Lessees

Lessees who at present mostly hold operating leases will be required to disclose the right of use for the leased assets, such as property, vehicles and IT equipment, on their balance sheets in the future. The new requirements call for right-of-use assets and liabilities to be recognised on the balance sheet from 1 January 2019 for practically all leases as well as for many current rental contracts. This leads to an extension of the balance sheet with consequences for the lessee's equity ratio and debt-equity ratio. At the same time, previous rental payments will be replaced by interest and depreciation expenses, leading to a decrease in the EBITDA (earnings before interest, taxes, depreciation and amortisation) which is used as a ratio for measuring operating performance before capital expenditure (operating profit). At the inception of a lease, the depreciation for a right-of-use asset and the addition of accrued interest for a lease liability will exceed the previous rental expense and lease payments ("front loading effect") for lessees.

The blueprint comprises various elements:

- ETL
- Valuation
- Financial Accounting
- Result Layer

Contract information can be captured in the "ETL component". Alternatively, data can be delivered from a third-party system via a standardised input interface.

The "Valuation component" comprises the generation of an expected cash flow plan as well as valuation. The actual and expected cash flows are generated on the basis of contract data. In this process, fine-granular cash flow types that allow a differentiated analysis and valuation are assigned.

A distinction is made between the following cash flows using cash flow types:

- Direct costs
- Fixed and de facto lease payments
- Individual lease payments (non-rhythmic, individual amounts)
- Variable, index-based lease payments
- Lease payments at or prior to commencement
- Leasing incentives received
- Restoration costs
- Residual value guarantee
- Contractual penalties for exercising termination option
- Impairments
- Service expense

Entries are posted using the "Financial Accounting" component. Delivery takes place using a standard posting logic that accounts for leasing operations from a lessee’s perspective. Entries are automatically generated for both payments and valuation events. Recurring period-end closing operations and changes to a lease are classed as valuation events. A change can result from an amendment to the index or rate a variable lease payment is based on, from an amendment to the term of the contract, or the scope of the lease. Depending on the type of change, an additional leasing agreement will have to be provided or a re-valuation of the existing lease will be performed using an updated discount rate, in which case a profit or loss will be disclosed in the statement of comprehensive income.

The results from posting and valuation operations are stored in data marts at a fine-granular level.