifications or reassessments.

Calculation of IFRS 16 effects considering all relevant contract terms and options.

Provision of a detailed or summary report on all contracts to post IFRS 16 adjustments.

Meet dLease in real life

The following screenshots are pictures of reality and show the clear structure and practical functions of our dLease tool.

1/ Data Imports

Individual data import directly in the application. The input data are classified into several sections for better user orientation.
There is also an option of bulk contract data import.

2/ Summary view of lease contracts

The displayed view shows a contract register with all the parameters of lease contracts uploaded into the tool. The data can be sorted or filtered by any of the columns.

3/ Detailed view of the generated payment plan

The payment plan is stored upon each contract edit or modification and can be exported to an MS Excel spreadsheet.

4/ Apply for a lease modification

For each of the various modification scenarios available in dLease, only relevant fields are offered for update.

5/ **Detailed summary report**

The summary view is completed by a detailed contract by contract view enabling audit of the figures. The report can be shown for up to three reporting periods.

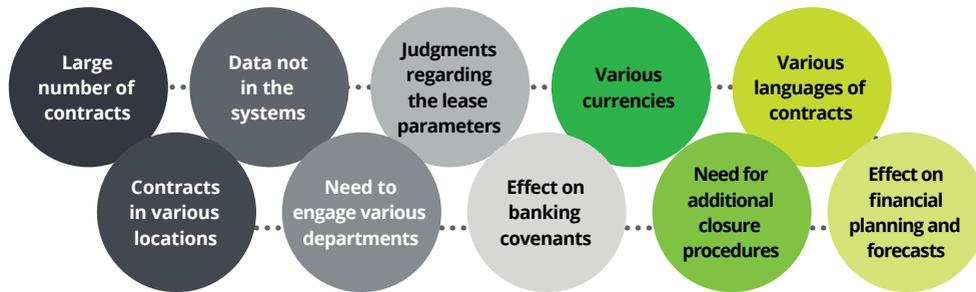|			Client´s asset reference	Asset 1	Asset 2	Asset 3
			Currency	CZK	CZK	EUR
	30.06.2019	31.12.2018		30.06.2019	30.06.2019	30.06.2019
Assets						
Right of use						
Land	0.00	0.00		0.00	0.00	0.00
Buildings	1,371,165.38	714,159.49		0.00	736,357.00	634,808.38
Machines	0.00	0.00		0.00	0.00	0.00
Equipment	0.00	0.00		0.00	0.00	0.00
Vehicles	250,635.55	0.00		250,635.55	0.00	0.00
Equity						
Retained earnings	-88,837.69	0.00		0.00	0.00	-88,837.69
Liabilities						
Restoration provision						
Lease liability - long term	1,229,144.74	569,121.55		165,915.51	570,530.72	492,698.51
Lease liability - short term	376,099.61	148,867.63		86,441.19	138,244.67	151,413.75
Statement of profit and loss						
Depreciation	-114,408.79	-79,351.11		-22,785.06	-12,272.62	-79,351.11
Interest expense	-15,753.47	-13,003.23		-2,936.11	-1,158.28	-11,659.08
Gain/loss from disposal	0.00	0.00		0.00	0.00	0.00
Currency translation gain/ loss	0.00	3,516.64		0.00	0.00	0.00

The solution is based on the SQL database. Available in Czech and English. Possibility to add other languages.

Additional Advisory Services

There are a number of operating issues of the implementation process, such as judgements, estimates and data management, with which we can also assist you.

To make your life easier, we have come up with a whole package of services tailored to your needs. Our team of specialists offers advisory services to support our clients in a comprehensive assessment of the effects of IFRS 16 implementation.

Large number of contracts

Data not in the systems

Judgments regarding the lease parameters

Various currencies

Various languages of contracts

Contracts in various locations

Need to engage various departments

Effect on banking covenants

Need for additional closure procedures

Effect on financial planning and forecasts

Judgments and estimates

Judgments and estimates regarding the new lease contract requirements, such as:

- Assessment whether the contract is a lease and whether the customer may decide how an identified asset will be used.

- Judgment required to determine the lease term.

- Need to estimate the discount rate (lessee's incremental borrowing rate).

- Exemptions for short–term leases.

Data management

- A large number of lease contracts scattered around various locations; lease information in paper form. Collection and analysis of data may be time and resource consuming.

- Data not included in the lease contracts (e.g. regarding the fair value of assets, estimated duration of the lease contract, lessee's incremental borrowing rate, etc.) may need to be extracted.

- Variable consideration formula.

List of things that our team can help you with:

- Support in the identification and classification of leases.

- Verification of contract data in the Contract Database Register.

- Verification of lease contract data.

- Support in the determination of the discount rate (IBR).

- Submission of the model Contract Database Register of lease contracts.

- Review of the accounting policy and financial statements.

- Analysis of necessary modifications to the processes and the internal control system.

- Workshops.

Contacts

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