

At the start of the lease, the lessor classifies each lease as a finance lease or an operating lease. The classification of leases is crucial for how and when a lessor realises lease income and which assets are to be recognised.

The classification primarily depends on the economic content of the transaction and not so much on the form of the contract.

As an example, the following indicators, individually or in combination, usually lead to the classification of a lease as a finance lease:

- Ownership of the underlying asset is transferred to the lessee at the end of the lease term.
- The lessee has a purchase option on the underlying asset, where the agreed purchase price is significantly lower than the fair value at the time the option is exercised, and the lessee can therefore be reasonably certain that the purchase option will be exercised.
- Most of the useful life of the underlying asset falls within the term of the lease and the lessee will have use of the asset.
- The lessee will pay a series of instalments or rentals for the use of the asset. At the beginning of the lease, the sum of the present values of the individual lease payments is at least equal to almost the entire fair value of the underlying asset.
- If the lessee terminates the lease, the losses incurred by the lessor as a result of the termination are borne by the lessee.

The classification is only reassessed if the lease changes. Changes in expectations (such as changes in the expected useful life or the residual value of the underlying asset) or other circumstances such as default by the lessee will not result in a reclassification of the lease for accounting purposes.

In the solution, the classification of a leasing transaction is defined via the product type. The product type is delivered together with the lease. Depending on the product type, the evaluation standard for the initial and subsequent evaluation in the accounting is defined in the solution. Using this evaluation standard, the relevant evaluation elements and the associated booking logic are determined. The booking logic ultimately decides on the inventory as well as the profit-effective or profit-neutral recording of profit contributions, respectively.