

FUNCTIONALITY	BRIEF DESCRIPTION	LEASEQUERY	SPREADSHEET	ALTERNATE A	ALTERNATE B	WHY IS FUNCTIONALITY CRITICAL FOR TOPIC FASB 842 & IFRS 16 COMPLIANCE?
Calculates the ROU asset and lease liability	Accurately calculate the short and long-term lease liability, while also amortizing the right of use asset	✓	✓			The right of use (ROU) asset, is NOT amortized using the straight-line method. Unless, it is impaired. The software must be sophisticated enough to first amortize the ROU asset as a portion of rent expense, determine if impairment exists, and if it does, amortize the ROU asset using the straight-line method. The software needs to be able to do both, and know when to use either method.
Contingent Rent	Ability to handle contingent rent (for instance, percentage rent, usage rent, or royalties)	✓	✓			Leases may include payments based on contingencies, for instance, a percentage of sales or usage. The software needs to provide the total rent (including contingent rent), but also needs to ensure that contingent rent is never included in your lease liability or ROU Asset.
13 Period Calendar	Ability to load your unique calendar requirements, accommodating varying fiscal calendars.	✓	✓			Industries such as retail have 13 period calendars, and fiscal years can begin in a month other than January. In a 13 period calendar this means that expense reporting in each period is not the same. The software should provide this flexibility and allow companies to match rent expense to their appropriate period, not force them to adopt a 12 month calendar period.
Useful Life Charts	Allows companies to elect standard useful life amounts by classification of asset	✓	✓			The software needs to allow global control for determining the useful life as this is critical to determining lease classification accurately.
Translation & Re-measurement	To translate amounts from one currency to another, AND remeasure balances from one currency to another. Under current rules, most companies translate, but DON'T remeasure.	✓				Under FASB 842 and IFRS 16, the ROU asset is a non-monetary asset, while the liability is a monetary liability. This is a COMPLETELY different concept than under current rules. The ROU asset needs to be remeasured from transactional currency to functional currency using the "historic currency rates", THEN it needs to be translated from functional currency to reporting currency using current currency rates.
Multi-Currency	The ability to store multiple currencies per lease, including local, functional, & reporting	✓				The software needs to have 3 currencies: Transactional Currency, Functional Currency and Reporting Currency. Having this functionality enables the software to perform not just translations, but re-measurements as well, which is REQUIRED under Topic 842 and IFRS 16.
Data Entry Validation	Two step approval process to review inputs and ensure completeness and accuracy	✓				For accountants, to err is human, to forgive is against FASB policy. The software needs to have some sort of data validation for SOX compliance. There has to be segregation of duties. One person to enter information, and another person to approve.
Lease and Non Lease Components Assessment	Ability to separate the lease and non lease components by classification of asset	✓				This is one of the most misunderstood practical expedients available. Most companies are reflexively electing to separate the lease and non lease components based on a misinterpretation. The software needs to be able to show them the CORRECT IMPACT of separating or combining the lease components.
Practical Expedients	Electing or not electing the available practical expedients.	✓				The software needs to have the policy/company-wide ability to elect the three practical expedients that have to be selected together and the other two practical expedients that could be selected separately.
Borrowing Rate Charts	Ability to assign a borrowing rate for different lease terms, currencies, and subsidiaries of the lease portfolio	✓				The boards specifically stated that for the discount rate, it's NOT a one size fit all. For instance, a lease denominated in US dollars would utilize a different discount rate to calculate the lease liability than a lease denominated in a highly inflationary currency. Your software needs to be powerful enough so that your discount rates for each currency, subsidiary, and lease term can be centrally controlled (preferably by your treasury department).

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Lease Change History Documentation	Easily Retrieve who made the change, what was changed, who approved it	✓				For auditing purposes, the software must be sophisticated enough to provide an audit trail for each and every change made to each and every lease in the software. At a minimum, who made the change, the previous value, the new value, who approved the change, and when the change was made. This functionality ensures accountability, compliance with SOX and decreases the risk of material misstatement in your financial statements.
Central Repository & Ease of Document Retrieval	Being able to access and download any document related to the portfolio of leases	✓				For ease of reference, the software needs to enable the user to view the actual source lease contract, thus enabling your auditors to easily access the information for verification purposes.
Alert Notifications for Lease Deadlines & Renewals	To ensure renewal options, payment increases, start dates, end dates, etc. are not missed that could cause unnecessary incremental costs.	✓				When leases lapse, your payments can increase. A "small" monthly increase of \$1,000 over a typical 5-year lease results in a total extra payment of \$60,000!
Role Based Access by Subsidiary / Location	Ability to place controls around which leases users have access to	✓				Most global organizations want to restrict access to only the jurisdictions that they are responsible for. You don't want your controller in Europe making changes to your leases in the US. The software needs restrictions on who has access to what based on their role and/or location. Without this functionality, errors would be easier to introduce to your data.
Duplicate Prevention	Ability to prevent duplicate leases in the software, based on unique characteristics	✓				Unique identifiers don't prevent the same lease from being entered twice. For instance, a unique identifier won't prevent the same lease entered differently as "corporate headquarters" or "corporate HQ". So, the software needs to use other means to ensure duplicates are not introduced.
Locking Journal Entries	Ability to freeze entries in the software for auditing purposes, as well comparing what was posted to what should have been posted.	✓				Transactions may occur in the field but the accounting department gets the information after the books have been closed. The software needs to be able to freeze the journal entries that were posted, identify the adjusting entries, and post the differences in a subsequent period.
Three Options for IFRS	Ability to adopt IFRS 16 standards using any of the three optional methods	✓				FACT: There are two methods to adopt for IFRS: full retrospective and cumulative approach. LESSER KNOWN FACT, there are two options for adopting the cumulative approach. The software needs to calculate all three methods by each individual lease.
Disclosures	Provide accurate and complete disclosures under FASB 842 and IFRS 16	✓				There are numerous disclosure requirements under the new lease accounting standards. The software needs to provide a one page summary showing you the COMPLETE disclosures required under Topic FASB 842 and IFRS 16 ON ONE PAGE so that compliance is as simple as a copy and paste exercise.

To Schedule a Lease Accounting Consultation & Demo, Call 1-800-880-7270 or Email us at info@leasequery.com