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addedo.IFRS16

Make a cumbersome
process more streamlined

Background

As of January 1, 2019, it has become mandatory for companies to also report IFRS 16 Leasing. Do you know what that means? For the lessor, the terms financial and operational leasing still remain. This means that today's accounting is basically unchanged. But for the lessee it looks different.

The new approach is that the lessee (the company that rents an asset) has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. There are, of course, exceptions.

Agreements that are shorter than 12 months and those relating to assets amounting to lesser amounts shall not be recognized in accordance with the new standard. The lessee recognizes the obligation to pay for this right valued at the present value of future payments.

The leasing costs reported by the companies are reimbursed in the consolidated financial statements in accordance with IFRS with depreciation and interest costs.

In our IFRS 16 model we use IBM Cognos Controller for entering contract information, in IBM Planning Analytics calculations are done before the figures are read back according to IFRS 16 to IBM Cognos Controller. Reports and analysis can be done in both IBM Controller and IBM Planning Analytics.

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Why is it so easy to use addedo.IFRS16?

01 It is a natural step for customers who use Cognos Controller today

02 No new system is required for reporters or the group team

03 Reporting should be as simple as possible for the companies

04 Calculations and statement of IFRS16 is done by the group team

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Why is it so easy to use addedo.IFRS16?

01 IFRS 16 involves the collection of a large amount of data

02 Necessary contract data will be entered into Cognos Controller

01 Calculation is done in Planning Analytics

02 Calculations results can be found in the Cognos Controller
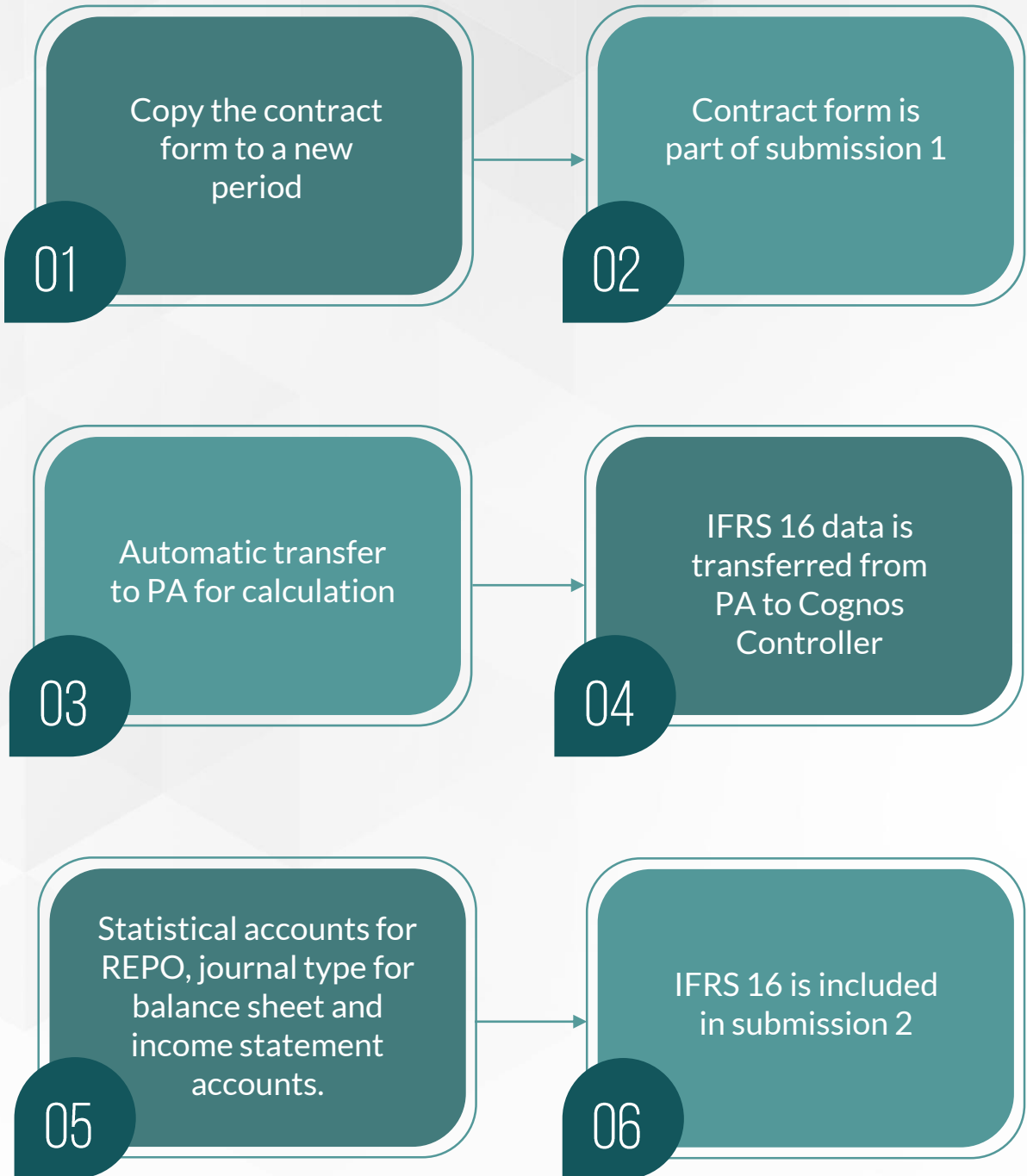
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THE PROCESS

The contract information is copied with IBM Cognos Controller's standard month-to-month functionality, the companies update and report any new contracts.

The Group team makes calculations in IBM Planning Analytics and the figures are read back into IBM Cognos Controller where consolidation can now take place.

Report and analysis of the period with or without IFRS bookings by contract, company, subgroup or top group can then be done in IBM Cognos Controller or IBM Planning Analytics.

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Process

01 Copy the contract form to a new period

02 Contract form is part of submission 1

03 Automatic transfer to PA for calculation

04 IFRS 16 data is transferred from PA to Cognos Controller

05 Statistical accounts for REPO, journal type for balance sheet and income statement accounts.

06 IFRS 16 is included in submission 2

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ENTERING LEASES

Entering the contracts is simple and can easily be added to the reporting process that applies to all other data entry in the Group.

The companies specify per contract at the time of their entry a start period and an end period, monthly leasing cost, prepaid or initial costs, residual value that will be paid and any interest.

The interest rate can also be specified as a general interest rate used in cases where the interest rate is not stated per contract. For example, it can be specified at a higher level, such as per currency, per category or per company.
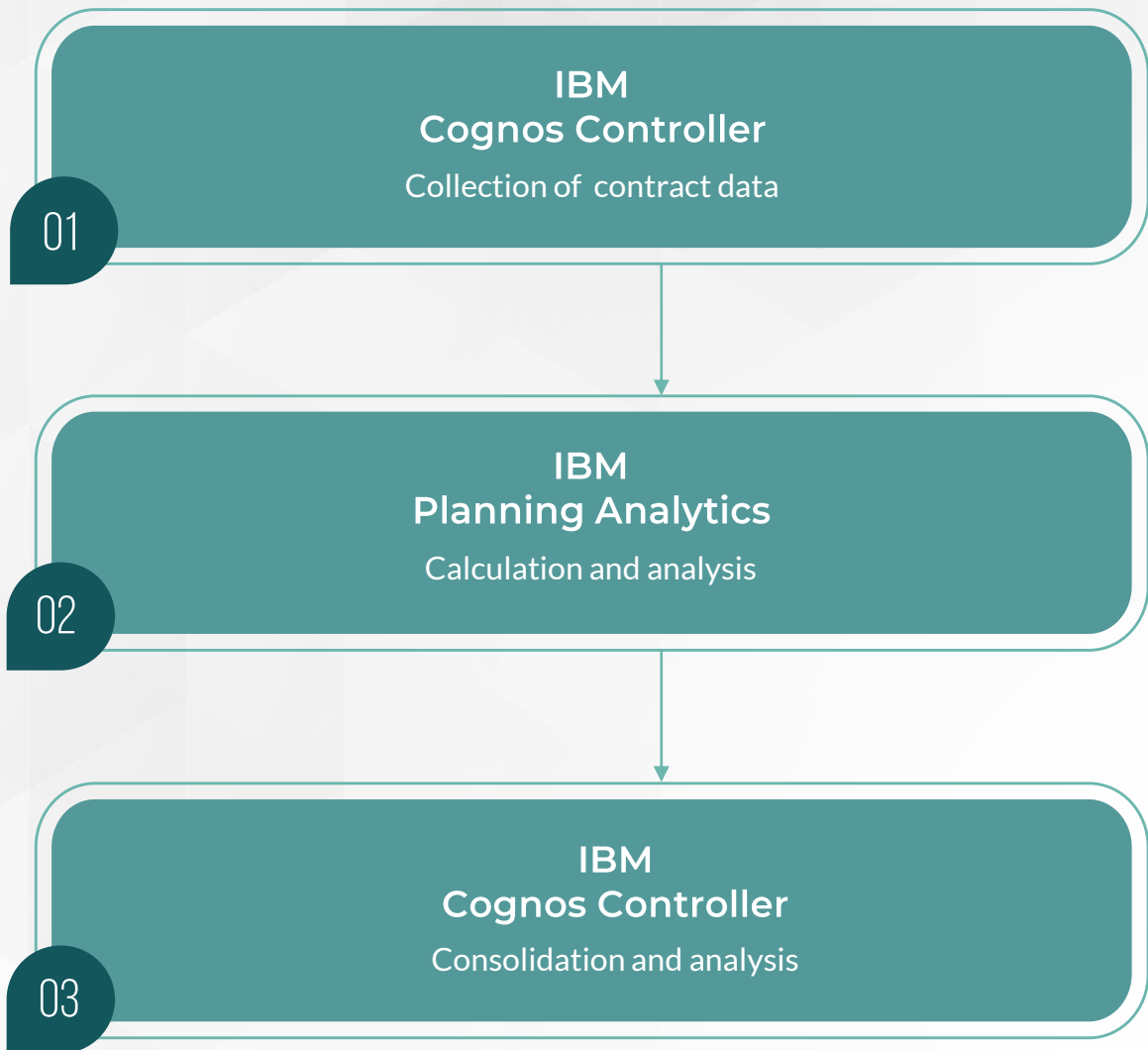
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CALCULATION OF LEASES

After the companies have completed the reporting for leasing contracts, the Group can easily run the calculation and import of IFRS 16 accounting back to IBM Cognos Controller.

When calculating in IBM Planning Analytics, the present value calculation is made on the basis of monthly cost, interest rate and contract period.

We take into account any initial and prepaid costs so that the calculation gives an asset value, a lease debt and that we get a calculation of depreciation, interest expenses and deferred tax. The stated lease cost will reverse the income statement and pay off the debt.

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Calculation of leases

01

IBM
Cognos Controller

Collection of contract data

02

IBM
Planning Analytics

Calculation and analysis

03

IBM
Cognos Controller

Consolidation and analysis

Figur 1: Edo.IFRS16 process. Data collection is done in IBM Cognos Controller. Data is automatically transferred to IBM Planning Analytics where calculations and analyzes are done and then uploaded back to IBM Cognos Controller for consolidation and further analysis.

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JOURNALS AND CONSOLIDATION

The result of the IFRS16 calculation is placed on a special journal type, which enables the group team to look at the income statement and balance sheet with or without IFRS16 bookings. A journal is created per company, in local currency according to IFRS 16 with the accounts your group specified for the purpose.

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REPORT AND ANALYSIS

Report and analysis can be built up in IBM Planning Analytics, and also with IBM Cognos Controller. You build your own reports or with the help of Addedo according to your group's wishes.

A company can analyse the effect of IFRS 16 as a total or per contract or per category.

The group can obtain its reports with or without IFRS 16 and build up its notes for the quarterly or annual reports.

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Adaptations
in Cognos Controller

New accounts

Processes for
import, calculation
and export

Calculation
rules

Reports for
reconciliation

Calculation model in Planning Analytics

Statistical accounts per lease are transferred to PA for further calculation.

Basis for calculation:

- Leasing period
- Monthly payment / cost
- Initial costs
- Residual value
- Interest

Present value calculation based on monthly cost, stated interest rate and contract period.

Initial and prepaid costs.

Interest expense

Depreciation

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Considerations

✓ Changes such as interest rate change, extension of a contract or change in the monthly cost that leads to changes in the balance sheet and income statement are handled in the model.

✓ Early termination of contracts is handled manually

✓ Structural changes such as internal sales, mergers etc. are handled manually.

✓ This version of the model does not take into account any redemption price of the call option, the cost of early redemption or restoration costs.

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CONTACT

**Are you interested
and want to know more?**

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consultant managers or a seller.

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