

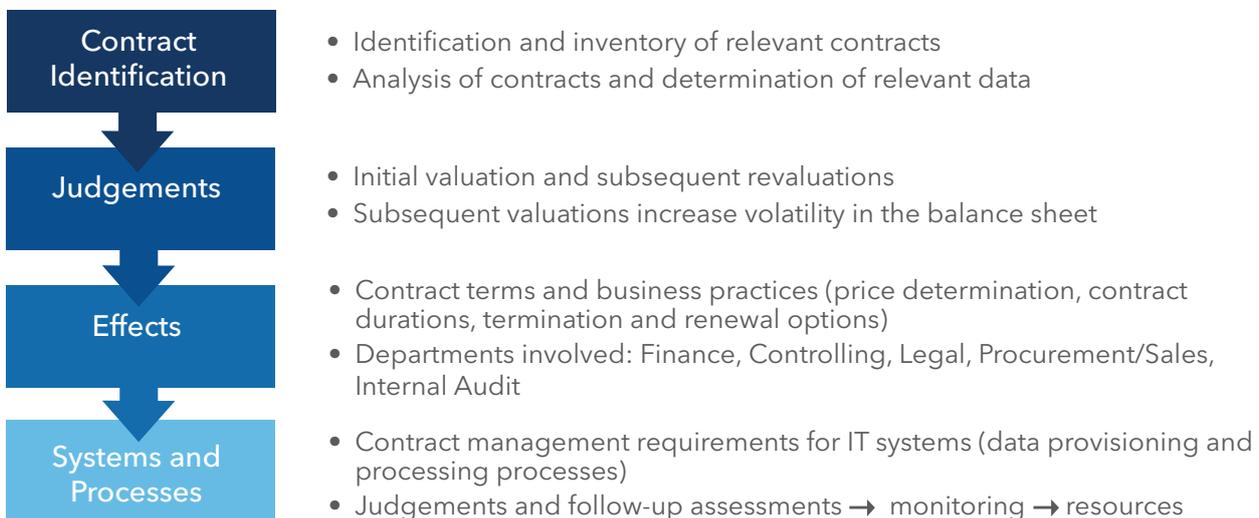
On January 13, 2016, the International Accounting Standards Board (IASB) published **IFRS 16**, a new accounting standard for leases.

For the lessee, the standard provides a uniform control model in which all operating leases must be brought on-balance sheet. This applies - more or less - to all lease contracts such as the rental of equipment, servers, production and office space as well as the vehicle fleet.

Thus, lessees can no longer keep a large portion of their financing „off balance sheet“ - in the form of operating cost in the income statement - but must recognise a “right of use” asset and the related lease liability at commencement of the lease with subsequent accounting similar to the finance lease model.

The standard will come into effect in 2019 causing impact on companies that need to review or reevaluate all existing leases and record previously undocumented data for accounting. Technically this implies the adaptation of existing systems and applications, processes and business transactions.

Impact of IFRS 16 on Business Processes



The SAP solution for managing leases is based on an extension of flexible real estate management (RE-FX), which is fully integrated with the General Ledger, Asset Accounting and Controlling.

The solution includes comprehensive contract management and allows:

- set up of different types of contracts and management of business partners
- management of contract terms and tracking of relevant data throughout the contract validity time
- valuation of contracts according to various accounting principles (net present value, depreciation, repayments, etc.)
- support of ledger solution (New General Ledger) and account solution (Classic General Ledger). SAP RE-FX-LA is available as an Add-On for SAP ECC and is already part of the standard in SAP S/4 HANA.

We have implemented the basic configuration as well as the processes around the SAP RE-FX-LA in order to demonstrate an example with you and to pave the way with you and your auditors for a straight implementation of the standard in your SAP system.

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