





Reading Sample

This reading sample comes from a chapter that describes the process of managing leases in a live SAP Lease Administration by Nakisa system, from setting up master lease agreements through managing lease events.

-  **“Managing Leases with SAP Lease Administration by Nakisa”**
-  **Contents**
-  **Index**
-  **The Authors**

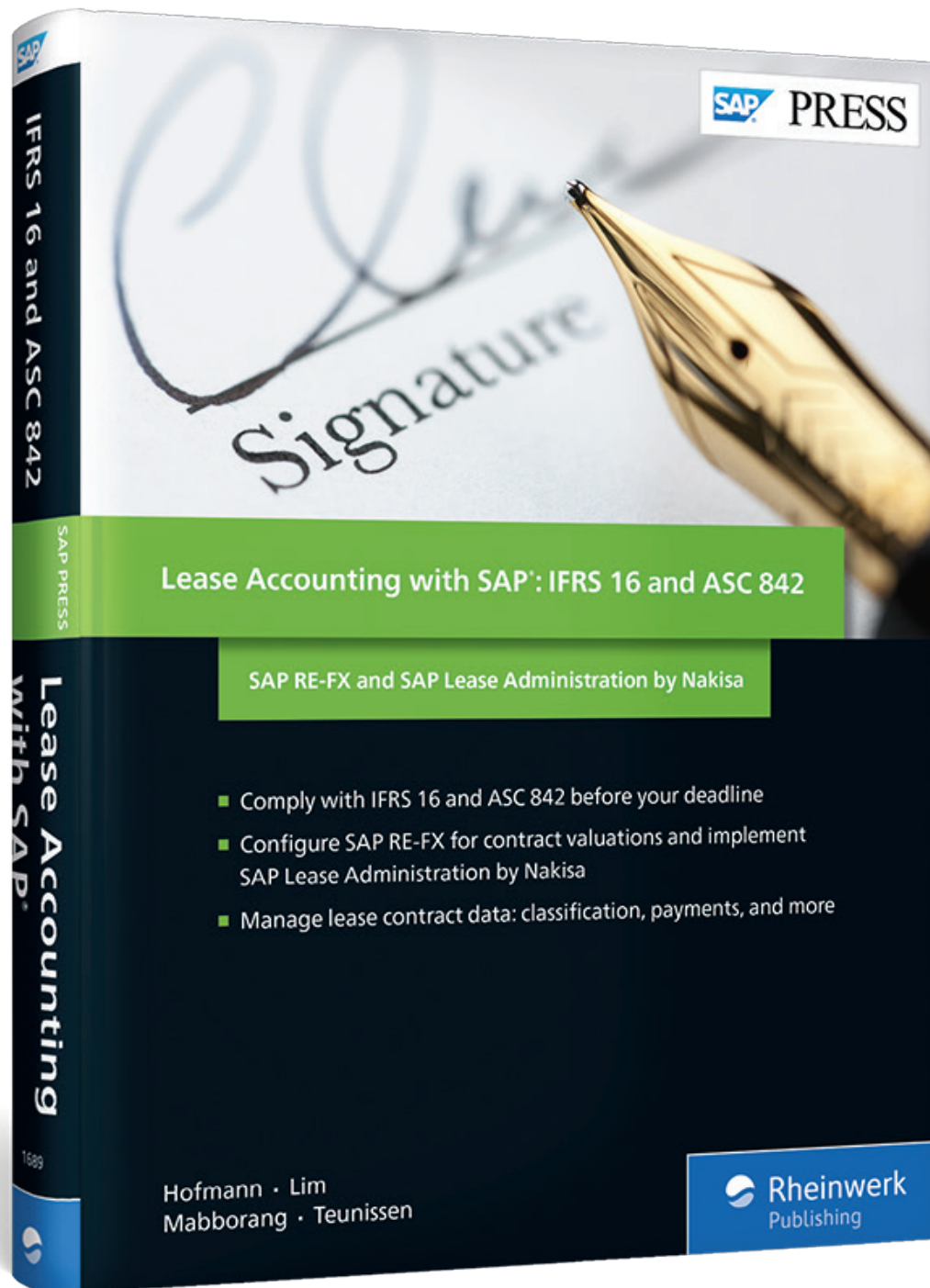
Hanno Hofmann, Pamela Lim, Joy Mabborang, and Louis Teunissen

Lease Accounting with SAP: IFRS 16 and ASC 842: SAP RE-FX and SAP Lease Administration by Nakisa

435 Pages, 2018, \$119.95

ISBN 978-1-4932-1689-5

 www.sap-press.com/4610



Chapter 7

Managing Leases with SAP Lease Administration by Nakisa

Now that your SAP Lease Administration by Nakisa system is live, you'll be able to process leases in compliance with the new regulations.

The purpose of this chapter is to walk through the lease lifecycle in SAP Lease Administration by Nakisa (hereafter, SAP Lease Administration) using step-by-step instructions and system screenshots. We'll cover all the steps you'll need to take, from creating a lease to generating the corresponding financial schedules and journal entries to managing the lease events.

As shown in Figure 7.1, the lease lifecycle in SAP Lease Administration is composed of different objects or data elements, as we'll see in each section of this chapter.

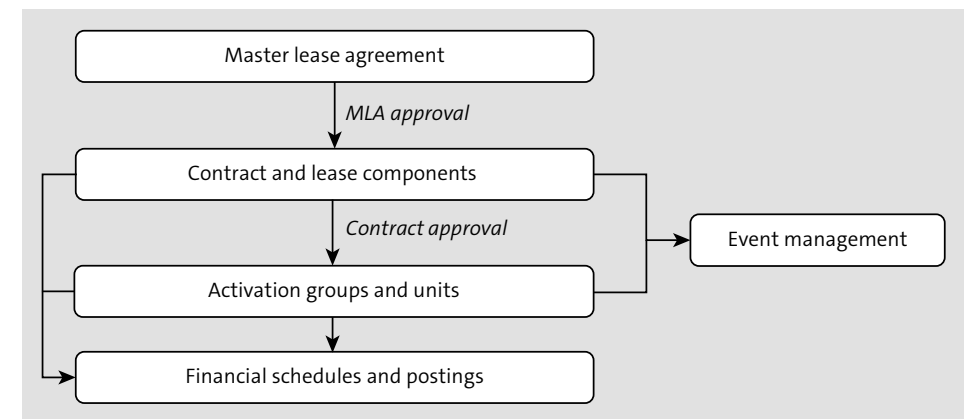


Figure 7.1 SAP Lease Administration Leasing Data Structure

The first object required to set up a lease is the master lease agreement (MLA), which we'll define in Section 7.1. A single MLA could have one or more multiple contracts with their lease components, which are defined in Section 7.2. Once the contract and lease component are approved, the system will generate an activation group, where the

units and accounting details such as financial schedules and period postings are maintained; we'll define these in Section 7.3. Once the lease is active, SAP Lease Administration can handle certain events such as lease modifications; we'll manage those in Section 7.4.

7.1 Master Lease Agreement

The *master lease agreement* (MLA) is an umbrella agreement for multiple lease contracts and is also where the lease hierarchy is defined. You can enter an MLA manually in the system or, alternatively, mass upload MLAs via an Excel file.

In this section of the chapter, we'll walk through how to manually set up an MLA within SAP Lease Administration.

7.1.1 Creating a New MLA

To create a new MLA, follow these steps:

1. Click **Main Menu • Create Master Agreement**.
2. Select the master agreement year from the **Master Agreement Year** dropdown menu.
3. Select the lease area from the **Lease Area** dropdown menu. The lease area represents a regional area or legal entity. Note that a lease area can be assigned to one or more company codes.
4. Based on the configuration defined by the system administrator, the master agreement ID is generated based on the selected year and lease area; the **Master Agreement ID** field will be autopopulated.
5. Enter the master agreement name into the **Master Agreement Name** field.
6. Click **Submit**, as shown in Figure 7.2.

Figure 7.2 Creating a New Master Lease Agreement

Once the master agreement has been created, three new pages will appear on the left-hand side of the screen:

1. **Definitions** page: On this page, the MLA definitions (such as hierarchy, legal information, and additional reporting details) are defined.
2. **Partners** page: On this page, the MLA lenders and suppliers may be added for informational purposes. You can also set up user notifications, such as the approval requested, at this level for MLA events.
3. **Contract List** pages: This page will provide a view of all the contracts that belong to the MLA.

We'll examine each of these pages in this section, beginning with the **Definitions** page and its three sections: **General Information**, **Hierarchy**, and **Signature**. Note that, when defining a new MLA or any new object in SAP Lease Administration, certain fields are mandatory; these fields are identified with a red asterisk.

In the **General Information** section, shown in Figure 7.3, the MLA identification fields are specified. The following information is available in the **General Information** section:

- The **Master Agreement ID** field shows the generated ID.
- The **Created By** field indicates the user who created the MLA.
- The **Master Agreement Name** may be modified if needed.
- A **Description** of the MLA may be entered.
- The **Valid From** and **Valid To** fields are automatically populated based on the earliest start date and latest end date of all of the contracts under the MLA.
- A **Target Value** may be entered for the MLA. The target value can be used to indicate the line of credit value, or the budget value for the contracts.
- The **Agreement Group** may be selected based on the preconfigured values in the AdminConsole.
- The **Language** of the MLA and all of the attached contracts may be selected.
- The **Currency** for the MLA may be selected. Note that, if a currency is selected, all contracts under the MLA will use the specified currency. If this field is left empty, each contract can use a different currency.
- The **MLA Category** may be selected based on values preconfigured in the AdminConsole.

- The **Legal Jurisdiction** may be entered to indicate the area where the leases are subject to their own distinct tax regulations, such as city or country.
- The **Principal Position** for the attached contracts is automatically set to the value “Lessee.”

General Information

Master Agreement ID * Created by

Master Agreement Name * Description Valid From

Valid To

355 remaining characters

Target Value Agreement Group Language

Currency MLA Category Legal Jurisdiction

Figure 7.3 General Information Section of the MLA Definitions Page

In the **Hierarchy** section shown in Figure 7.4, the MLA hierarchy is identified. All of the fields set in this section will be copied down to contracts of the MLA and cannot be overridden. If optional fields are left blank, different values can be set for each contract:

- The **Lease Area** represents a regional area or legal entity.
- The **Lease Business Unit** represents a line of business belonging to the lease area; this information must be set at this level.
- The **Company** represents the legal entity used for accounting purposes; this information may be set at this level. The available list of companies is based on the selected lease area and lease business unit.
- The **Lease Department**, which can represent a corporate department, may be set at this level. The lease department is assigned to a company code.

- The **Lease Group**, which can represent an asset type, may be set at this level. The lease group is assigned to a lease department.
- The **Trading Partner**, which represents a legally independent company, may be set at this level.

Hierarchy

Lease Area Lease Business Unit * Company

Lease Department Lease Group Trading Partner

Figure 7.4 Hierarchy Section of the MLA Definitions Page

The final section of the **Definitions** page is the **Signature** section, which is where you'll enter the legal signing information of the MLA. The following three optional fields are available:

- **Signing Person:** The name of the person signing the lease agreement
- **Place of Signature:** The location where the lease agreement was signed
- **Date of Signature:** The date when the lease agreement was signed

Uploading and Tagging PDFs

All pages within SAP Lease Administration allow users to upload PDF documents and to apply data tagging to any fields by selecting locations on the PDF document.

You can add one or more PDF files to any page of SAP Lease Administration. The document viewer is available by clicking the left-facing two-arrow icon. To upload a document, click on the icon in the middle of the panel and upload the relevant file. Once you've uploaded a file, you'll have the following options:

- Use the page navigation buttons to navigate through the file.
- Use the **Document** dropdown list to select the file to be viewed.
- Adjust the zoom level of the document.
- Click the **Cancel** icon (an X) to delete the document.
- Click the **Upload** icon (up arrow) to upload additional files.
- Click the **Download** icon (down arrow) to download the file being viewed.

SAP Lease Administration's data tagging functionality allows you to highlight areas of attached PDFs. Along with data tagging, users can also enter a comment for each field.

To add a data tag, follow these steps:

1. Click on the **Add Tag** icon to open the document panel.
2. Locate the information on the PDF document that needs to be tagged.
3. Create a box around the relevant information. As a result, an icon appears next to the associated field for each created tag as shown in Figure 7.5.

To add a comment, follow these steps:

1. Click on the **Comment** icon to open a dialog box where you may enter a comment related to that field. For example, you might add a note about the page where information may be found (e.g., “Information found on page 2/12”) or the internal user this field was reviewed by (e.g., “reviewed by VP leasing”).
2. Click on **Submit** to save the comment along with the associated user name, date, and time stamp for internal audit purposes.

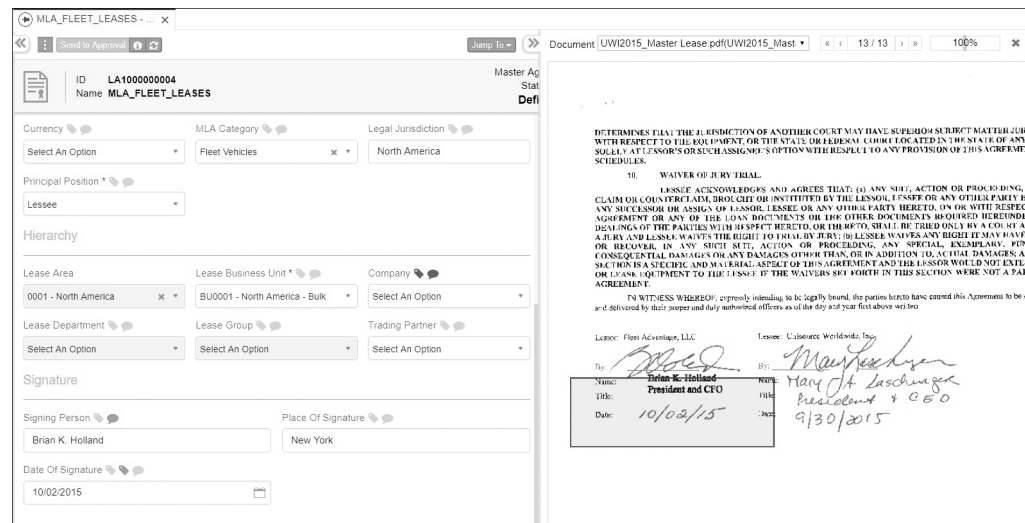


Figure 7.5 Data Tagging

The next page of the MLA creation workflow is the **Partners** page, shown in Figure 7.6. On this page, a user with the right security role (such as a lease administrator, for example) may add applicable lenders and suppliers to the master lease agreement. Lenders and suppliers are added for informational purposes only at this level. The lists of lenders and suppliers are based on the vendors configured in the ERP system for the company codes in the selected lease area. Lessors are added at the contract level.

Lease administrators may also add users that should be notified at each MLA event (such as a request for approval) in the **User Notifications** section, as shown in Figure 7.6. Note that any user with the appropriate role and access to the MLA or contract can perform the MLA or contract action; this section only determines who will receive the notification.

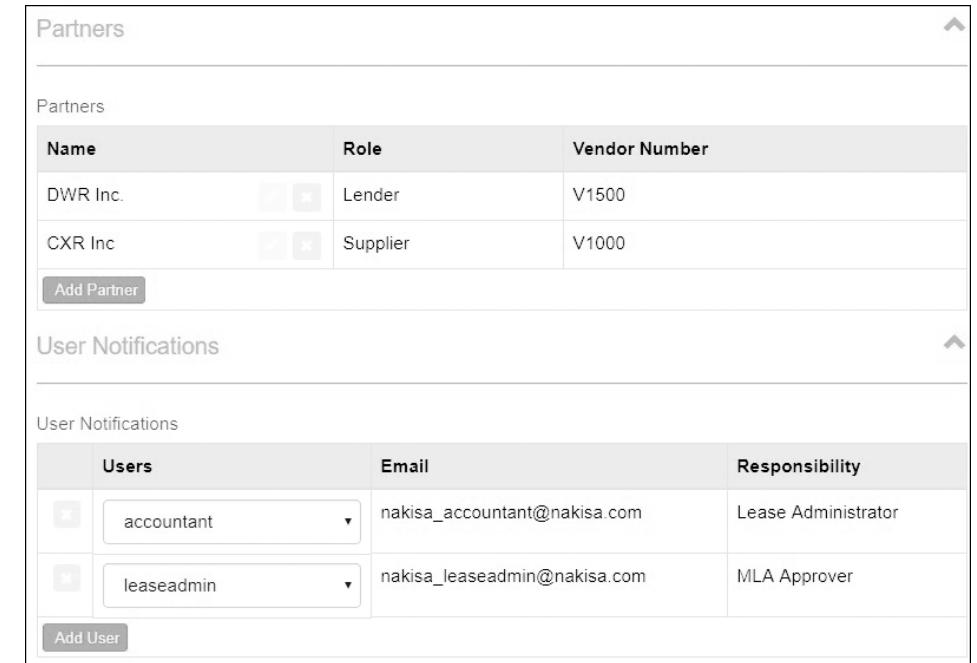


Figure 7.6 Partners Page of the MLA

7.1.2 Approving an MLA

When the MLA has been completed with all of the required information, the user with the right security role (e.g., the lease administrator) must request approval for the MLA by clicking on **Send to Approval** button found at the top of all pages within the MLA.

Once sent for approval, the *master agreement status* will change from “Define” to “Waiting for Approval.” The user with the approval security role (e.g., the VP of leasing), who has been added to the **User Notification** section of the MLA in the **Partners** tab, will automatically receive an alert in the notification center as well as an email notification.

Once ready for approval, the approver has the following options:

- Approve the MLA
- Discard the MLA
- Send the MLA back to be reworked
- Call back the approval if no contract has been added (available for approved MLAs only)

Once the MLA has been approved, the master agreement status will change from “Waiting for Approval” to “Active,” and new contracts may now be added under the umbrella of this MLA.

7.2 Contracts and Lease Components

Once an MLA has been approved, users such as lease administrators can create contracts; the list of contracts belonging to an MLA will appear in the **Contract List** page of the MLA.

Contracts make up all the financial information of a lease and include the terms and conditions of the identified asset(s). A single contract could have one or multiple lease components; the contract identifies the general information of a lease.

The asset is defined as a collection of *lease components* in SAP Lease Administration. Lease components identify the specific terms and conditions for the lease asset(s). For example, if a lease contract exists for trucks and trailers from the same lessor, and both have unique terms and conditions, then in SAP Lease Administration, one contract may be set up with two different lease components (one for trucks and the other for the trailers), and each of their terms and conditions can be set up individually.

Note that you can enter contracts and lease components manually in SAP Lease Administration, or alternatively mass upload the contracts and lease components via an Excel file.

In this section, we’ll walk through manually creating contracts and lease components in SAP Lease Administration.

7.2.1 Creating a New Contract

Once you’ve created an MLA, follow these steps to create a new contract:

1. From the MLA level, click the **Context Menu** button (three vertical dots) and then click **Create Contract**.

2. Select the year that the contract starts from the **Year** dropdown list, as shown in Figure 7.7.
3. The data in the **Lease Area** and **Lease Business Unit** fields are inherited from the MLA.
4. If the company code was not set in the MLA, then specify it in the **Company** field.
5. Based on the configuration defined by the system administrator, the data in the **Contract ID** field is generated based on the selected year and company code.
6. Enter a name for the contract in the **Contract Name** field.
7. Click **Submit**.

The screenshot shows a 'Create Contract' dialog box with the following fields and values:

- Year ***: 2017
- Lease Area**: 0001 - North America
- Lease Business Unit**: BU0001 - North America - Bulk
- Company ***: 1000 - CXR Inc.
- Contract ID ***: Autogenerated
- Contract Name ***: Vehicles Contract

Buttons: Cancel, Submit

Figure 7.7 Creating a New Contract

Once the contract has been created, five new pages will appear on the left-hand side of the screen:

1. **Lease Determination**: Identify the lease type.
2. **Definition**: Specify contract definitions such as hierarchy (if not defined at the MLA), legal information, and additional reporting details.
3. **Partners**: Define the lessor, supplier, and user notifications.
4. **Accounting**: Define the entry of financing terms of the lease along with cost objects.
5. **Lease Component List**: View all the lease components that belong to the contract.

Let’s walk through the actions you’ll take in each of these pages.

Lease Determination

Once a contract has been created, the user with the right security role (such as lease administrators or accountants) must complete the lease determination questionnaire to determine the lease type.

The list of questions available out of the box have been gathered from the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) to allow the end users to determine whether the contract being entered is a lease or not; as shown in Figure 7.8, these questions can also help identify whether the lease contains an identified asset, whether it is a service contract, whether the customer has the right to obtain substantially all of the economic benefits from the use of the asset, and so on. Based on the answers provided, SAP Lease Administration displays a suggested lease type on the **Lease Determination** page in the **Lease Type** field. If the lease determination is performed outside of SAP Lease Administration, then this step may be skipped, and the lease type may be selected in the contract **Definition** page.

The five lease types available in SAP Lease Administration are as follows:

- **Lease contract (fix)**

This lease type identifies that the contract qualifies as a lease. SAP Lease Administration will generate a right-of-use asset (ROU asset) and long-term lease liability once the lease is activated.

- **Lease short-term**

This lease type identifies that the contract qualifies as a short-term lease. SAP Lease Administration will generate an expense entry once the lease is activated. SAP Lease Administration will *not* generate an ROU asset or lease liability; instead, this lease will be treated as on an accrue-and-pay basis (in other words, the system will generate an accrual entry and make a payment when due). Per International Financial Reporting Standards 16 and Accounting Standards Codification 842 standards, a short-term lease contract has a lease term of 12 months or less. For ASC 842, if no extension or purchase options exist that the lessee is reasonably certain to exercise at lease start, the lease would still be considered a short-term lease.

- **Lease low value**

This lease type identifies that the asset being leased qualifies as a low-value asset. SAP Lease Administration will generate an expense entry once the lease is activated. SAP Lease Administration will *not* generate an ROU asset or lease liability; this lease will be treated as on an accrue-and-pay basis. Per IFRS 16, a low-value asset has a fair market value of \$5,000 or less when new. Per ASC 842, the fair market value of a low-value asset may differ for each company; the threshold is usually defined with an advisory firm.

- **Non-lease service contract**

This lease type identifies that the contract does not qualify as a lease; however, the contract may be tracked. SAP Lease Administration will generate an expense entry once the lease is activated. SAP Lease Administration will *not* generate an ROU asset or lease liability; instead, this lease will be treated as on an accrue-and-pay basis.

- **Non-lease**

This lease type identifies that the contract does not qualify as a lease; however, the contract may be tracked. SAP Lease Administration allows users to set up a contract with lease components, but no activation groups or units will be created. This lease type is maintained in the system only for reference purposes.

The screenshot displays the SAP Lease Determination Questionnaire for a Lease Contract (Fix). At the top, there is a progress bar showing 'Step 100%' and 'Overall 39%'. Below the progress bar, the contract details are shown: ID 171000100047, Name Vehicles Contract, Contract Phase Initial, Contract Status Define, and Step Overall 39%. The questionnaire consists of several questions with dropdown menus for answers:

- Does the lease contain an identified asset? Yes
- Is this a service contract? No
- Does the customer have the right to obtain substantially all of the economic benefits from use of the asset? Yes
- Who has the right to direct how and for what purpose the asset is used throughout the lease term? Customer
- Is the lease term less than 12 months with no purchase option (IFRS) or no purchase option that is likely to be exercised (US Gaap)? No
- Is the lease for a low value asset? No

At the bottom, the 'Suggested Lease Type' is 'Lease contract (fix)'.

Figure 7.8 Lease Determination Questionnaire for a Lease Contract (Fix)

Contract Definitions

Once the lease determination information has been entered, lease administrators or accountants can enter information on the contract's **Definition** page, which is divided into four sections: **General Information**, **Hierarchy**, **Groups**, and **Signature**. Let's look at each section in detail.

The contract identification fields are specified along with the contract currency. The following information is available in the **General Information** section, shown in Figure 7.9:

- The **Contract ID** field shows the generated ID.
- The **Contract Name** may be modified if needed.
- The **Created By** field indicates the user who created the contract.
- The **External Contract Reference** of the contract may be entered; for example, you might populate this field with a purchase order number.
- The **Description** of the contract may be entered.
- The **Validity Period From** and **To** fields are generated by the application based on the earliest expected start date and latest end date from the standard term category in the terms and conditions.
- The **Lease Type** shows the suggested lease type based on the lease determination questionnaire. If lease determination is performed outside of SAP Lease Administration, then users can select the lease type here.
- The **Contract Category** may be selected based on the preconfigured values in the AdminConsole.

General Information

Contract ID * 171000100047 Name * Vehicles Contract Created by power

External Contract Reference PO-900850 Description 36-months contract for the following assets:
(10) trucks
(4) vans
332 remaining characters

Validity Period From To

Lease Type * 01 - Lease contract (fix) Contract Category Budgeted Amendment Date

Contract Currency * CAD - Canadian Dollar Principal Position Lessee Form of Lease Full

Figure 7.9 General Information Section in the Contract Definition Page

- The **Amendment Date** is used to indicate whether a lease modification or reassessment was undertaken; this field will display the last date of modification.
- The **Contract Currency** must be defined (if not defined at MLA).
- The **Principal Position** is automatically set to “Lessee.”
- The **Form of Lease** may be selected based on the preconfigured values in the AdminConsole.

The **Hierarchy** page shown in Figure 7.10 is where the contract hierarchy is identified, if not already set at the MLA level. If the hierarchy *has* been defined at the MLA, then the contract inherits these details, which cannot be overridden. You can set different values for each contract in any optional fields not previously set in the MLA.

If the optional **Lease Department** and **Lease Group** fields are not set, this information can be set at the contract level. If the **Trading Partner** is specified, this data will be available in all general ledger postings for the contract.

Hierarchy

Lease Area 0001 - North America Lease Business Unit BU0001 - North America - Bulk Company Code 1000 - CXR Inc.

Lease Department DE001 - Treasury MTL Lease Group LG003 - Truck Trading Partner Select An Option

Figure 7.10 Hierarchy Section in the Contract Definition Page

On the **Groups** page, users can specify additional details that can be used for reporting purposes, internal coding, and/or lease identification. System administrators can modify the captions and list of values in the dropdown menus in the AdminConsole.

As shown in Figure 7.11, two dropdown fields (**Group 1** and **Group 2**) and two free text fields (**Group 3** and **Group 4**) are immediately available out of the box.

Groups

Group 1 01 - Standard Contract Group 2 03 - Other Group 3 Fleet Group 4

Figure 7.11 Groups Section in the Contract Definition Page

The final section of the contract **Definitions** page is the **Signature** section, where users may add signing information regarding the contract. The following fields are available:

- **Signing Person:** The name of the person signing the lease agreement
- **Place of Signature:** The location where the lease agreement was signed
- **Date of Signature:** The date when the lease agreement was signed

Contract Partners

After the contract **Definition** page comes the contract **Partners** page.

On the **Partners** page, the lease administrator can add applicable lessors and suppliers to the contract. Adding a lessor to the contract is mandatory since this information will be used during posting to identify the vendor, but you can only add one lessor per lease contract. Adding a supplier is optional, since this information will be used for informational purposes only. The dropdown list of lessors and suppliers on this page is loaded from the master data, which is synchronized with the SAP vendor master for the selected company code.

To add lessors and suppliers to the contract, follow these steps:

1. Open the contract and click **Partners** in the left-panel.
2. In the **Partners** section, click **Add Partner**.
3. Search for the required partner and set their role to either “Lessor” or “Supplier.”
4. Click **Submit**.

To edit, hover over the row for the partner that was just added and click on the row. The edit form will appear below the table. To add additional contact information, click on **Add Contact**. Enter the valid contact information and click **Submit**. The partner information will be saved, as shown in Figure 7.12.

Lease administrators may also add the users to be notified at each contract event (such as a request for approval). Note that any user with the appropriate role and access to the contract may perform the contract action. This section only determines who will receive the notification.

To add user notifications to the contract, follow these steps:

1. In the **Users** column, select the user that will receive the notification. The **Responsibility** is listed by default in the right column, as shown in Figure 7.13.
2. If required, click **Add User** to add additional users and responsibilities.

The screenshot shows the 'Partners' section of the SAP interface. It features a table with columns for Name, Role, and Vendor Number. Below the table is an 'Add Partner' button. A second table below shows a contact for 'DWR Inc.' with columns for Name, Position, Email, Phone, Address, and Description. An 'Add Contact' button is located below this second table.

Name	Role	Vendor Number
DWR Inc.	Lender	V1500
CXR Inc	Supplier	V1000

Name	Position	Email	Phone	Address	Description
George Carl	Accountant	George.Carl@SAP.COM	(514)878-0980	393 5th Avenue	-

Figure 7.12 Contacts in the Contract Partners Page

The screenshot shows the 'User Notifications' section of the SAP interface. It features a table with columns for Users, Email, and Responsibility. Below the table is an 'Add User' button.

Users	Email	Responsibility
businessown	nakisa_businessowner@nakisa.com	Assessment Approver
accountant	nakisa_accountant@nakisa.com	Classification Approver
exec	nakisa_exex@nakisa.com	Contract Approver
leaseadmin	nakisa_leaseadmin@nakisa.com	Lease Administrator

Figure 7.13 User Notifications in the Contract Partners Page

Contract Accounting Information

The fourth page you'll see when creating a new contract is the **Contract Accounting Information** page. On this page, users with the right security roles (such as lease

administrators or accountants) can enter accounting information for the contract to identify the interest calculation methods and the cost object.

The accounting page is divided into four different sections: **Financing Terms**, **Default Cost Object**, **Payable**, and **Accounting Standards**.

Financing Terms

In this section, you'll identify the interest calculation drivers of the contract. Let's walk through the fields available in this section, which are shown in Figure 7.14:

- The **Contract Rate (%)** may be entered if known. In this field, the contract implicit rate, which is provided by the lessor, can be entered. This rate will be used to calculate the *present value of minimum lease payments* (PVMLP) and the periodic accrued interest values. If the rate is not provided by the lessor, this field may be left blank, and the *incremental borrowing rate* (IBR), which is maintained in the AdminConsole, will be used for calculations instead. The IBR will be populated once the lease is assessed based on the company code, validity period, and contract length. Chapter 4, Section 4.3.2, includes additional details on setting up the IBR.

Note that the **Contract Rate (%)** field is only enabled when the lease type is **Lease contract (fix)**; the field is disabled for short-term leases, low-value leases, non-lease service contracts, and other non-lease contracts.

- Setting the *consumer price index* (CPI) in the **CPI/Indexation** field, which determines the type of indexation, is optional. The values are defined in the AdminConsole.
- Selecting the **Embedded Derivative** checkbox is optional. This field is used for informational purposes only.
- The **Compounding Frequency** identifies the number of times that interest is calculated. Six compounding frequencies are available out of the box: **Daily**, **Monthly**, **Bi-Monthly**, **Quarterly**, **Semi-Annually**, and **Annually**.
- Selecting the **360 Convention** checkbox is optional. This convention assumes a year contains 30 days in a month and 360 days a year. If this checkbox is not selected, the calculation will be based on the actual number of days for each month.
- Select the **Payments in Arrears** checkbox if the terms and conditions in the contract are in arrears (on the last day of the month).

The screenshot shows the 'Financing Terms' section of a contract accounting page. It contains several input fields and checkboxes:

- Contract Rate (%)**: A text input field containing '0.000'.
- CPI/Indexation**: A dropdown menu with 'Select An Option' selected.
- Embedded Derivative**: An unchecked checkbox.
- Compounding Frequency ***: A dropdown menu with '02 - Monthly (12)' selected.
- 360 Convention**: A checked checkbox.
- Payments in Arrears**: An unchecked checkbox.

Figure 7.14 Financing Terms Section of the Contract Accounting Page

Default Cost Object

In this section, you'll set default values for the cost objects related to the posting of the lease. At the activation group level, certain cost objects may be overridden. The following fields are available in this section and shown in Figure 7.15:

- The data in the **Company Code** field is set at either the MLA or contract level. This field cannot be modified and is available for information purposes.
- The default **Cost Center** must be selected. The cost center is an organizational unit within a controlling area that represents a defined location where costs are incurred.

However, some fields in the **Default Cost Object** section are optional, such as:

- The **WBS** (work breakdown structure) field represents a model of the project that organizes project tasks into a hierarchy. The WBS can also be a cost collector for the corporation.
- The **Functional Area** field is used to analyze cost-of-sales accounting. This field allows users to analyze the organization's expenses by functional area (such as finance, marketing, production, and human resources).
- The **Business Area** field is used to differentiate transactions that come from different lines of business in a company.
- To use internal orders in SAP, select the **Track Costs** checkbox and select the **Internal Order Type**. To generate internal orders in SAP, leave the **Internal Order** field empty; SAP Lease Administration will display the internal order value once the order has been created in SAP. To use an existing internal order from SAP, select the required one from the **Internal Order** dropdown menu.

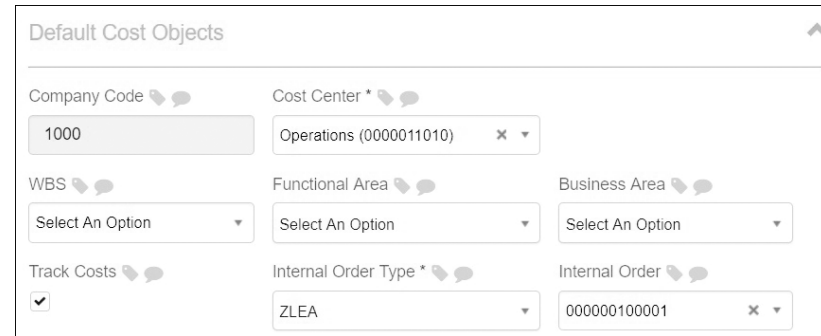


Figure 7.15 Default Cost Objects Section of the Contract Accounting Page

Payable

In the **Payable** section shown in Figure 7.16, you'll be able to choose whether the contract will generate an accounts payable entry directly in the Accounts Payable (AP) module or to the SAP General Ledger (GL) module of SAP ERP.

The following fields are available in this section:

- The **Vendor** field displays the lessor selected on the **Partner** page.
- The **Contract Currency** field displays the currency selected on the **Definition** page.
- The **Generate Vendor Invoices** checkbox determines how payable entries will be posted in SAP. If this checkbox is selected, SAP Lease Administration will generate an entry directly in the AP module, where the vendor accounts payable will be credited with the total payment value of the invoice. If this checkbox is not selected, SAP Lease Administration will make a general ledger posting only, where the credit line item of the journal entry will be offset by a clearing or reconciliation account. If the AP process is in place prior to implementing SAP Lease Administration is satisfactory and does not need to change, you should deselect the **Generate Vendor Invoices** checkbox if it had been selected.

In addition, you can set the following fields only if the **Generate Vendor Invoices** checkbox is selected:

- The **Payment Terms** field allows users to select the term for determining when the invoice is due for payment (e.g., pay 30 days after receiving the invoice). This field may be different from the default payment terms of the lessor (vendor).
- The **Tax Code** field specifies the SAP tax code that is assigned to the posting transaction. This information represents the rate of the city/region/province where the goods are used.

- The **Tax Jurisdiction** field specifies the SAP tax jurisdiction that is assigned to the posting transaction. This information represents a geographical area in countries where taxes are levied at more than one level.

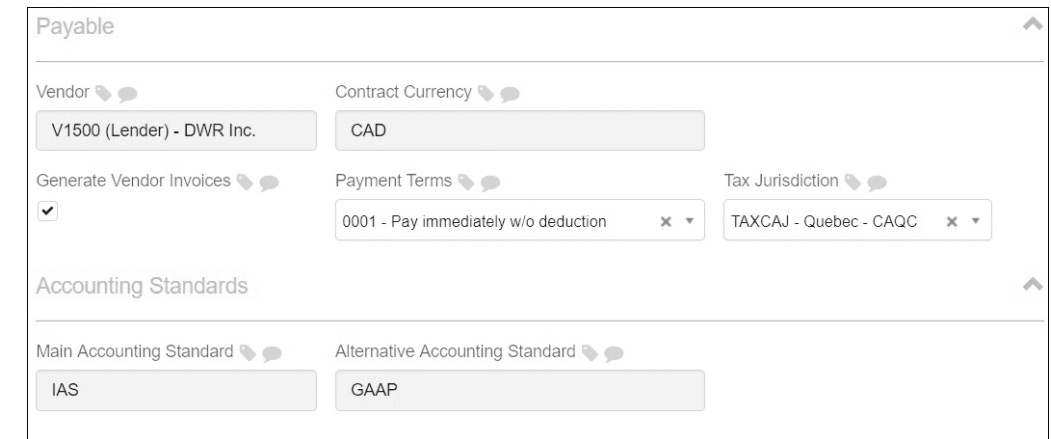


Figure 7.16 Payable and Accounting Standards Sections of the Contract Accounting Page

Accounting Standards

The last section of the contract **Accounting** page is the **Accounting Standards** section, which displays the main and alternate accounting standards for the selected company code, as shown in Figure 7.16. The accounting standards for each company code are configured in the AdminConsole. One company code could be associated with multiple accounting standards depending on the SAP system configuration. SAP Lease Administration supports current and future accounting standards from the IASB (i.e., IAS 17 and IFRS 16) and following United States Generally Accepted Accounting Principles (i.e., ASC 840 and ASC 842).

7.2.2 Creating a New Lease Component

Once you've set up the mandatory fields for the contract, you can set up a lease component by following these steps:

1. From the contract level, click the **Context Menu** icon (three vertical dots) and then click **Create Lease Component**.
2. Based on the configuration defined by the system administrator, the data in the **Lease Component ID** field is generated based on the year and company code.
3. Enter a name for the lease component in the **Name** field shown in Figure 7.17.

4. Click **Submit**.

Figure 7.17 Creating a New Lease Component

Once the lease component has been created, three new pages will appear on the left-hand side of the screen:

- **Definition:** Set the lease component definitions, such as asset class, fair market value, and number of assets.
- **Terms & Conditions:** Define the minimum lease payments and other financial terms and conditions.
- **Activation Group List:** View all the activation groups that belong to the contract and lease component.

Let's walk through the actions you'll take on each of these pages.

Lease Component Definitions

On the lease **Definition** page, you must identify the type of asset(s) being leased and any carry-over values. The **Definition** page is divided into two different sections: **Definition** and **Carry-Over Balance per Unit**.

In the **Definition** section shown in Figure 7.18, you'll identify the asset(s) being leased and may include additional asset parameters.

The following fields are available in this section:

- The **Lease Component ID** is automatically generated, based on the year and company code.
- Modify the **Name** field if needed.
- The **Quantity** field indicates the number of assets being leased that share the same terms and conditions. The maximum allowed quantity per lease component is 100 units, unless the lease component is managed as a bulk asset (explained later in this section).

Figure 7.18 Definition Section of the Lease Component Page

- Select the **Unit of Measure** for the quantity field. This field is configured in the AdminConsole by the user administrator.
- Select the **Asset Class**. This field is configured in the AdminConsole by the user administrator, when SAP Lease Administration asset classes are mapped to SAP asset classes.

Note that the **Asset Class** field is only available if the lease type is **Lease contract (fix)**; this field is disabled for other types of contracts.

- The **FMV/Unit** is the *fair market value* (FMV) per unit and represents the value of the asset as though the asset were being sold on the market. This field is optional and is used to determine the accounting classification for the asset.

Note that the **FMV/Unit** field is only available if the lease type is **Lease contract (fix)**; this field is disabled for other types of contracts.

- The **Currency** field displays the currency defined at the MLA or contract level.
- The **Useful Life (Months)** is automatically populated based on the configured values per asset class, where each asset class has a specific useful life associated with it. The useful life represents the timeline used for depreciating an asset.

Note that the **Useful Life (Months)** field is only available if the lease type is **Lease contract (fix)**; this field is disabled for other types of contracts.

- Select the **Componentization** checkbox to break down the leased asset into subassets. This functionality can be used if a leased asset has multiple subassets with different FMVs and depreciate using different useful lives.

A good example of componentization is a lease contract for an airplane, where multiple subassets exist such as the engine, seats, and the body. Each of these subassets

depreciate using different useful lives and FMV. The componentization functionality generates separate asset numbers for each subasset (in SAP Lease Administration and SAP ERP's fixed asset module, Asset Accounting [FI-AA]) to better track the depreciation. This functionality is only available for finance lease compliance under IFRS 16 and ASC 842, as required by IASB and FASB. With regard to lease liability and the payment schedules, only one entry and one payment schedule will be generated.

If the **Componentization** checkbox is selected, you must set the **Quantity** field to "1" and click on **Add New Sub-Component**, where the following fields must be completed:

- The **Sub-component ID** is automatically generated.
- A **Description** for the subcomponent can be entered.
- The **Quantity** field is automatically set to "1."
- The **PVMLP (%)** must be entered. The PVMLP represents the percent value of the subasset in comparison to the total asset value.
- The **Asset Class** must be selected.
- The **GRV% Split** must be entered. This value represents the percent value of the subasset's *guaranteed residual value* (GRV) in comparison to the total GRV of the asset. If there is no GRV, this field may be set to "0."
- The **Useful Life (Months)** is automatically populated based on the configured values for the asset class.

Click **Submit** and repeat the same steps for all subassets.

- Select the **Bulk Asset** checkbox to indicate that the assets should be managed as a group rather than individual units. If this field is selected, only one asset will be generated when the lease is activated (in SAP Lease Administration and FI-AA). For lease liability and payment schedules, only one entry and one payment schedule will be generated.

Note that the **Bulk Asset** option is only available if the lease type is **Lease contract (fix)**; this checkbox is disabled for other types of contracts.

- The **Asset Retirement Obligation** checkbox may be selected if the payment amount associated with the retirement of the leased asset at lease end is known.

Note that the **Asset Retirement Obligation** field is currently available for informational purposes and is only available if the lease type is **Lease contract (fix)**; this checkbox is disabled for other types of contracts.

The second section of the **Definition** page is the **Carry-Over Balance per Unit** section, shown in Figure 7.18.

When bringing in contracts that have already started and were not entered in SAP Lease Administration at inception, the carry-over balance information may be defined in the lease component.

The following fields are available in this section:

- The **Company Asset GBV** field is where the asset's *gross book value* (GBV) on the contract date may be entered into SAP Lease Administration in the company code currency.
- The **Company Asset AD** field is where the *accumulated depreciation* (AD) on the contract date may be entered into SAP Lease Administration in the company code currency.
- The **Lease Asset GBV** field is where the asset's GBV on the contract date may be entered into SAP Lease Administration in the contract currency.
- The **Lease Asset AD** field is where the AD on the contract date may be entered into SAP Lease Administration in the contract currency.

Since both the GBV and AD values are entered, SAP Lease Administration will calculate the *net book value* (NBV), which is the difference between GBV and AD. The NBV will override the asset opening value on the lease activation date.

Lease Component Terms and Conditions

Users such as lease administrators and accountants must enter terms and conditions in the lease components. The terms and conditions represent payments that are agreed upon with the lessor in the contract agreement. This information will be pushed down to the activation groups, where users will be able to specify which terms will likely be exercised at lease inception.

Six term types are available in SAP Lease Administration to identify the lease payments:

- **Standard**
Minimum lease payments. The payments can be fixed (i.e., the same payment amounts throughout the lease term) or variable (i.e., different payment amounts, such as escalating or sawtooth payments, throughout the lease term—variable payments may be imported through the Excel template). This term is mandatory and is the first term that must be set up; once entered, other payment terms are enabled and then defined.

Additional standard terms are available:

- Extension payments: Lease renewal period to prolong the base rent
- Supplemental payments: Additional lease payment amounts, to be added to the base rent
- Reduction: Deduction in lease payment amounts, to be reduced from the base rent

■ **Prepaid**

Prepayment prior to lease commencement.

■ **Index**

The incremental payment due to changes in index/rate can be entered.

■ **Incentive**

In-cash or in-kind incentives, such as free rent period(s).

■ **Initial direct costs**

Initial direct costs (IDC) encountered at lease commencement.

■ **Lease end**

Termination prior to contract end date with a payment amount. Purchase option of the leased asset.

Note that a single lease component can have multiple terms and conditions set up, as shown in Figure 7.19.

Name	Category	Lease Amount / Unit	Non Lease Amount / Unit	Total Amount / Unit	Contract Currency	Amount Frequency	Payment Frequency	First Payment Date	Last Payment Date	GRV / Unit
Base Rent	Standard Term	500.00	50.00	550.00	CAD	OneTime	Monthly	Jan 1, 2017	Dec 31, 2019	0.00
Extension 1	Standard Term	475.00	50.00	525.00	CAD	OneTime	Monthly	Jan 1, 2020	Dec 31, 2020	0.00
Extension 2	Standard Term	475.00	50.00	525.00	CAD	OneTime	Monthly	Jan 1, 2021	Dec 31, 2021	0.00
Initial Direct cost (IDC)	Initial Direct Cost	0.00	100.00	100.00	CAD	OneTime	OneTime	Jan 1, 2017	Jan 1, 2017	0.00
Termination Option	Lease End	800.00	0.00	800.00	CAD	OneTime	OneTime	Jul 1, 2018	Jul 1, 2018	0.00

Figure 7.19 Lease Component with Multiple Term Types

Let's set up new standard terms for base rent as an example. Note that, if you set up term types other than standard terms, the page will look identical; however, certain fields will be disabled based on the accounting impact that the term has. For example, if an IDC term is selected, the contract has a one-time payment payable at lease commencement. SAP Lease Administration will set the **Amount Frequency** and **Payment Frequency** fields to **One Time** by default, and users will not be allowed to edit these values.

To add a base rent term, follow these steps while referring to Figure 7.20:

1. From the lease component's **Terms & Conditions** page, click on **Add New Term • Standard Term**.
2. In the **Term Type** field, select **Base Rent**.
3. The **Name** field defaults to the **Term Type** ID, but can be modified.
4. Enter the lease payment amount in the **Lease Amount/Unit** field. This value will be used to calculate the present value of the minimum lease payment.

Figure 7.20 Standard Term with a Non-Lease Amount in the Lease Component Terms & Conditions Page

5. Enter the payment amount related to an expense tied to the lease in the **Non-Lease Amount/Unit** field. This amount will not impact the calculation of the *present value of minimum lease payments* (PVMLP). For example, these amounts may represent payments for services, maintenance, or any other kind of accommodation fee. The non-lease amount must be allocated to expense categories that are defined in the AdminConsole, where each expense category is mapped to a GL account. The amount can be split between different categories through amount or percent.
6. The **Total Amount** field displays the sum of the lease and non-lease amounts entered.
7. The **Contract Currency** field displays the currency selected at the MLA or contract.
8. The **Amount Frequency** field indicated the rate at which the total amount is applied. The list of values available for amount frequency include: **OneTime, Day, Month, and Year**. For example, when an asset with a daily rate is leased, such a drill rig, SAP Lease Administration will calculate the payment amount at the end of the payment period using the daily rate specified.
9. The **Payment Frequency** field indicates how frequently payments will be made. The following values are available for payment frequency: **OneTime, Bi-Monthly, Monthly, Quarterly, Semi-Annually, and Yearly**.
10. Specify the date of the first payment in the **First Payment Date** field.
11. By default, the system will use the most recent payment in the **Last Payment Date** field.
12. The **GRV/Unit** may be entered if a maximum GRV exists.
13. Enter the lease term in the **Term (months)** and **Term (days)** fields.
14. Enter the expected lease start date in the **Expected T&C Start Date** field.
15. By default, the system will populate the data in the **Expected T&C End Date** field.
16. The **Lessor Notification Date** field may be configured in the AdminConsole to generate notifications to internal users or external contacts to alert them that this lease is nearing its end.

7.2.3 Approving Contracts and Lease Components

Once you've entered the lease contract details and completed all the lease components, your contract is ready for approval.

The approval must occur at the contract level and not the lease component level because one contract can have one or more lease components that should be

approved only once. Think back to the example of the trucks and trailers leased out where two different lease components belong to the same contract. Once details about the trucks' and trailers' terms and conditions are entered, you must go back to the contract level to approve both the lease components at once.

Thus, to start the approval process, the user with the right security role (such as a lease administrator, for example) must request approval for the contract by clicking on the **Send to Approval** button found at the top of all pages on the contract level. Once sent to approval, the contract's status will change from "Define" to "Waiting for Approval." Another user with the approval security role (e.g., the VP of leasing) who has been added to the **User Notification** section of the contract in the **Partners** tab will automatically receive an alert in the notification center as well as receive an email notification.

Once ready for approval, the approver has the following options, as shown in Figure 7.21, which are available on at the top of all SAP Lease Administration pages by clicking the information icon (the blue "i"):

- Approve the contract
- Discard the contract approval
- Send back the contract to be reworked
- Call back the approval if the activation group has not yet been activated (applies for approved contracts only)

Once the contract has been approved, the contract's status will change from "Waiting for Approval" to "Active." The only remaining step is to close the contract.

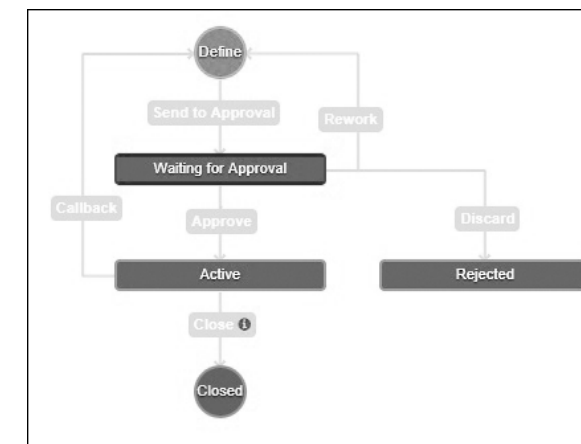


Figure 7.21 Contract Approval Workflow

Contents

Foreword	15
Preface	17
Introduction	19
1 Lease Accounting Basics	41
1.1 Building Blocks of a Lease	41
1.1.1 Identified Asset	42
1.1.2 Right of Use of an Asset	43
1.1.3 Lease Modification	44
1.2 Lessee Accounting	45
1.2.1 Lease Classification	45
1.2.2 Initial Recognition and Measurement	48
1.2.3 Reassessment and Subsequent Measurement	55
1.2.4 Capital Lease/Asset Impairment	59
1.2.5 Operating Lease	61
1.3 Lessor Accounting	62
1.3.1 Lease Classification	63
1.3.2 Lease Components versus Non-Lease Components	65
1.3.3 Revenue, Including Variable Consideration	66
1.3.4 Collectability	67
1.3.5 Initial Recognition and Measurement at Contract Lease Start Date	68
1.3.6 Recognition and Measurement Re-Assessment/Modification of the Lease	69
1.3.7 Impairment	71
1.3.8 Sales-Type and Direct Financing Leases	72
1.4 Summary	73

2	Evaluating Compliance Readiness	75
2.1	Leasing Requirements	75
2.1.1	Non-Movable Leases	76
2.1.2	Movable Leases	78
2.2	Master Data	78
2.2.1	What Kind of Data Do You Have?	78
2.2.2	Where Is Your Data Located and How Is It Stored?	80
2.2.3	How Do You Access Your Data for Lease Contracts?	81
2.2.4	How Do You Organize Contracts?	82
2.2.5	How Should You Prepare for Data Migration?	87
2.3	Business Processes	90
2.3.1	Fixed Assets	91
2.3.2	Procure-to-Pay	93
2.3.3	Plant Maintenance and Materials Management	94
2.3.4	General Ledger Accounting	95
2.4	System Changes	96
2.4.1	Integration with an Existing ERP System	97
2.4.2	Lease Lifecycle in the System	99
2.4.3	Disclosures and Reporting	104
2.5	Summary	108
3	Managing Your Leasing Project	109
3.1	Defining the Scope	109
3.1.1	Choosing Business Processes and Functions	109
3.1.2	Determining Project Duration	110
3.1.3	Managing Risks	111
3.2	Establishing Timelines and Deliverables	112
3.2.1	Choosing a Project Management Strategy	113
3.2.2	Planning Project Phases	120
3.2.3	Setting Project Timelines	123
3.2.4	Leveraging Accelerators	124

3.3	Choosing Your Team	130
3.3.1	Internal Personnel	130
3.3.2	External Consulting	133
3.4	Setting Your Budget	134
3.4.1	Implementation Teams	134
3.4.2	Software and License Fees	136
3.4.3	Hardware Costs	137
3.4.4	Maintenance Costs	137
3.4.5	Contingencies	138
3.5	Kicking Off Your Project	142
3.5.1	Setting the Stage	143
3.5.2	Establishing Project Management Tools	143
3.5.3	Defining Standards and Procedures	143
3.5.4	Distributing Responsibilities	144
3.5.5	Communicating Project Milestones	145
3.5.6	Managing Business Expectations	145
3.6	Summary	145
4	Implementing SAP Lease Administration by Nakisa	147
4.1	Before You Begin	147
4.1.1	Choosing an Implementation Tool	148
4.1.2	Checking General Prerequisites	152
4.1.3	Outlining Customer-Specific Requirements	153
4.1.4	Exploring the AdminConsole	154
4.1.5	Reviewing Best Practices	155
4.2	Settings Tab	157
4.2.1	Settings	158
4.2.2	Roles	159
4.2.3	Data Connections	163
4.2.4	Additional Field Settings	164

4.3	Master Data Configuration	167
4.3.1	Application Configuration	168
4.3.2	System Configuration	171
4.4	Data Management	203
4.5	Build Management	208
4.6	Schedule Jobs and Thresholds	211
4.7	Field Management	213
4.8	Caption Editor	214
4.9	Logs and RFC Traces	215
4.10	Summary	218
5	Configuring SAP Flexible Real Estate Management for Lease Valuations	219
5.1	Basic Settings for Balance Sheet Valuation	222
5.2	Balance Sheet Valuation of Contracts	226
5.2.1	Control Settings for Each Contract Type in a Company Code	226
5.2.2	Screen Sequence for Entering Contracts in SAP RE-FX	227
5.2.3	Valuation Relevance	230
5.2.4	Valuation Rules	230
5.2.5	Condition Valuation Groups	234
5.2.6	Valuation Object-Dependent Control Parameters	238
5.2.7	Assignment of Asset Transaction Type to Real Estate Flow Type	239
5.3	Account Determination	240
5.3.1	Asset Posting	242
5.3.2	Clearing Posting	252
5.3.3	Interest Posting	255
5.3.4	Transfer Posting	258
5.4	Special Topics	262
5.4.1	Parallel Accounting for Multiple Accounting Principles	262
5.4.2	Changing Account Determination for Periodic Posting	263
5.4.3	Asset Accounting	264

5.4.4	Controlling	265
5.4.5	New Authorization Objects for Valuation	265
5.5	Summary	266
6	Transition Accounting	267
6.1	Practical Expedients	268
6.1.1	Definition of a Lease	269
6.1.2	Transition for Lessors	270
6.1.3	Transition for Lessees	271
6.1.4	Recognition Exemption	271
6.1.5	Sale-and-Leaseback Transactions	272
6.2	Choosing a Transition Approach	274
6.2.1	The Full Retrospective Approach	274
6.2.2	The Modified Retrospective Approach	275
6.3	Adopting the Modified Retrospective Approach	276
6.3.1	Lease Liability for Operating Leases	277
6.3.2	Right-of-Use Asset for Operating Leases	277
6.3.3	Lease Liability and Right-of-Use Asset for Finance Leases	278
6.3.4	Practical Expedients	278
6.4	Summary	280
7	Managing Leases with SAP Lease Administration by Nakisa	281
7.1	Master Lease Agreement	282
7.1.1	Creating a New MLA	282
7.1.2	Approving an MLA	287
7.2	Contracts and Lease Components	288
7.2.1	Creating a New Contract	288
7.2.2	Creating a New Lease Component	299
7.2.3	Approving Contracts and Lease Components	306

7.3	Activation Groups and Units	308
7.3.1	Managing an Activation Group	309
7.3.2	Activating a Lease	318
7.4	Lease Event Management	325
7.4.1	Reassessing Activation Groups	325
7.4.2	Applying a Casualty Activation Groups	327
7.4.3	Replacing a Unit in the Activation Groups	328
7.4.4	Modifying a Lease Contract	329
7.4.5	Applying a Contract Change	330
7.5	Summary	331
8	Managing Leases with SAP Flexible Real Estate Management	333
8.1	Lease Valuation Data	337
8.1.1	General Data	337
8.1.2	Partners	339
8.1.3	Terms	340
8.1.4	Objects	341
8.1.5	Conditions	342
8.2	Valuation Rules and Calculations	346
8.2.1	Assigning Valuation Parameters	346
8.2.2	Performing and Viewing Valuations	351
8.2.3	Running Valuation Reports	356
8.3	Valuation Postings	357
8.3.1	Posting Contract Valuations	359
8.3.2	Reversing Contract Valuations	363
8.3.3	Depreciating Right-of-Use Assets	363
8.3.4	Deactivating Leased Assets	363
8.4	Lease Modifications and Updates	365
8.5	Reporting and Disclosure Statements	366
8.5.1	Displaying and Maintaining Valuation Rules	366
8.5.2	Viewing Leased Assets for Contracts	369

8.5.3	Displaying Contract Valuations	370
8.5.4	Reclassifying Liabilities	371
8.6	Summary	372
9	Disclosures, Reporting, and Analytics	373
9.1	Standard Required Disclosures	373
9.1.1	Lease Cost	374
9.1.2	Right-of-Use Assets and Lease Liabilities	374
9.1.3	Differences between ASC 842 and IFRS 16	376
9.2	Reporting and Analytics with SAP RE-FX	377
9.2.1	Contracts	377
9.2.2	Conditions	380
9.2.3	Cash Flows	380
9.2.4	Periodic Postings	380
9.2.5	Balance Sheet Valuation of Contracts	381
9.2.6	Right-of-Use-Assets	382
9.2.7	Lease Liabilities	383
9.3	Reporting and Analytics with SAP Lease Administration by Nakisa	385
9.3.1	Disclosure Reports	385
9.3.2	Management Reports	389
9.3.3	Transaction Reports	391
9.4	Summary	393
10	Key Industry Considerations	395
10.1	Healthcare	395
10.2	High-Tech	399
10.3	Air and Defense	401
10.4	Summary	404

Conclusion	405
-------------------	-----

Appendices	413
-------------------	-----

A IFRS 16 and ASC 842 FAQs	413
---	-----

B The Authors	423
----------------------------	-----

Index	427
-------------	-----

Index

A

Accelerated SAP (ASAP)	112, 407
Accelerators	124
Account assignment	348
Account determination	239, 240, 263
<i>Mapping</i>	198
<i>Value</i>	245
Account symbol	243, 253, 256, 261
Accounting document	242, 255
Accounting principle	360
Accounting standard	180
Accounting system	223
Accounts payable (AP)	93, 98, 298, 406
Accounts receivable (AR)	96
Accrual posting	324
Accumulated depreciation (AD)	303, 316
Acquisition and production cost (APC)	91
Activation date	308, 309, 316, 322
Activation group	80, 281, 308
<i>Accounting</i>	309, 310
<i>Accounts payable</i>	311
<i>Activation</i>	321
<i>Approval</i>	319
<i>Assessment</i>	319
<i>Casualty event</i>	327
<i>Charge list</i>	309, 317
<i>Classification</i>	309, 312, 321
<i>Company tax</i>	311
<i>Cost objects</i>	311
<i>Definition</i>	309
<i>Financing terms</i>	311
<i>Journal entries</i>	324
<i>Management</i>	309
<i>Reassessment</i>	325
<i>Terms and conditions</i>	309, 311
<i>Unit list</i>	309, 314
Activation unit	308
ACTVT (activity)	266
AdminConsole	154, 205, 324, 326
Agile development	114, 118
Agreement group	283
Air and defense (A&D) industry	401
Amendment date	329
Amortization	25, 28
Amount frequency	304, 306
Application Config template	170
Application settings	169
ASAP 8	112, 120
<i>Methodology</i>	407
<i>Roadmap</i>	113, 128
ASC 840	24
ASC 842	19, 45
<i>ASC 840 vs. ASC 842</i>	24
<i>Finance lease</i>	387
<i>Lease definition</i>	25
<i>Lessee accounting</i>	25
<i>Lessor accounting</i>	24, 26
<i>Operating lease</i>	387
<i>Short-term leases</i>	25
Asset accountant	98
Asset accounting (FI-AA)	90, 91, 98, 227, 233, 264, 302, 349, 406
Asset capitalization	323
Asset class 192, 196, 238, 248, 264, 301, 316, 364	
Asset depreciation	325
Asset design	22
Asset identification	335
Asset impairment	59
Asset operation	22
Asset posting	241, 242
Asset reception date	322
Asset retirement obligation	302
Asset transaction	242, 246
Asset transaction type	239
Asset transfer variant	191
Asset transition schedule	321
Asset use	22, 24
Assets under construction (AUC)	25, 248
Authorization objects	265
Authorization profile	171

B

Balance sheet valuation	219, 226
Balance-sheet capitalization	231, 233

Base unit	248
Beginning date	51, 68
Biological assets	20, 25
Blueprint phase	110, 113, 121, 128
Budget	111, 134
BUKRS (company code)	265
Bulk asset	302
Burndown chart	117
Business Data Toolset (BDT)	228
Business partner	339
Business processes	75
Business unit	153, 183
Buyer-lessor	27, 413
C	
Calculation object	343
Capital lease	59
Capitalization	418
Capitalization threshold	419
Carry-over balance	300, 303, 313
Cash flow	19, 352, 357, 366, 395
Casualty amount	328
Casualty event	325
CERULE (valuation rule)	266
Charge type	318
Chart of accounts	250
Chart of depreciation	250
Classification	180
Clearing posting	241, 252
Commencement date	101
Company code	153, 173, 182, 223, 226, 238, 337, 360
Componentization	301
Compounding frequency	296
Condition	230, 342
Condition calculation	345
Condition calculation formula	345
Condition change	366
Condition consideration	237, 347, 349, 350
Condition currency	344
Condition purpose	343
Condition terms	345
Condition type	235, 237, 343
Condition valuation group	230, 234
Condition valuation property	236, 237, 350
Consumer price index (CPI)	54, 69, 296, 351
Contract	79, 360
<i>Accounting</i>	289
<i>Accounting information</i>	295
<i>Accounting standards</i>	299
<i>Accounts payable</i>	298
<i>Approval</i>	306
<i>Contract definition</i>	289, 291
<i>Contract partner</i>	289, 294
<i>Creation</i>	288
<i>Default cost object</i>	297
<i>Definition</i>	289
<i>Financing terms</i>	296
<i>Lease component list</i>	289
<i>Lease determination</i>	289, 290
Contract change	325, 330
Contract combination	86
Contract currency	293, 298, 306, 338
Contract hierarchy	293
Contract list	288
Contract management	102
Contract modification	325, 329
Contract number	363
Contract rate	296, 328
Contract start date	374
Contract type	228, 239, 337, 360
Contract valuation	363
<i>Displaying</i>	370
<i>Posting</i>	359
<i>Reversing</i>	363
Controlling area	226
Controlling document	255
Cross-company code configuration	177, 178
Customer Service (CS)	94
D	
Daily scrum	118
Data analysis	88
Data cleansing	88
Data collection	88
Data loading	89
Data migration	87
Data reconciliation	89
Data tagging	285
Data transformation	88

Data validation	88
Data verification	89
Deployment Guide	151
Depreciation area	193
Depreciation key	264
Depreciation period	69
Depreciation run	264
Differentiation criteria	238
Digital media file types	80, 82
Direct balance-sheet postings	227
Direct finance lease	24, 26, 67, 72
Disclosure	28, 34, 104, 420
<i>ASC 842</i>	105, 107, 421
<i>ASC 842 vs. IFRS 16</i>	376
<i>IFRS 16</i>	105, 107, 421
<i>Lease cost</i>	374
<i>Lease liability</i>	374, 375
<i>Right-of-use asset</i>	374
<i>Standard requirements</i>	373
Discount rate	279
Dismantle/remove/restore costs	49
Docker	150
Document date	322
Document type	197
Dual classification	24
Dual lessor accounting model	62
Dunning	96
E	
Early adoption	28, 267, 268, 419
Early buyout	326
Early termination	326
EBITDA	20, 396, 400
Economic benefits	22, 24, 43
Economic incentive	47, 57
Effective date	27, 83, 267, 419
<i>ASC 842</i>	267, 419
<i>IFRS 16</i>	20, 267, 419
Elasticsearch	150
End date	309, 316
End of usage	348
Equipment	19
Equipment leases	75
Event management	325
Exchange rate type	196
Expected payment	51
External asset class mapping	193
F	
F_RECE_CD (valuation term and conditions)	265
F_RECE_PO (valuation postings)	265
F_RECE_PR (valuation process)	265
F_RECE_TM (valuation term)	265
Fair market value (FMV)	301
Fair value model	375
Field group	228
File type	80
Final preparation phase	114, 122
Finance lease	20, 25, 45, 84
Financial Accounting (FI)	90, 95
Financial Accounting Standards Board (FASB)	19, 24
Financial schedules	319
Financial statement	104
Fixed future payment	375
Fixed lease payment	53, 69
<i>In-substance</i>	52, 54
Flow type	233, 239, 243, 256, 259
Foreign currency	339
Formula	344
Frequency term	348
Full retrospective approach	28, 34, 268, 274
G	
General Ledger (GL)	91, 98, 298, 406
General ledger account	90, 95, 245, 254, 257, 261
Go-live and support phase	114
Grandfather assessment	268, 269
Gross book value (GBV)	303
Group responsible	360
Guaranteed residual value (GRV)	302
H	
Hardware costs	137
Healthcare industry	395
HGB	230

- High-tech industry 399
Hindsight 269, 280
- I**
- IAS 1 274
IAS 7 (Statement of Cash Flows) 374
IAS 8 (Accounting Policies, Changes in Accounting Estimates, and Errors) 28, 34, 35
IAS 16 (Property, Plant, and Equipment) 31, 50, 69
IAS 17 (Leases) 20, 62, 69, 269, 274, 275
IAS 36 (Impairment of Assets) 60
IAS 38 (Intangible Assets) 50
IAS 39 (Financial Instruments: Recognition and Measurement) 71
IAS 40 (Investment Property) 31, 69, 375
IDC lease term 304
Identified asset 42, 84, 414
IFRIC 4 (Determining Whether an Arrangement Contains a Lease) 269
IFRS 9 (Financial Instruments) 71
IFRS 15 (Revenue from Contracts with Customers) 22, 65
IFRS 16 19, 45
Disclosure requirements 35
Lease elements 22
Lease identification 21
Lessee accounting 23
Lessor accounting 23
Non-lease components 22
Recognition exemption 48
vs. IAS 17 20
Impairment 28, 60, 279, 326
Implicit interest rate 52
Incentive 374
Incentive lease term 304
Incremental borrowing rate (IBR) 187, 296
Index lease term 304
Initial direct cost 49, 50, 375
Initial recognition 48, 68
Intangible assets 25
Integrated development environment (IDE) 125
Intellectual property 20, 75
Interest expense 25, 255
Interest posting 241, 255
Interest rate 348, 349
Intermediate document (IDoc) 89, 98, 407
Internal order type 190
International Accounting Standards Board (IASB) 19
Inventory 25
Investment Management (IM) 90
- L**
- Lease 41, 413
Activation 318
Modification 329
Lease abstraction 334
Lease accountant 77, 162, 336
Lease accounting 41
Lease administrator 77, 98, 162, 335
Lease area 153, 170, 282, 284, 289
Lease classification 20, 45, 63, 67, 99, 100, 103, 417
Criteria 45, 64
Lease component 65, 79, 85, 281, 288
Approval 306
Creation 299
Definition 300
Terms and conditions 303
Lease contract 21, 41
Lease contract (fix) 290, 301
Lease definition 20, 103
Lease department 153, 184, 284
Lease determination questionnaire 290, 292
Lease end lease term 304
Lease exemption 396, 418
Lease financial setup 170
Lease general setup 170
Lease group 153, 185, 285
Lease identification 42, 83, 99, 399
Lease impairment 71
Lease incentives 50, 69
Lease inception 85
Lease liability 21, 24, 49, 51, 56, 71, 91, 95, 252, 255, 258, 276, 290, 325, 371
Finance lease 278
Operating lease 277
Reclassification 371

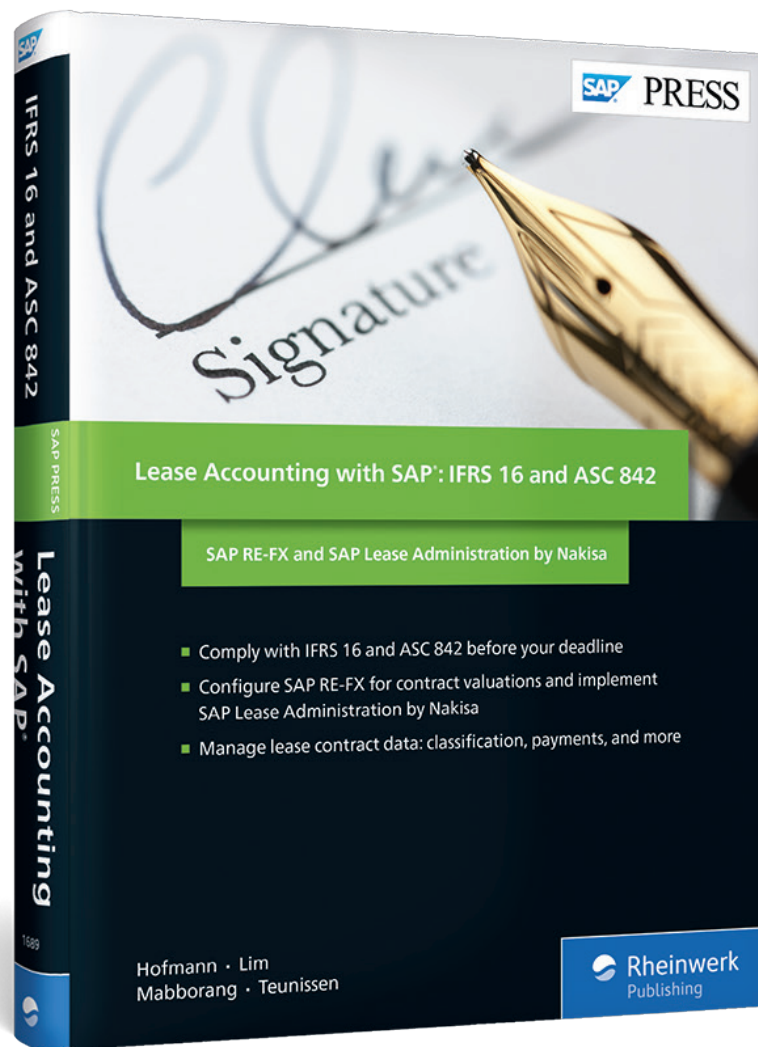
- Lease lifecycle 99, 334
SAP Lease Administration 103
SAP RE-FX 102
Lease low value 290, 312
Lease management 281, 333
Lease measurement 48
Lease modification 24, 44, 69, 102, 365, 415
Lease onboarding 104
Lease operation 104
Lease payment 49, 51, 335
Prepaid 49
Lease portfolio 77
Lease possession 340
Lease reassessment 55, 57
Lease recognition and measurement 48, 99, 101
Lease remeasurement 55, 57
Lease setup 104
Lease term 21, 25, 28, 47, 71, 314, 340
Lease term changes 366
Lease term types 303, 304
Lease termination 104
Lease types 45, 75, 78, 289, 290, 292, 335
Lease valuation 103, 219, 337
Basic settings 219, 222
Contract valuation 222
Leased asset 369
Deactivation 363
Viewing 369
Leasing 19
Legacy System Migration Workbench (LSMW) 89
Legal jurisdiction 284
Lessee 76, 101
Lessee accounting 20, 31, 45
Lessor 76, 101, 289, 294
Lessor accounting 20, 32, 62
Disclosures 24
Finance lease 62
Operating lease 62
Leveraged lease 27
Liability schedule 320
Linear depreciation 233
Linearization 231, 232, 355
Linearization type 232
Linearized commitment 233
Low-value asset 418
Low-value lease 48, 230, 268, 272
- M**
- Machinery 19
Maintenance costs 137
Manpower planning 130
Master data 75, 78, 98
Storage 80
Master lease agreement (MLA) 79, 281, 282, 308
Approval 287
Creation 282
Definition 283
Partners 286
Status 287
Materials Management (MM) 90, 94
Modified retrospective approach 28, 29, 35, 268, 269, 275, 276
Module management 176
Moveable lease 75, 76, 78, 79
Multi-GAAP posting 103
Multiple accounting principles 262
- N**
- Nakisa ID 150
Net book value (NBV) 303
Net income 20
New lease accounting 346
Non-lease 291
Account determination 200
Components 65, 85
Schedule 320
Service contract 291
Non-moveable lease 75, 76, 78
Non-regenerative resources 20, 25
Notification thresholds 213
- O**
- Object type 238
Object-dependent control parameters 238
One-time charges 317
Ongoing requirements 99

Operating lease	20, 24, 25, 26, 45, 61, 67, 84
Operating profit	20
Organization structure	153
P	
Paper media file types	81, 82
Parallel accounting	262
Partner relationship	339
Payment block	201
Payment collectability	67
Payment frequency	304, 306
Payment method	201
Payment posting	324
Payment terms	201, 298
Payment types	342
Payments in arrears	296
PDF	285
<i>Uploading and tagging</i>	285
Penalties	19
Periodic posting	263
Person responsible	360
Plant Maintenance (PM)	90, 94, 98, 407
Portfolio level	48
Possession	341
Post contract valuation	359
Posting date	322
Posting parameters	345
Posting run	360, 364
Posting schedule	320
Posting valuation transaction	357
Practical expedients	268, 278
Prepaid lease term	304
Preparation phase	113, 121, 128
Present value (PV)	47, 314
Present value of future lease payments	21
Present value of minimum lease payments (PVMLP)	296, 306, 314
Principal position	293
Probable end	348
Process ID	363
Procure-to-pay (PTP)	93
Producer price index (PPI)	54
Production Planning (PP)	90
Profit and loss statement	255
Profit center document	255
Project deliverables	112
Project duration	110, 111
Project kickoff	142
Project management	109
<i>Strategy</i>	113
<i>Tools</i>	143
Project management officer (PMO)	110, 131
Project phases	120
Project risks	111
Project scope	109
Project timelines	112, 123
Property, plant, and equipment (PP&E)	25, 395, 415, 418
Protective rights	43
Purchase option	28, 47, 71, 314, 375
Purchase order (PO)	93
Purchasing organization	201
Q	
Queue	150
R	
Real estate	19
Real estate document	242, 243, 255, 259
Real estate leases	75
Real estate object	341
Realization phase	114, 122
Reason code	326, 329
Reasonable certainty	28, 47
Reassessment	326
<i>Effective date</i>	309
Reception date	316
Recognition exemption	268, 269, 271
Recognition threshold	419
Recurring costs	415
Reference flow type	259
Reference interest rate	227
Regulatory capital	415
Relationship	341
Remote function call (RFC)	98, 407
Reporting	104, 366
Residual value guarantee	28, 375
Responsible Accountable Consulted Informed (RACI)	127

Restoration costs	50
Retail prices index (RPI)	54
Reversal reasons	201
Right-of-use (ROU) asset	24, 43, 45, 49, 58, 91, 276, 325, 363, 414
<i>Additional</i>	56
<i>Depreciation</i>	363
<i>Finance lease</i>	278
<i>Operating lease</i>	277
Right-of-use model	20
Right-of-use start date	308
Risk and rewards model	20, 63
Run SAP phase	114
S	
Sale-and-leaseback transactions	24, 27, 272, 413
Sales-type lease	24, 26, 67, 72
SAP Ariba	93
SAP Data Services	89
SAP Eclipse	125
SAP ERP	
<i>Master data</i>	152
<i>Prerequisites</i>	152
SAP ERP Controlling	90, 95, 224, 265
SAP ERP Financial Accounting	152, 250
SAP Flexible Real Estate Management (SAP RE-FX)	19, 76, 333, 406, 422
<i>Balance sheet valuation report</i>	381
<i>Cash flows report</i>	380
<i>Conditions report</i>	380
<i>Contract report</i>	377
<i>Lease liabilities report</i>	383
<i>Periodic postings report</i>	380
<i>Real estate extension</i>	222, 226
<i>Right-of-use asset report</i>	382
SAP HANA Cloud Platform (SAP HCP)	151
SAP Lease Administration by Nakisa (SAP Lease Administration)	19, 36, 76, 281, 406, 422
<i>Additional field settings</i>	164
<i>Administrator Guide</i>	148, 150, 151, 154
<i>Application configuration</i>	167, 168
<i>Authentication methods</i>	159
<i>Authorization objects</i>	163
<i>BAPI settings</i>	158
SAP Lease Administration by Nakisa (SAP Lease Administration) (Cont.)	
<i>Build management</i>	208
<i>Caption Editor</i>	214
<i>Cash flow disclosure</i>	387
<i>Data connections</i>	163
<i>Data management</i>	203
<i>Deployment Guide</i>	148, 149, 150
<i>Disclosure reports</i>	385
<i>Environment Checklist</i>	148
<i>Field management</i>	213
<i>General settings</i>	158
<i>Implementation tool</i>	148
<i>Lease cost disclosure</i>	386
<i>Liability balances disclosure</i>	385
<i>Logging options</i>	158
<i>Logs</i>	215
<i>Management reports</i>	389
<i>Mandatory tables</i>	171
<i>Master data configuration</i>	167
<i>Notification settings</i>	158
<i>Optional tables</i>	171
<i>RFC traces</i>	215
<i>Role mapping</i>	160
<i>Roles</i>	159, 161
<i>ROU asset roll forward disclosure</i>	386
<i>Settings</i>	157, 158
<i>System configuration</i>	168, 171
<i>UI Customization</i>	158
<i>User Guide</i>	148
<i>Weighted average discount rate disclosure</i>	388
<i>Weighted average lease term disclosure</i>	388
SAP S/4HANA	91, 177
<i>Finance</i>	95
<i>Prerequisites</i>	152
SAP service user	163
SAP Solution Manager	127
SAP Supplier Relationship Management (SRM)	93
SAP sync	173, 175
Schedule job	211
Screen sequence	227
Scrum master	117, 118
Scrum methodology	115, 116

Scrum team	117
Service agreements	415
Service concession	20
Service contract	21
Services	237
Short-term lease	23, 48, 230, 268, 269, 272, 290
Signing person	285
Single lessee accounting model	373
SMVART (contract type)	265
Software and license fees	136
Software licenses	75
Special purpose ledger	242, 255
Specialized nature	48
Sprint	115, 116
<i>Planning</i>	116, 118
<i>Retrospective</i>	118
<i>Review</i>	118
Standalone selling price (SSP)	22, 65
Standard lease term	303
Statistical condition	234, 344
Straight-line basis	25, 49, 396
Sublease	24, 270
<i>Finance lease</i>	270
<i>Operating lease</i>	270
Subsequent measurement	68, 69
Substitution rights	414
Supplier	289, 294
Switch Framework	126
System integration	97
System setup	173
T	
Target value	283
Task thresholds	213
Tax code	298, 316
Tax jurisdiction	299, 316
Term types	305
Terms and conditions (T&C)	43, 335
Test-driven development (TDD)	118
Thresholds	211, 212
Tomcat	148, 150
Total payment schedule	320
Trading partner	285
Transaction AFAB (Depreciation Run: Execute)	363
Transaction AFAMR (View Maintenance Base Method)	264
Transaction AFAMS (Define Multilevel Methods)	264
Transaction FBL5N (Customer Line Items)	380
Transaction RE80 (Create Business Partner)	336
Transaction RECACUST (Display IMG for RE-FX)	220
Transaction RECARSCN (Reminder Dates)	378
Transaction RECEASSETDEACT (Deactivate Lease Assets)	363
Transaction RECEASSETDEACTRV (Deactivate Lease Assets: Reversal)	363
Transaction RECECN (Edit Contract Valuation)	228, 336
Transaction RECECUST	221
Transaction RECEEP (Post Contract Valuation)	357, 359, 362
Transaction RECEEPRV (Reverse Contract Valuation)	363
Transaction RECEISASSETCN (Leased Assets for Contracts)	369, 381, 382
Transaction RECEISCONDRULECN (Display/ Maintain Condition-Specific Valuation Rules)	381
Transaction RECEISLIABGRAD (Liabilities Grading)	381, 384
Transaction RECEISRECLASSIFY (Reclassification)	371, 381, 383
Transaction RECEISRULECN (Display and Maintain Valuation Rules)	367, 381
Transaction RECEPR (Perform Contract Valuations)	352
Transaction RECESH (Display Contract Valuations)	370, 381
Transaction RECN	227, 336
Transaction RECNRP (Change Person Responsible Contracts)	360
Transaction REISALIT (Accruals/ Deferrals)	381
Transaction REISDCDF (Cash Flow)	380
Transaction REISDCDFOBJ (Object Cash Flow)	380

Transaction REISDCDN (Conditions for Contracts)	380
Transaction REISDCDNAJ (Conditions and Adjustment Rule for Contract)	380
Transaction REISCHGDOCCN (Change Documents)	378
Transaction REISCN (Overview)	378, 380
Transaction REISCNBP (Business Partner for Contracts)	378
Transaction REISCNBP (Security Deposit Agreements)	378
Transaction REISCNMS (Contract Measurements)	378
Transaction REISCNNT (Notice)	378
Transaction REISCNNT (Notice Rules)	378
Transaction REISCNNOA (Objects for Contracts)	378
Transaction REISCNPE (Term)	378
Transaction REISCNRN (Renewal)	378
Transaction REISCNRRULE (Renewal Rules)	378
Transaction REISRADOCITEM (Item Overview)	381
Transaction REISREDOCCN (RE Documents for Contract)	380
Transaction RERAPL (Posting Log)	380
Transaction RERAPP	263
Transaction SPRO	220
Transaction type	181
Transfer of ownership	46, 69
Transfer posting	230, 241, 258
Transition	83, 420
Transition accounting	267
<i>Approaches</i>	34, 274
<i>Lessees</i>	271
<i>Lessors</i>	270
U	
Underlying asset	48
Unit	80
Unit of measure	186
Unit price	344
Unit replacement	325, 328
Upload options	206
Useful life	301, 302, 314
User management	170
User notification	287, 289, 294, 307
V	
Validity dates	344, 349
Validity period	349
Valuation	346, 352
<i>Performing and viewing</i>	351
Valuation behavior	348
Valuation Cash Flow report	356
Valuation parameters	346
<i>Assignment</i>	346
Valuation posting	347
Valuation posting log	356
Valuation Process report	356
Valuation relevance	230, 338
Valuation reports	356
<i>Running</i>	356
Valuation rule	230, 240, 253, 334, 346, 360, 363
<i>Displaying and maintaining</i>	366
Valuation status	355
Valuation type	230
Variable lease payment	54, 66, 69, 71, 100, 375
Vendor	298, 339
Vendor invoice	298, 316
VP of leasing	161
W	
Web browsers	148
WEB GUI	152
Weighted average discount rate	388
Weighted average lease term	388
Work breakdown structure (WBS)	138



Hanno Hofmann, Pamela Lim, Joy Mabborang, and Louis Teunissen

Lease Accounting with SAP: IFRS 16 and ASC 842: SAP RE-FX and SAP Lease Administration by Nakisa

435 Pages, 2018, \$119.95

ISBN 978-1-4932-1689-5

 www.sap-press.com/4610



Hanno Hofmann has more than 20 years of SAP project experience from various industries, such as high-tech, telecom, financials, automotive, and aerospace. His focus for many years was on lease accounting with RE-FX. Having moved into the IFRS topic in early 2015, he is now a trusted advisor for multiple IFRS 15 and IFRS 16 SAP projects around the world. He is a board member and co-founder at Walldorf Consulting AG.



Pamela Lim is a certified SAP consultant whose interests include identifying unique business challenges and working in dynamic environments. She has a bachelor of commerce degree from the University of Melbourne and is currently engaged in multiple IFRS SAP projects.



Joy Mabborang holds a bachelor's degree in accountancy and is a certified public accountant. She now lives in Germany and works as an SAP functional consultant for Walldorf Consulting AG. As part of her role, she provides consulting services and designs leasing solutions for SAP clients to adopt the new standards for revenue recognition in contracts.



Louis Teunissen is a solution architect and principal consultant with 18 years of experience in financials, banking, insurance, and leasing with SAP solutions. Since 2015 Louis has focused implementing the SAP solutions for compliance with IFRS 15 using SAP Revenue Accounting and Reporting and with IFRS 16 using SAP Flexible Real Estate Management for lease valuation. He also regularly delivers training for SAP on these topics, and is based in Singapore.

We hope you have enjoyed this reading sample. You may recommend or pass it on to others, but only in its entirety, including all pages. This reading sample and all its parts are protected by copyright law. All usage and exploitation rights are reserved by the author and the publisher.