



# Lease Accounting

## Planon Software Suite

Version: L105

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# About this Document

## Intended Audience

This document is intended for *Planon Software Suite* users.

## Contacting us

If you have any comments or questions regarding this document, please send them to: [support@planonsoftware.com](mailto:support@planonsoftware.com).

## Document Conventions

### **Bold**

Names of menus, options, tabs, fields and buttons are displayed in bold type.

### *Italic text*

Application names are displayed in italics.

### CAPITALS

Names of keys are displayed in upper case.

## Special symbols

	Text preceded by this symbol references additional information or a tip.
	Text preceded by this symbol is intended to alert users about consequences if they carry out a particular action in Planon.

# Table of Contents

About lease accounting.....	12
Lease accounting concepts.....	13
4-4-5 calendar.....	13
Accounting period.....	13
Accounting standard.....	13
International Financial Reporting Standards - IFRS.....	14
FASB.....	14
GASB.....	14
Generally Accepted Accounting Principles - GAAP.....	14
Accrued expense.....	15
Asset movement schedule.....	15
Audit trail.....	15
Average rate.....	15
Capitalization.....	16
Carrying value.....	16
Contract currency.....	16
Contract options.....	17
Currency pair.....	17
Deferred revenue/income.....	17
Depreciation/amortization.....	17
Disclosure.....	17
Discount rate.....	18
Economic life span.....	18
End of year selection.....	18
Fair value.....	19
Finance lease.....	20

Financial event.....	20
Financial reporting entity.....	20
Financial year.....	20
Four eyes principle.....	20
Functional currency.....	21
FX gain/loss.....	21
Impairment.....	22
Initial direct costs.....	22
Lease.....	22
Headlease.....	22
Sublease.....	22
Lease incentive.....	23
Lease receivable.....	23
Lessee.....	23
Lessor.....	23
Liability.....	23
Life cycle.....	25
Minimum lease payments.....	25
Operating expense.....	25
Operating lease.....	25
Onboarding existing Lease contracts.....	26
Posting.....	26
Purchase option.....	26
Reference date.....	27
Rent-free period.....	27
Residual value.....	27
Guaranteed residual value.....	28
Unguaranteed residual value.....	28

Restoration costs.....	28
Right-of-use asset.....	28
Sale and leaseback.....	29
Spot rate.....	29
Straight-lining.....	30
Transition to new accounting standards.....	30
Transition from IAS 17 to IFRS 16.....	30
Transition from ASC 840 to ASC 842.....	31
Working with lease accounting.....	32
Adding lease accounting contracts.....	32
Adding lease contract lines.....	32
Adjusting the view of the contracts list.....	33
Converting to new lease accounting standards.....	35
Defining a transition definition.....	35
Linking a transition definition to a contract line.....	35
Transfer to the new standard.....	36
Closing amounts.....	36
Using the 'Combined closure' setting.....	38
Closure date overview.....	39
Closing a financial period.....	40
Reopening a closed financial period.....	41
Amount changes in a financially closed period.....	42
Amount changes and indexation.....	44
Registering a price level amount.....	44
Calculating and viewing commitments.....	46
Precalculating commitments for inactive contracts.....	47
Accounting commitments.....	47
Accounting commitment types.....	48

Lease liability calculation.....	49
Pro rata commitments.....	50
Reopening accounting commitments.....	51
Generating postings.....	51
Posting types.....	51
Recalculating commitments.....	53
Using a horizon date.....	54
Using multiple accounting standards.....	55
Restrictions for multiple accounting standards.....	55
Recalculating operating leases.....	56
Shortening the duration of a lease contract line.....	56
Reducing the physical scope of a lease contract.....	58
Performing an impairment or an impairment reversal.....	60
Impairment example.....	61
Performing a remeasurement.....	63
Using the automated selection of discount rates.....	65
Discount rate wizard.....	66
Search priority.....	68
Defining reporting entities and linking them to ledger codes.....	68
Linking custom ledger codes to postings.....	69
Manually adding an indexed amount.....	70
Straight-lining lease payments.....	70
Registering a rent-free period.....	71
Postponing the first payment date.....	72
Using purchase options.....	72
Returning an asset.....	73
Registering a lease incentive.....	74
Registering a sublease.....	75

Restrictions for headlease/sublease.....	76
Registering a sale and leaseback transaction.....	77
Using contract currencies and functional currencies.....	79
Adding currencies, currency pairs and exchange rates.....	81
Calculation example spot rate - average rate.....	82
Currencies in lease accounting contracts.....	83
Use case.....	83
Setting the number of decimal places for a currency.....	85
Using contract shortening options.....	86
Terminating a lease contract.....	88
Deleting closed lease contract lines.....	88
Completely removing lease accounting contracts.....	89
Using background actions.....	90
Planon calculation start date in lease accounting.....	91
Registering COVID-19 lease concessions.....	93
Financial event registration.....	94
The REMEAS financial event.....	98
Restrictions on financial events.....	98
4-4-5 Lease Accounting.....	102
Restrictions for 4-4-5 lease accounting.....	102
Working with 4-4-5 Lease Accounting.....	102
Specifying financial calendar settings.....	102
Specifying financial years.....	103
Specifying a 4-4-5 lease contract.....	103
4-4-5 & using operating companies.....	103
Working with GASB lease accounting.....	105
GASB and FASB - a comparison.....	105
GASB - scope.....	106



Indexation method on renewal options.....	106
Deferred inflow of resources.....	107
Reasonably certain lessor option.....	108
Accrued interest and financial income.....	108
Short-term lease calculation.....	109
Supported and unsupported features for GASB.....	109
Lease accounting event overview.....	111
Purpose.....	111
Generating and viewing a lease accounting event overview.....	111
Reporting in Lease accounting.....	113
Linking reporting groups to a contract line.....	113
Generating the Contract line commitments report.....	114
Contract line commitments report - an overview.....	115
Generating the Disclosure overview report.....	117
Editing the Disclosure overview report settings.....	117
Data in the Disclosure overview report.....	118
Generating the Lease overview report (old).....	119
Editing the Lease overview report settings.....	120
Data in the Lease overview report.....	120
Lease schedule overview report.....	123
Generating the Lease schedule overview report.....	123
Lease schedule overview report - an overview.....	123
Contract portfolio overview report.....	124
Generating the Contract portfolio overview report.....	124
Data in the Contract portfolio overview report.....	125
Contract portfolio accounting period report.....	126
Generating the Contract portfolio accounting period report.....	126
Data in the Contract portfolio accounting period report.....	127

Lease classifications.....	129
Lease accounting standards and their classification.....	129
Overview of fixed ledger account codes.....	135
Lease accounting - Field descriptions.....	138
Contract data fields.....	138
Contract line fields for lease accounting.....	142
Accounting commitment data fields.....	151
New fields for accounting commitments.....	155
Financial commitments data fields.....	158
Closure date overview - accounting commitments.....	160
Transition definition fields.....	160
Posting and journal entry fields.....	161
Financial reporting entity fields.....	163
Ledger account fields.....	163
Lease accounting event data - fields.....	164
Currency fields.....	165
Currency pair fields.....	166
Exchange rate fields.....	166
Contract options fields.....	168
Financial year fields.....	171
Financial calendar settings fields.....	171
Calculations based on lease accounting (IFRS 16).....	173
Finance lease base case.....	173
Predefined changes at inception of lease.....	174
Case with payment period > accounting period.....	175
Operating lease base case.....	176
Lease accrual based on rent free period.....	176
Lease accrual based on payment period > accounting period.....	177

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Guaranteed and unguaranteed residual values.....	177
Special features for contract options.....	178
Renewal options on lease contracts.....	178
Termination options on lease contracts.....	179
Rolling renewals.....	180
Migration of contracts based on lease accounting.....	183
Migration starting from the Planon start date.....	183
Operating lease.....	184
Onboarding procedure.....	189
Volume license in Lease Accounting.....	190
Index.....	192

## About lease accounting

The standards that govern financial reporting and accounting vary from country to country, but most of them are based on the leading standards such as FASB and IFRS. In the United States, financial reporting practices are set forth by the [Financial Accounting Standards Board](#), or FASB, and organized within the framework of the [generally accepted accounting principles](#), for example US-GAAP. Outside the US, more than 100 countries have adopted the international financial reporting standards, or [IFRS](#), which aim to establish a common global language for company accounting affairs.

Both standards have a chapter on accounting real estate and asset leases. In FASB that chapter is ASC840/842, in IFRS it is IAS17/IFRS 16.


Lease accounting standards are implemented to support compliance of lease calculations based on FASB and IFRS. Contracts can be classified as operating lease or finance lease from both the perspective of lessee and lessor. According to contract, cash flow (financial commitments), P&L related costs, liability and right of use (accounting commitments) are calculated and reported in a compliant way.

# Lease accounting concepts

This section describes the key concepts and their relation with each other to understand how lease accounting is used in Planon ProCenter


## 4-4-5 calendar

The **4-4-5 calendar** is a method of managing accounting periods. The 4-4-5 calendar divides a year into four quarters of 13 weeks grouped into two 4-week "months" and one 5-week "month".

 A quarter could either be: 4-4-5, 5-4-4 or 4-5-4 weeks.

A major advantage over a regular calendar is that the end date of the period is always the same day of the week, which is useful for a shift of planning as every period is the same length.

Because the 4-4-5 calendar only has 364 days (7 x 52), a 53rd week will need to be added every five or six years, which can make year-on-year comparison difficult.

 • The 53rd week is always the last month of the year (4-4-6, 5-4-5 or 4-5-5 weeks).  
• When using the **Strict 52** calendar setting, the year always contains exactly 52 weeks by definition.

## Accounting period

In bookkeeping, this is the period in which the financial accounting is done. Typically, an accounting period consists of 12 months following a regular year calendar. Planon supports monthly and weekly accounting periods.

## Accounting standard

An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. Accounting standards improve the transparency of financial reporting in all countries. In the United States, the [Generally Accepted Accounting Principles - GAAP](#) form the set of accounting standards widely accepted for preparing financial statements. International companies follow the [International Financial Reporting Standards - IFRS](#), which are set by the International Accounting Standards Board and serve as the guideline for non-U.S. GAAP companies reporting financial statements.

Accounting standards relate to all aspects of an entity's finances, including assets, liabilities, revenue, expenses and shareholders' equity. Specific examples of an

accounting standard include revenue recognition, asset classification, allowable methods for depreciation, what is considered depreciable, lease classifications and outstanding share measurement.

## International Financial Reporting Standards - IFRS

International Financial Reporting Standards (IFRS) are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB), and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language, so business and accounts can be understood from company to company and country to country.

## FASB

The Financial Accounting Standards Board (FASB) is an independent nonprofit organization that is responsible for establishing accounting and financial reporting standards for companies and nonprofit organizations in the United States. The FASB was founded in 1973.

## GASB

The Government Accounting Standards Board (GASB) is a private non-governmental organization that creates accounting reporting standards, or [generally accepted accounting principles \(GAAP\)](#), for state and local governments in the United States.

From financial years starting December 15, 2019 and on, public organizations in the US must be compliant with the GASB new lease accounting standard, GASB 87. Under GASB 87, almost all contracts are considered leases on the statement of net position in the annual financial statements.

Because of the increased popularity of Subscription-Based Information Technology Arrangements (SBITAs), GASB issued Statement 96, to address the accounting treatment and financial reporting for these types of agreements. GASB 96 defines what a SBITA is and provides guidance on how to account for them.

GASB 96 is effective for organizations with fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

## Generally Accepted Accounting Principles - GAAP

Generally accepted accounting principles (GAAP) refer to a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

## Accrued expense

An accounting expense recognized in the books before it is paid for.

These expenses are typically periodic and documented on a company's balance sheet due to the high probability that they will be collected. It is a liability.

Accrued expenses are the opposite of prepaid expenses. Firms will typically incur periodic expenses. Even though they are to be paid at some future date, they are to be recognized independently of the probability of payment.

## Asset movement schedule

By law, an asset movement schedule is required to explain changes in the carrying or book value of fixed assets from one period to the next.

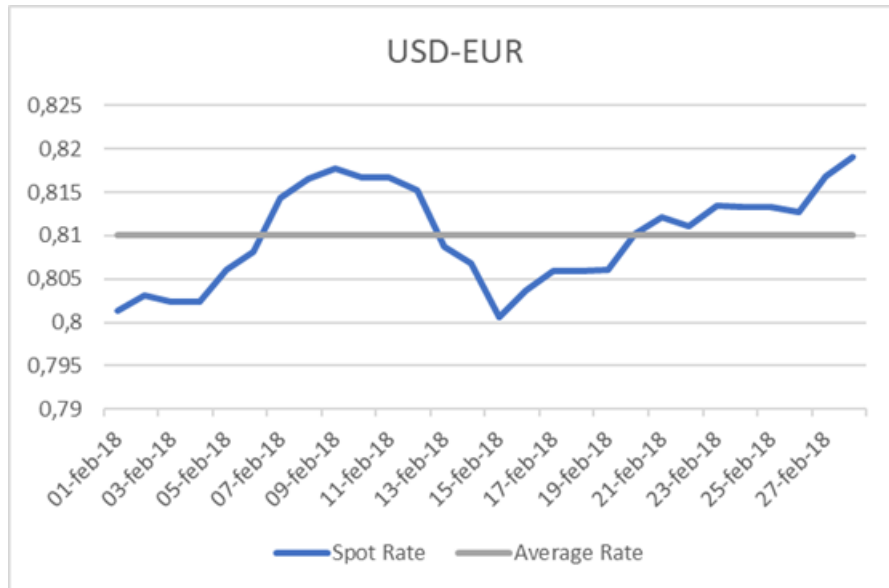
## Audit trail

An audit trail is a step-by-step record by which accounting data can be traced to its source. Audit trails are used to verify and track accounting transactions. An audit trail is most often utilized when the accuracy of an item needs to be verified. Audit trails can be useful tools when determining the validity of an accounting entry.

For auditing purposes history can be logged for **Contracts**, **Contract lines** and **Contract options**, even if these items are not set to **Active** yet. Via navigation actions you can jump between all relevant TSI steps for (financial) auditing.

## Average rate

An arithmetic mean of the daily rates declared for the given period.



## Capitalization

Capitalize is an accounting method used to delay the recognition of expenses by recording the expense as a long-term asset. In general, capitalizing expenses is beneficial as companies acquiring new assets with a long-term life span can spread out the cost. Companies are allowed to take expenses they incur in the current period and deduct them over the long-term life of the asset.

## Carrying value

Carrying value is an accounting measure of value, where the value of an asset or a company is based on the figures in the company's balance sheet. For physical assets, such as machinery or computer hardware, carrying cost is calculated as *historical cost - accumulated depreciation*.

Carrying value is an accounting measures used to determine the value of a company's assets and liabilities. The carrying value, or book value, is an asset or liability's value based on a company's balance sheet, while the fair value of an asset or liability is based on the mark-to-market value.

## Contract currency

The currency as registered in the lease contract and in which the lease contract is paid. For most companies, the contract currency is the same as the currency in which the company reports its financial statements. At international companies, a lease in another country may have a different contract currency.



## Contract options

A contract option is a feature included in a contract that enables a contracting party to extend a contract for a specific period of time, or to shorten or end it. Several options can be linked to a contract:

**Renewal options** can be used to extend the contract's end date. Multiple Renewal options can be applied on a contract.

**Shortening options** can be used to shorten the contract's end date. Multiple Shortening options can be applied on a contract.

**Termination options** can be used to terminate the contract and make the end date final.

## Currency pair

A currency pair consists of a base currency and a counter currency. The first listed currency of a currency pair is called the base currency and the second currency is called the counter currency. For example, in the currency pair 'USD/EUR', the euro (EUR) is considered the counter currency. The value of the currency pair is determined by the rate at which one unit of the base currency is converted into units of the counter currency.

## Deferred revenue/income

Advance payments or unearned revenue, until the services have been rendered or products have been delivered.

Deferred revenue is a liability because it refers to revenue that has not yet been earned.

## Depreciation/amortization

A method of allocating the cost of the right of use of an asset over its useful life. Businesses depreciate long-term assets for both tax and economic purposes.

## Disclosure

Disclosure is the act of releasing all relevant information that may influence an investment decision. To make investing as fair as possible for everyone, companies must disclose all relevant information.

In addition to the recognition of leases on the balance sheet, the new accounting standards (IFRS16, ASC842 and GASB 87) also require additional disclosures. These are designed to help investors and other stakeholders to understand real estate and asset related liabilities, the timing of financial commitments and the aspects of uncertainty around cash flows arising from leases.

Additional disclosures might include:

- the reasoning behind the decision to include or exclude lease renewals in the capitalization.
- additional information, both qualitative and quantitative, on the amounts as recorded in the financial statements.
- the costs for removing tenant improvements and explaining whether these costs are estimated or based on agreement.

## Discount rate

The interest percentage used to calculate the lease liability as the net present value of the lease payments.



In the application, the discount rate is an interest rate for a whole year (annualized), this is also called a nominal APR (annual percentage rate).

## Economic life span

The expected period of time during which an asset will be useful to its owner without limitation by the lease term, over which the economic benefits embodied in the asset are expected to be consumed by the entity.

Estimating the economic life of an asset is important for businesses to determine the time to invest in new equipment. In addition, businesses must plan to have sufficient funds for the purchase of replacements for expensive equipment after it has exceeded its useful life.

The economic life of an asset could be different from the actual physical life of the asset.

## End of year selection

In a 4-4-5 calendar, the end of year is always the end of a week, either a Friday, a Saturday or a Sunday. It is therefore necessary to determine which rule to apply when these days do not coincide with the fiscal end of year.

The end of year is either the **Last** Friday/Saturday/Sunday, or the Friday/Saturday/Sunday **Nearest** to the end of year. In the following example the fiscal end of year is 31 December, the end day of the week is Saturday:

Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
26-dec	27-dec	28-dec	29-dec	30-dec	31-dec	01-jan	02-jan	03-jan
Last	←				Current	→ Nearest		

In this example, the **Last** Saturday is 26-December and the **Nearest** Saturday is 02-January



When using the calendar setting **Strict 52**, the end of year is always the last day of the month, typically 31 December.

## Fair value

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

## Finance lease

It is a long term lease plan treated as loan by the lessee from an accounting perspective. The asset is treated as being owned by the lessee so it is included in the balance sheet.

For IFRS, GASB 87, and GASB 96 *all* leases longer than 12 months are classified as finance lease. For ASC 842, only leases that cover almost all the useful life of the underlying asset, or transfer its ownership, are **Finance** leases. The rest are **Operating** leases.

## Financial event

A financial change is a change applied to a lease that triggers the recalculation of the lease liability. Planon identifies a number of financial events. When executed, these events are logged on the contract line and linked to the corresponding postings.

## Financial reporting entity

A reporting entity (often also referred to as an accounting entity) is a clearly defined economic unit that isolates the accounting of certain transactions from other subdivisions or accounting entities. An accountant maintains separate records for separate accounting entities and determines the specific cash flows from each entity. However, all accounting entities are often aggregated in the company-wide financial statements.

## Financial year

A financial year (sometimes fiscal year/budget year) is the period used by governments for accounting and budget purposes. It is also used for financial reporting by business and other organizations. Financial reports are often required to be prepared and published on an annual basis.



Planon automatically creates financial years based on the selected settings. It is not possible to change the dates of these years.

### Specifying financial years

## Four eyes principle

The *four eyes principle* is a requirement that a certain business transaction must be reviewed, double-checked and approved by a second person. With the **Approval** feature in Planon, important changes always have to be approved by a second person before the changes are actually implemented. For more information, see [Using approvals](#).

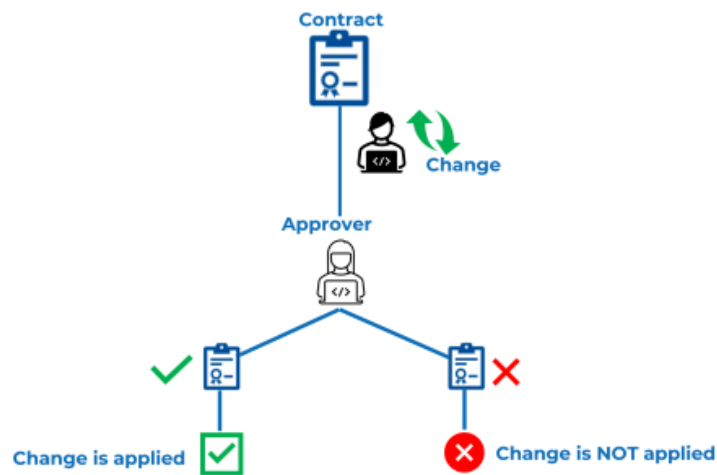
In Planon, the four eyes principle can be used for the following business objects:

- Contracts
- Contract lines
- Special lease amounts
- Contract options
- Properties and property details
- Free business objects 46, 47 and 48 (Open Module)



By default, Planon supports an approval process with one approver. If your organization wants to use more approvers, you have to configure this (TMS).

Planon also supports the approval process for changes imported through data import tools such as Enterprise Talk and SDI. The imported changes trigger approvals when they meet the approval conditions.



## Functional currency

The currency which is used for a (local) entity's financial statements. Many large companies have operations in many different countries. This often includes lease contracts in a variety of contract currencies. To compile financial reports for the entity, accountants must convert these contract currencies into a single functional currency for the entity at the current exchange rate.

## FX gain/loss

Foreign currency gains and losses (also known as exchange rate gains and losses) is an accounting concept used to define the impact on international businesses' financial statements of the fluctuation of the exchange rate of the non-functional currencies in which the company holds monetary assets and liabilities.

## Impairment

On a regular basis, accountants will compare the fair value and the carrying value of their assets. If the carrying value appears to be significantly below the fair value, and that situation is assessed to last or to be definitive, then the carrying value is decreased up to the fair value by recognizing an impairment loss equal to the decrease.

## Initial direct costs

The financial accounting term initial direct cost is used to describe those costs that are directly associated with negotiating and completing a contract at the start. Initial indirect costs consist of brokers commissions, legal fees, creditworthiness checks, preparation of documentation, in addition to other costs that are incremental and directly attributable to the agreement.

## Lease

A lease is a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.

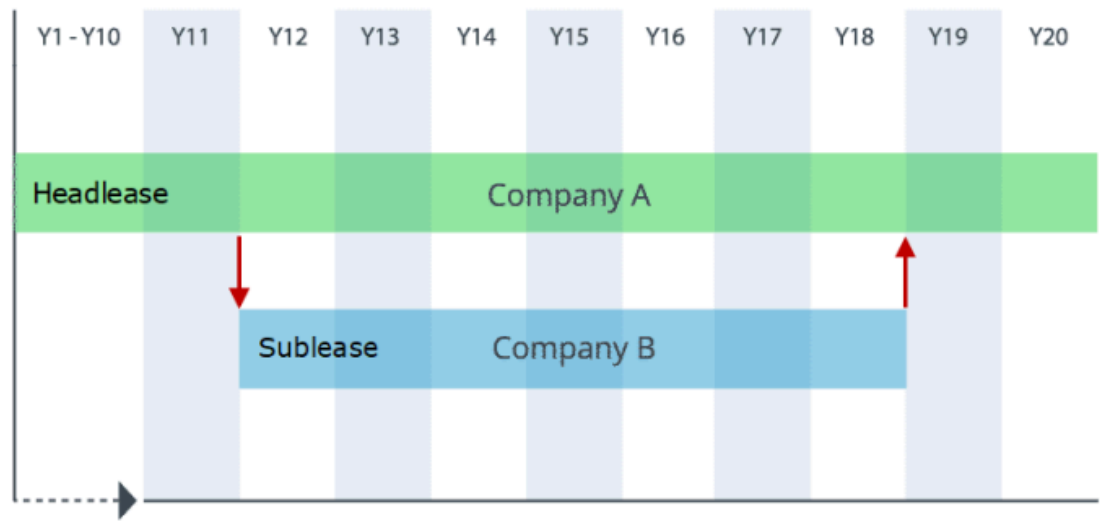
## Headlease

An agreement in which a lessee leases an asset from the lessor and then subleases the asset to one or more other lessees is called 'sublessees'. For more information, see [Sublease](#) .

## Sublease

If a lessee leases an asset to a third party, it is called 'sublessee'. Also see [Headlease](#).

The original lessee acts as intermediate lessor and remains responsible for the lease payments to the original lessor. For IFRS 16 and ASC 842, when the sublease is a finance lease then the corresponding right-of-use asset is transferred to the sublessee and is no longer registered on the original lessee's contract (derecognition of the asset). At the end of the sublease, when the asset is returned, the remaining right-of-use asset is transferred back to the headlease.



## Lease incentive

A lease incentive is a contribution made by the lessor to a lessee. For example, a contribution towards the lessee's fitting out expenses. This amount is taken into account when calculating the right-of-use asset for the lessee. For amounts that are registered as lease incentive, postings are created.

## Lease receivable

A lessor's right to receive lease payments arising from a lease plus any amount that a lessor expects to derive from any guarantee, measured on a discounted basis.

## Lessee

In lease accounting, the lessee obtains the right to use an asset in return for regular rental payments.

## Lessor

In lease accounting, the lessor is the legal owner of an asset who grants the usage of this asset in return for regular rental payments.

## Liability

An obligation that legally binds an individual or company to settle a debt. Liabilities are settled over time through the transfer of economic benefits including money, goods or services. For example, the present value of future finance lease payments.

Liabilities may be classified into *short-term* and *long-term*. Long-term liabilities are liabilities that are not due within the coming accounting year, such as long-term lease obligations. Short-term liabilities are those due within an accounting year, such as accounts payable, customer advances, taxes payable and any payments due that year on a long-term loan.



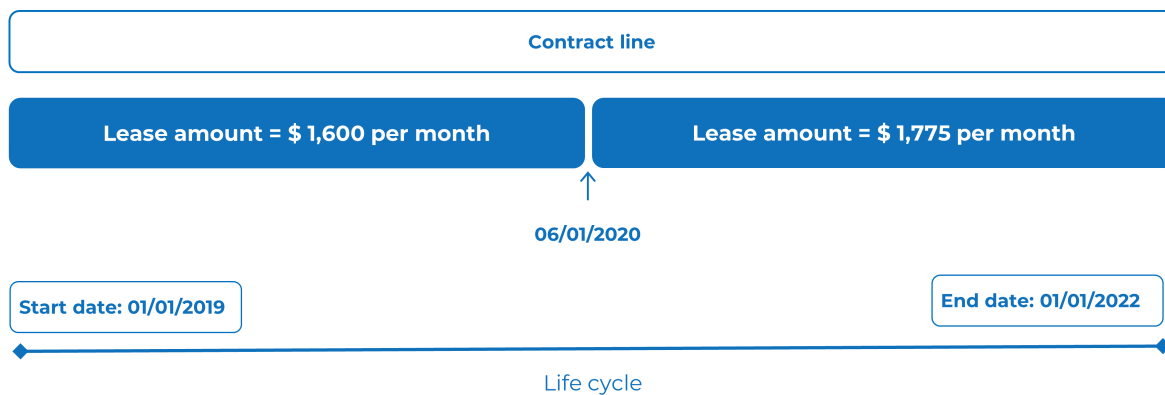
## Life cycle

Planon's life cycle concept allows you to keep track of changes that have been made to a contract in the course of time. A contract life cycle can be defined as a series of stages through which a contract passes during its lifetime. A contract has a start date and an end date. In the period in-between, a contract can enter various stages depending on the changes that are applied to its data. Changes can be applied to:

- General contract data, such as contract period, accepting and offering contracting parties etc.
  - Contract line data, such as the price agreement, indexation method and cost center etc.
- The **Contract lines** > **life cycle** selection step provides information on a contract line's life cycle.

The **Reference date** feature allows you to view a contract's progress on a specific date for a particular contract or a contract line.

For details on using reference dates, see [Reference date](#).



## Minimum lease payments

The lowest amount that a lessee can expect to make for a lease.

Accountants calculate minimum lease payments in order to assign a present value to a lease. Accounting for minimum lease payments differs from the perspectives of the lessee and lessor.

## Operating expense

Expenditure that a business incurs as a part of performing its normal business operations. For example, salaries, electricity, maintenance costs, and so on.

## Operating lease

For ASC 842, it is a contract wherein the owner, called the Lessor, permits the user, called the Lessee, to use of an asset for a particular period which is significantly shorter than the economic life of the asset without any transfer of ownership rights.

Lease liability and right-of-use asset are registered on the balance sheet and the payments remain considered as operational costs through interest and depreciation calculation.

For other standards than ASC 842, a lease set in Planon Lease Accounting as Operating will not be registered on the balance sheet and the payments directly booked as expense

## Onboarding existing Lease contracts

Onboarding existing lease contracts is a special process of entering contracts into Lease accounting from Planon Lease accounting itself or a third party application. These contracts can be manually entered or imported through Planon as a Platform (PAAP) / Enterprise Talk (PEET). This process comes with some limitations:

- The balance sheet already recognizes the contracts and knows their carrying value.
- The carrying values of lease liability, right-of-use asset and accumulated depreciation are entered as **Offset**.
- Accumulated impairment are not supported
- Headlease and sublease are not supported.
- Since calculation starts in Planon lease accounting at the onboarding date, it is not possible to make retroactive modifications prior to this date.

For more information on the procedures to do onboarding, see [Onboarding procedure](#).



The 'Transition type' - 'ONB - Onboarding contract line' is used when you import /enter a contract from other applications to Planon, and in this case, you must select the field 'CON\_LINE - Contract line specified'. For more information, see [Transition definition fields](#)

## Posting

In Planon, a posting is a set of journal entries that belong together and are balanced, which means that the sum of the debit entries is equal to the sum of credit entries. Postings and their related journal entries can be viewed in the **General ledger TSI**.

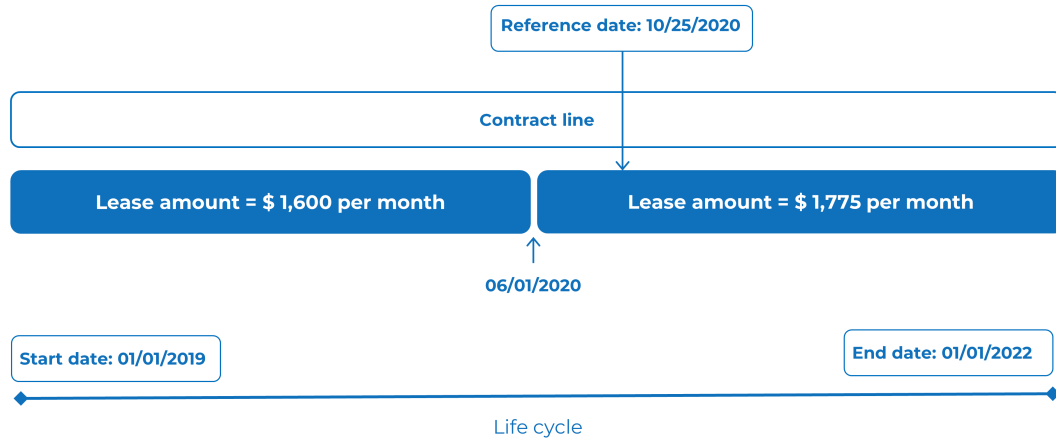
## Purchase option

A contractual term of a lease under which the lessee has the option of purchasing the leased asset at a specified price at the end of the lease term.

## Reference date

You can use a reference date to access time-dependent data. Setting a reference date allows you to only display elements that are valid either on, before or after this date. For example, you can specify that elements are only displayed if their start date is earlier than or equal to the reference date and whose end date is later than or equal to the reference date.

You can use the reference date to reveal the progress of a contract or contract line at a specific point in time.



**Note** By default, the system date is the reference date, but you can select any other date from the calendar, regardless of whether it is in the past or future.

The filter on the reference date feature is activated by default. You can deactivate the reference date by clicking **Deactivate reference date**.

## Rent-free period

A rent-free period is an agreed period of time during the lease where the lessee does not have to pay any rent, for example as an incentive to take the lease.

## Residual value

The residual value is the estimated value of a fixed asset at the end of its lease period or at the end of its economic life. As a general rule, the longer the useful life or lease period of an asset, the lower its residual value. The lessor uses the residual value expected for the asset in the calculation of the rent required for leasing that asset over an agreed period of time.

The lessee can guarantee the residual value of a leased asset to the lessor. If the lessee does not guarantee an estimated residual value, it is called unguaranteed.

## Guaranteed residual value

The lessee can guarantee to the lessor a certain residual value of the underlying asset of a lease.

At the end of the lease, if the fair value of the asset is lower than the guaranteed residual value, the lessee is required to make a payment representing the difference between the guaranteed residual value and the fair value of the asset.

Only the payment resulting from a residual value guarantee that is not reached by the asset is considered a lease payment and is part of the measurement of the lease liability for the lessee.

The lessor will always obtain the guaranteed residual value, regardless of the situation, and that amount of guarantee is part of the measurement of the lease receivable.

## Unguaranteed residual value

Any residual value that is estimated but not guaranteed by the lessee to the lessor is considered unguaranteed.

Only the lessor can estimate this unguaranteed residual value and use it to calculate the lease receivable of a lease.

## Restoration costs

These are the costs that are required to bring an asset back to its original state after expiry of the contract.



With regard to IFRS 16: restoration costs are normally registered under a different standard (IAS37). Currently, restoration costs are registered in Planon under fixed account code **RECO** in the postings.

## Right-of-use asset

The right-of-use asset is a lessee's right to use an asset over the life of a lease (see [Lease](#)) recognized on the balance sheet. The right-of-use asset is calculated as the initial amount of the lease liability (see [Liability](#)), plus any lease payments made to the lessor before the start date of the lease, plus any initial direct costs incurred, plus the present value of the restoration costs minus any lease incentives received.

Under IFRS 16, the depreciation calculation must take into account the shortest period of either the economic life of the asset or the lease period if there is no purchase option (see [Purchase option](#)) or transfer of ownership. If the economic life of the asset is shorter than the lease period, the depreciation is calculated based on the economic life.

If a right-of-use asset is determined to be impaired, the impairment is immediately recorded, thereby reducing the carrying amount of the asset (see [Impairment](#)). Its

subsequent measurement is calculated as the carrying amount immediately after the impairment transaction, minus any subsequent accumulated depreciation.

At the termination of a lease, the right-of-use asset and associated lease liability are removed from the books of the lessee. The difference between the two amounts is accounted for as a profit or loss at that time.

## Sale and leaseback

A sale and leaseback constitutes an arrangement where the seller of an asset leases back the same asset from the purchaser.

The lease arrangement is effective immediately after the sale of the asset with the amount of the payments and the time period specified. Essentially, the seller of the asset becomes the *lessee* and the purchaser becomes the *lessor* in this arrangement.



A leaseback arrangement is useful when companies need to untie the cash invested in an asset for other investments, but the asset is still needed in order to operate. Leaseback deals can also provide the seller with additional tax deductions. The lessor benefits in that they will receive stable payments for a specified period of time.

## Spot rate

The foreign exchange market price at which a currency will be delivered on the spot date.

## Straight-lining

The method used to distribute a cost equally over its period is **straight-line**.

For example, an asset is bought for 96,000 and its useful life is 10 years (120 months). The straight-lining of its cost will be 800 per month (96,000 / 120). A lease is signed for 2 years (24 months) for a yearly payment of 12,000 but a free rent period is agreed for the first 6 months. Hence the payments will be 6,000 + 12,000 = 18,000. The straight-lining of the cost of the lease will be 750 (18,000 / 24). Here the payment won't match the cost and that's the purpose of the straight-lining method of cost allocation: first 6 months payment 0 and cost 750, remaining 18 months payment 1,000 cost 750.

## Transition to new accounting standards

Both FASB and IFRS announced new standards in 2016. These were created in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

- For FASB, ASC 840 is replaced by ASC 842
- For IFRS, IAS 17 is replaced by IFRS 16

Both standards come into effect as of the start of the 2019 financial year, with a transition period of three years.

All lease accounting contracts based on the old accounting standards (IAS 17 and ASC 840) must be converted to the new standards (IFRS 16 and ASC 842).

- Under IFRS 16, most leases will be classified as finance lease and reported on the balance sheet as a liability and right-of-use; this will have a significant impact on financial performance indicators. Under ASC 842, both finance lease and operating lease will be reported on the balance sheet.
- From 2019 onwards, real estate lease figures will need to be calculated and reported in compliance with the new standards.
- During the transition period 2017 – 2019, a two-folded reporting is required and a process for additional data acquisition and lease evaluation will need to be put in place.



Although you need to transfer to the new standards per 2019, it is supported by Planon to transition to the new standards earlier.

## Transition from IAS 17 to IFRS 16

For the transition to the new standard, IFRS 16, lessees are permitted to choose either a full or a modified retrospective transition approach for leases existing at the date of transition.

- Transition based on **full retrospective (FR)**: Under this approach, a company applies the standard retrospectively. This method recalculates the contract from its original start date and takes the new standard into account. As of the start of the 2019 financial year, the new standards need to be calculated. Contract lines based on the IAS 17 standard are leading until the start date of 2019. Lease contract lines based on IFRS 16 will take over as of 2019.
- Transition based on **modified retrospective (MR)**: Under this approach, a company applies the new standard from the beginning of 2019. The contract line's history, based on the old IAS 17 standard, is retained. Contract lines based on this standard will end at the end of the 2018 financial year. Contract lines based on the new IFRS 16 standard start per 2019.
- Planon also supports the use of a combination of both approaches (**MR&FR**). This means that:
  - The liability is calculated from the transition date (01-01-2019)
  - The right of use asset is calculated based on the new standard from the start date of the contract line.
  - The difference between the right of use on the transaction date is booked as **Retained earnings**.



In practice, these transition methods are also referred to as transition options 1, 2A and 2B:

- 1 = full retrospective, FR
- 2A = combination of both approaches, MR&FR
- 2B = modified retrospective, MR

## Transition from ASC 840 to ASC 842

For the transition to the new standard, ASC 842, there is only one option: transition based on **modified retrospective**.

Under this approach, a company applies the new standard from the beginning of 2019. The contract line's history, based on the old ASC 840 standard, is retained. Contract lines based on this standard will end at the end of the 2018 financial year. Contract lines based on the new ASC 842 standard start per 2019.

# Working with lease accounting

This section identifies the processes and tasks that can be performed in **Lease accounting**.



For more information on adding contracts and contract lines, see [Contracts](#)..



Planon recommends not to add more than **one** contract line to contracts based on lease accounting. If required by your specific situation, you can add more than one contract line. However, keep in mind that when exercising a contract option, such as a renewal, this option is applied to **all** contract lines.

## Adding lease accounting contracts

### Procedure

1. Go to Lease contracts (Lease accounting) > Contracts.
2. On the action panel, click Add lease contract.
3. Complete the fields in the data section.

For details on the available fields, see [Contract data fields](#).

4. Click Save.

A new contract is automatically assigned the **In preparation** status. This status indicates that data is not yet finalized and it therefore allows changes to be made. If a contract is validated, its status must be manually set to **Active**.



If the reference date is active, the expired contracts (i.e. contracts whose end date has already passed or contracts that are terminated) are not visible in the elements list.



At the **Contracts** selection level, the **Contracts without contract lines**  toggle button allows you to either show **all** contracts or only the contracts **without** contract lines. By default, all contracts are shown. Click the **Contracts without contract lines** button to only show contracts without contract lines.

## Adding lease contract lines

After creating a lease accounting contract, you can add the corresponding contract lines. You can add up to 50 contract lines to a lease accounting contract.



## Procedure

1. Go to Lease contracts (Lease accounting) > Contracts.
2. Select the contract to which you want to add contract lines.
3. Go to Contract details > Contract lines.
4. On the action panel, click Add.
5. Complete the fields in the data section.

For details on the available fields, see [Contract line fields for lease accounting](#).

6. Click Save.



A contract is always linked to a property via a contract line.



If the reference date is active, the expired contract lines (i.e. contract lines whose end date has already passed or contract lines that are terminated) are not visible in the elements list.



## Adjusting the view of the contracts list












To find relevant information more quickly, you can adjust the view of the elements list at the **Contracts** level in several ways, using the toggle buttons that are available at the top of the elements list.










These toggle buttons - also referred to as 'step actions' - are available to all users by default. However, you may want to hide some toggle buttons from some users when these are not relevant to them. For more information, see [Step actions](#).


•


The **Show list**  / **Show tree**  toggle button allows you to switch between the tree view and list view of the elements list at the **Contracts** level. In list view you can sort the elements list in descending or ascending order by column header. In the following example, the elements list is sorted by name, in descending order:


Status	Code	Name
☑ Contracts (60)		
 ▶	H&S_001	Annual fire inspections - Chubb
 ▶	Cate_001	Catering - Avenance
 ▶	Clea_001	Cleaning - Sodexo
	14.CA	Columbus Square
	14.TA	Columbus Square
 ●	0007	Columbus Square unit 1 - Carbon Smart (out)
 ●	0008	Columbus Square unit 2 - Carbon Smart (out)
 ▶	0009	Columbus Square unit 3 - Carbon Smart (out)
 ●	0010	Columbus Square unit 4 - City of London (out)
 ▶	0011	Columbus Square unit 5 - City of London (out)
 ▶	WF002	External project team


The **Show related contracts**  toggle button allows you to show all the related contracts of the main contract/subcontract. If contracts are filtered, the related subcontracts or main contracts may not be displayed. If you want to view the contracts in their 'family' context, irrespective of the selection you have made, click the **Show related contracts** toggle button to display the related main contracts or subcontracts. If the button is activated, contracts which are a member of the selected contract's 'family' are also displayed in the elements list, in a lighter shade, even though these contracts do not belong to your current selection.










 **Contracts (2)**

▼

▶
Grou\_001, Grounds maintenance - Greenfingers


▶
S0106, Grass cutting

The **Contracts without contract lines**  toggle button allows you to either show all contracts or only the contracts without contract lines. By default, all contracts are shown. Click the **Contracts without contract lines** button to only show contracts without contract lines.

- The **Show color based priority**  toggle button allows you to switch on/off the priority-based coloring of contract and contract action descriptions in the elements list. For more information, see [Using priority coloring for contracts and contract actions](#).
- The **Show contracts with approval**  toggle button allows you to quickly retrieve all contracts with an approval. For more information, see [Filtering on open approvals](#).

## Converting to new lease accounting standards

All lease accounting contracts based on the old accounting standards IAS 17 and ASC 840 must be converted to the new standards IFRS 16 and ASC 842. Planon supports the transition to these new lease accounting standards. For more information on how to proceed, consult the sections [Defining a transition definition](#) and [Linking a transition definition to a contract line](#).

### Defining a transition definition

Define how you want to convert contract lines to the new lease accounting standard.

#### Procedure

1. In Contract Management, go to the Lease accounting transitions selection step.
2. On the action panel, click Add.
3. In the data panel, complete the relevant fields. For a description of these fields, see Transition definition fields
4. Click Save.

### Linking a transition definition to a contract line

To link a transition definition to contract lines that need to be converted to the new lease accounting standard.

#### Procedure

1. Select the contract whose contract lines you want to transition to the new accounting standard.
2. Go to the Contract lines selection level.
3. Select the contract line(s) that you want to convert.

4. In the Lease accounting transition field, select the required transition definition.
5. Click Save.

## Transfer to the new standard

Existing lease contracts based on the IAS17 standard can be converted to the new IFRS16 standard.

For doing so, you can use the **Transfer to new standard** action on **Contracts** level.

### Precondition

- You must have defined a transition definition (see [Defining a transition definition](#) ).
- The transition definition must be linked to an amount (see [Linking a transition definition to a contract line](#)).



If you want to convert an IAS17 finance lease contract to the IFRS16 standard based on a modified retrospective (MR) transition, you must use the **MR FR - Modified retrospective with right of use based on full retrospective** transition method in Planon. For more information, see [Transition from IAS 17 to IFRS 16](#).

### Procedure

1. Go to the Contracts selection level and select the contract.
2. Click the Transfer to new standard action.

**A new amount will be available. (Check the Contract line commitment system report to view the modified accounting standard).**

3. On Contract details > Amounts > set the amount to Active.

**Activate the amount in the month preceding the accounting standard transition.**



When transitioning to a new accounting standard, the offset fields in the new transitioned line are cleared.

## Closing amounts

For accounting purposes, Planon allows you to close contract amounts up to and including a specified date. This financial data is used for payments and accounting, so it is vital that it is correct. For this reason, you can first run a trial closure of financial and accounting data, to check whether there are any errors. As soon as you have approved this data, the amounts can be closed definitively.

For lease accounting contracts, there are different moments to close amounts:

- From an *invoicing* perspective: amounts must be paid several days before the closure date of a financial commitment, which can be at the start or at the end of a commitment period.
- From an *accounting* perspective: amounts must be closed for reporting at the end of an accounting period.

In Planon, financial data and accounting data can either be (trial) closed separately or combined in one go. The **Combined closure?** setting in Field definer allows you to specify if you want to use a combined closure or a separate closure. By default, this option is set to **Yes**. See [Using the 'Combined closure' setting](#).



For more information on this setting and other contract settings, see the user Field definer documentation.

In case of a separate closure, please note that you must always first close the financial data before you can close the accounting data.

For more information on closing financial data, see [Contracts](#). For more information on closing accounting data, refer to the following procedure.

### Procedure

1. At the Contracts selection level, select the contract for which you want to trial close the accounting data.
2. On the action panel, click Trial close acct. data or Acct. trial close & freeze.

**You can use the trial closure to check whether the accounting data generated for a specific period is correct. It is also possible to temporarily freeze contract (line) data, for example if you want to do a last check before the final amount closure is run. In this case, use the Acct. trial close & freeze option.**

3. Enter the required closure date in the Enter values window. By default, the last day of the current month is selected in the Trial closure until field. Click OK if you want to use this date. You can select another date in the Trial closure until field.

**The Accounting commitments selection level of the Closure overview now displays all lease accounting data as it is on the closure date. For details on these fields, see [Accounting commitment data fields](#). For a description of the fields that are specific for the Closure overview, see [Closure date overview - accounting commitments](#). After you have checked and approved the correctness of this data, you can run a final amount closure (refer to the following steps).**

4. At the Contracts selection level, click the contract for which you want to close the accounting data.
5. On the action panel, click Close acct. data.

**All amounts of contract lines linked to the selected contract are now closed up to and including the date you specified in step 3. The data in the Closure overview now becomes final.**



- On the **Contracts** selection level, the **Trial closure date - acct.** field displays the date up to which the trial closure of amounts is valid. The **Closed until date - acct.** field displays the date until which contract amounts were closed.
- You can use the **Delete trial closure** action to remove a trial closure. Note that this action removes the trial closure of both financial and accounting data.



If during trial closure a posting is unbalanced, Planon shows a warning and saves the posting in the **Unbalanced** status. You can repair an **Unbalanced** posting in the **General ledger** TSI by adding a manual journal entry. After adding this journal entry, go to the **Postings** level and set the posting to **Balanced**. Planon now checks if all the related journal entries are balanced. If this is not the case, Planon will not allow you to go from the **Unbalanced** status to the **Balanced** status. If some postings of a contract line are in the **Unbalanced** status, you cannot finalize these postings.

## Using the 'Combined closure' setting

If the **Combined closure?** setting in Field definer is set to **No**, the following applies:

- The **Close fin. data** action will only close the financial commitments.
- The **Fin. trial close** action will only trial close the financial commitments.
- The **Close acct. data** action will only close the accounting commitments.
- The **Trial close acct. data** action will only trial close the accounting commitments.

If the **Combined closure?** setting in Field definer is set to **Yes** (default setting), the following applies:

- The **Trial close acct. data** action will trial close both financial commitments and accounting commitments. The financial commitments are trial closed first, the accounting commitments afterwards.
- The **Close acct. data** action will close both financial commitments and accounting commitments. The financial commitments are closed first, the accounting commitments afterwards.
- The **Fin. trial close** action will only trial close the financial commitments.
- The **Close fin. data** action will only close the financial commitments.

## Closure date overview

After you have ran a trial amount closure, the invoice information of a contract is automatically available in the **Closure date overview**. This enables you to check the correctness of the financial data and contract data before the final amount closure is run and before invoices are actually created and sent to customers.

### Warning

The field settings in Field definer for the Contracts and **Closure date overview** TSIs must be identical. This is maintained automatically by Planon.

### Tip

For details on field settings, see [Making field settings](#).

The **Closure date overview** TSI contains the following data:

- The **Closures dates** selection level displays all closures dates. For a description of these fields, see [Closure date fields](#).
- The **Contracts** selection level displays all contract data as it is on the closure date. Most fields on this selection level are equal to the fields on the **Contracts** selection level of the Contracts TSI. For details on these fields, see [Contract data fields](#). For a description of the fields that are specific for the **Closure date overview** TSI, see [Closure date overview - contracts](#).
- The **Contract lines** selection level displays all contract line data as it is on the closure date. Most fields on this selection level are the same as the fields on the **Contract lines** selection level of the Contracts TSI. For details on these fields, see [Contract line data fields](#). For a description of the fields that are specific for the **Closure date overview** TSI, see [Closure date overview - contract lines](#).
- The **Financial commitments** selection level displays all financial data as it is on the closure date. Most fields on this selection level are the same as the fields on the **Financial commitments** selection step of the Contracts TSI. For details on these fields, see [Financial commitments data fields](#). For a description of the fields that are specific for the **Closure date overview** TSI, see [Closure date overview- financial commitments](#).
- The **Accounting commitments** selection level displays all lease accounting data as it is on the closure date. For details on these fields, see [Accounting commitment data](#). For a description of the fields that are specific for the **Closure date overview** TSI, see [Closure date overview - accounting commitments](#).
- The **Postings** selection level displays the postings for the financial data (**Postings - financial commitments** step) and the postings for the accounting data (**Postings - accounting commitments** step).
- The **Ledgers** selection level displays the journal entries for the financial data (**Ledgers - financial commitments** step) and the journal entries for the accounting data (**Ledgers - accounting commitments** step).

For more information on the available fields, see [Posting and journal entry fields](#).

**Note**Note that the data in the **Closure date overview** TSI is read-only. You can run as many trial closures as needed. The previous trial closure data will be then deleted and replaced with the new data. You can also manually delete the closure data and run a new trial closure.

To manually delete trial closure data, use one of the following options:

- The **Delete trial closure** option at the Contracts > **Contracts** selection level

or

- The **Delete** option at the **Closure date overview > Contracts** selection level
- After you have run a final closure, the data will be marked as final and can no longer be deleted.

## Closing a financial period

In order to report your financial data per period, you can close financial periods in Planon. You can do this by setting a closure date on the financial year.

### Procedure

1. Go to Financial years.
2. On the action panel, click Close financial period.
3. Enter the required closure date in the Enter values window. By default, the last day of the current month is selected in the Closure date of latest financial period field. Click OK if you want to use this date. If required, you can select another date in this field. Planon now checks if there are still open contracts in this period.



You cannot close a financial period if there are still open contracts in the period you want to close. Always check if all contracts are closed (see [Closing amounts](#)) before closing a financial period. Please note that **all** contracts - including non-lease accounting contracts must be closed.



Not all contracts are included in this check, for example contracts that end before the specified closure date and for which amounts have already been closed. If an amount is changed for such a terminated contract, you must close the amounts up to a later date than the last closure date of the financial year.

### **All financial data related to your contract is closed until the specified closure date.**

- Changes made after the closure date are recorded as a supplement in the first open financial period, with the start date end date of the open period.
- If a contract is activated before the closure date, the financial closure date is entered when activating the contract. If the activated contract is linked to a lease accounting contract line, the accounting closure date is entered.
- The financial closing of periods cannot be used in combination with 'frozen contracts'.



After closing a financial period, the contract manager can clean up related journal entries to limit the number of items in the elements list. For more information about cleaning up journal entries, see 'Deep archiving journal entries' in Budgets .

- In some cases it may be necessary to reopen a closed financial period. For more information, see [Reopening a closed financial period](#).



## Reopening a closed financial period

When closing a financial period, all the relevant contracts and related financial data are closed up to and including the closure date (see [Closing a financial period](#)). In case a contract is registered and activated too late in Planon, you can *reopen* a closed period to register and activate the contract as if the financial period was still open. The corresponding commitments and postings will be registered in this reopened period.

### Example:

- Contract's start date: 10/01/2020
- The financial year 2020 has already been closed up to 11/30/2020
- When the contract is activated, the months of October and November will be registered as of December 2020, because this is the first open period.
- By reopening the financial year until 09/30/2020, you can activate the contract and close it up to 11/30/2020 (minimum). The months of October and November will be registered the corresponding months now.
- Final step is to close the financial year again. This would close the year again until 11/30/2020 (this is the only date allowed, it cannot be changed).

You can do this by following the steps in this example:

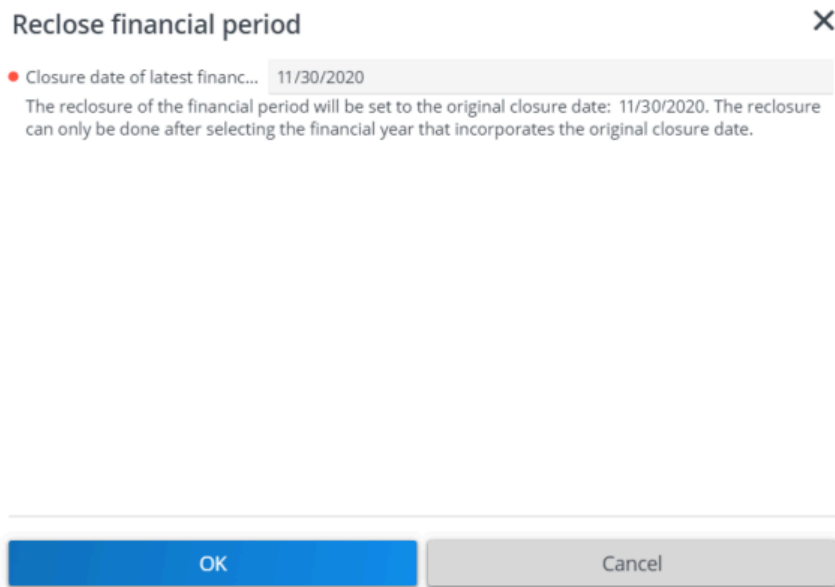
### Procedure:

1. Go to Contracts and register the contract with start date 10/01/2020, but do *not* activate it yet.
2. Go to Financial years.
3. Select the financial period that you want to reopen: 2020.

**The financial year 2020 has already been closed up to 11/30/2020.**

4. On the action panel, click Reopen financial period.  
**The Enter values window appears.**
5. Specify the required date in the Reopen financial period until field: 09/30/2020.
6. Go to Contracts and activate the contract you registered in step 1.
7. Close the contract up to the original closure date of the financial period: 11/30/2020.
8. Go to Financial years.
9. Select the reopened financial period that you want to reclose: 2020.
10. On the action panel, click Close financial period.

The Reclose financial periods window appears. The closure date of the latest financial period is already filled in by Planon: 11/30/2020.



11. Click OK.

The reclosure of the financial period is now set to the original closure date.

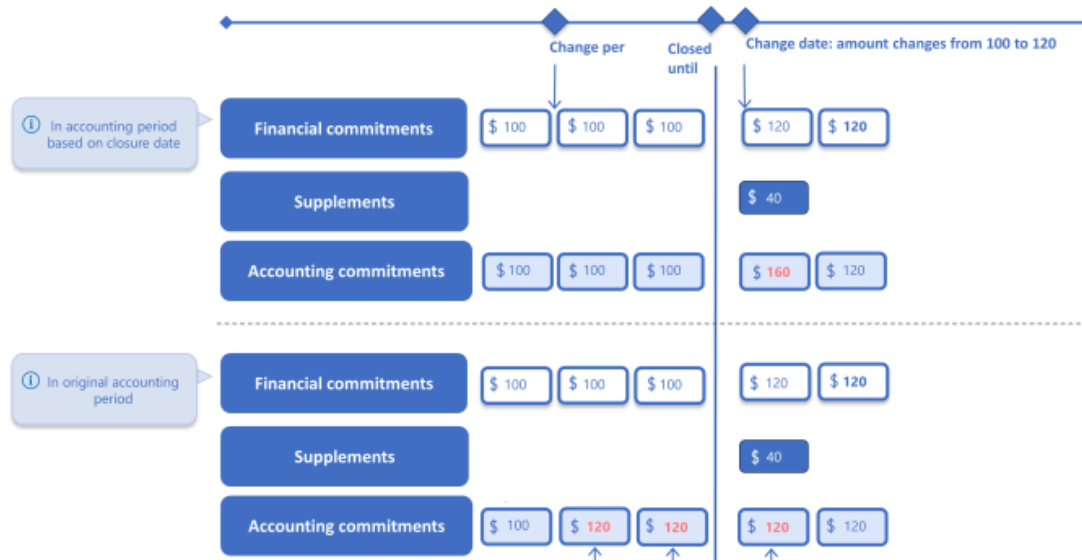
## Amount changes in a financially closed period

For amount changes in a financially closed period, Planon generates *supplements*. Supplements are an addition to a financial commitment. Normally, a supplement will have the first day in the first open period as a due payment date. This date is also used to determine the accounting period, so the 'accounting date' will also be set to the first day in the first open period. Planon considers a period to be closed based on:

- the **Closure date of latest financial period** in the financial year (that is adopted in the contract at the moment the contract is activated)
- the **Closed until date - fin** and **Closed until date - Acct** on the contract

From an accounting perspective, there are two ways in which supplements are taken into account for calculations:

- in the accounting period based on the closure date of the supplement
- in the accounting period they originally belong to (retrospectively)



The calculation for each method is different. For the second method, the amount changes are taken into account in its corresponding period. Some companies have a policy of retrospectively taking into account the amounts. Sometimes contracts are registered after the closure date but accounted for as if they were registered in time. The impact of registering payments afterwards can be determined through the **Take retrospective payments into account?** setting. Setting this option to **Yes** ensures that the retrospective payments are included for accounting calculations in the original period, if a contract is entered or changed retrospectively. Default setting is **Yes**. This setting is available in Field definer and on the lease contract line.

1. If you want to set this on a company level for *all* contracts, use the **Take retrospective payments into account?** setting in Field definer > Contracts > Business object settings. For more information, see [Contract settings](#).
2. If you want to set this for a *specific* contract line, use the **Take retrospective payments into account?** setting on the contract line (see [Contract line fields for lease accounting](#)).

**i** The setting on the contract line is taken over from the **Contract settings** in Field definer and can be changed as long as the contract line has not yet generated any supplements. Planon does not support a mix of both methods, it only supports one way of calculating.

If **Take retrospective payments into account?** is set to **Yes**, the payment date of the supplement is calculated based on the payment date of the original financial commitment. See the example below.

Example:

- *Without closure:*

The result of activation of the lease or an amount change: the commitment of January 2020 has payment date **December 15, 2019**

- *After closure of January 2020 and with the option Take retrospective payments into account? set to Yes (in a closed period):*

The result of activation of the lease or an amount change: the supplement of January 2020 has payment date **December 15, 2019**

## Amount changes and indexation

The amount registered on a contract line is the agreed amount that you receive or pay in exchange for the usage of an asset. An amount can change over time, by manual adjustment or by indexation. Planon supports the indexation of amounts during the life of a lease, based on several indexation methods. Historical changes in amounts based on manual changes or indexations are registered by Planon in separate [life cycles](#).

Planon's **Price level amounts** feature allows you to register future price changes at the current price level. Planon will automatically index and adjust these amounts whenever the contract is indexed. For more information, see [Registering a price level amount](#).

When indexing or re-indexing a lease, Planon checks all amount changes after the indexation date. In case of an indexed amount or a price level amount, Planon will (re)index the amount.

Planon automatically populates the **Reason for price change** field on the contract line with the one of the following values:

- Manual indexation
- Amount changes due to indexation
- Price level amount
- Price level amount changes due to indexation
- Not indexed: threshold value not reached



For more information on price indexation, see [Adjusting contract prices using indexation](#).

## Registering a price level amount

You can use price level amounts to register future price increases during the life of a contract. Planon will automatically index and adjust these amounts whenever the contract is indexed between the **Price level date** and the **Date effective**.



This feature is available for all types of lease contract lines, but not for service contract lines and SLA lines.

1. Go to the Contracts / Lease contracts (lease accounting) TSI.
2. Select the contract line for which you want to register a price level amount.
3. On the action panel, click Add price level amount.

### The Price level amount wizard opens.

4. On the Price level amount changes step of the wizard, specify the Price level date. The amount has a specific value on this date.
5. Specify the date as of which the price applies in the Date effective field.
6. Enter the amount in the Price level amount field.
7. Click Next in the wizard to go to the Price level amount details step.

The screenshot shows a wizard window titled "Price level amount" with a close button (X) in the top right corner. On the left, there is a "Selection steps" panel with two items: "1. Price level amount changes" (selected with a blue circle) and "2. Price level amount details" (highlighted with a blue bar). The main area is titled "2. Price level amount details" and contains a table of fields:

Price level date	1/22/2021
Date effective	5/19/2021
Price level amount	€ 75,000.00
Old amount	€ 60,000.00
New amount on 'Date effective'	€ 75,000.00

At the bottom of the wizard, there are three buttons: "Previous" (disabled), "Complete" (active), and "Cancel" (disabled).

This read-only overview displays the Price level date and the Date effective you specified in the previous step of the wizard. The other fields are automatically populated by Planon. The Old amount field displays the old price and the New amount on 'Date effective' field displays the new price, as specified in the previous step of the wizard.

8. Click Complete to confirm your settings and close the wizard.

The price level date and price level amount are stored on the contract line. The new amount is stored in the Amount field on the contract line. Planon will automatically recalculate the amount whenever the contract is indexed or re-indexed between the price level date and the date effective.

### Example

The following example shows how price level amounts in combination with indexation works in Planon.

- Start of the lease in April 2020 with a rent-free period
  - October 15, 2020: the amount becomes 2,000 EUR/month (price level 2020)
  - October 15, 2021: the amount becomes 2,500 EUR/month (price level 2020)
  - October 15, 2022: the amount becomes 3,000 EUR/month (price level 2020)
- The contract will be indexed with 103/100 as of January 1, 2021
  - October 15, 2021: the amount becomes 2,575 EUR/month

- October 15, 2022: the amount becomes 3,090 EUR/month
- The contract will be indexed with 105/103 as of January 1, 2022
  - October 15, 2022: the amount becomes 3,150 EUR/month
- The contract will be re-indexed with 106/103 as of January 1, 2022
  - October 15, 2022: the amount becomes 3,180 EUR/month
- As of October 15, 2023, there will be an additional amount change (price level is 3,500 in 2021). Given the indexation of 106/103 as of January 1, 2022, the amount becomes 3,601.94 as of October 15, 2023.

## Calculating and viewing commitments

Contract lines generate *financial commitments* in Planon. In **Contracts**, go to Contracts > Contract line details > Financial commitments to view the financial commitments.

Financial commitments are always related to payments or revenues. Based on the agreements made on amounts, payment frequency and commitment periods, Planon calculates the corresponding commitments and the dates at which these should be paid / received. For more information on financial commitments and on working with contracts in Planon, see [Contracts](#).

For lease contract lines, Planon calculates *accounting commitments*. In **Contracts**, go to Contracts > Contract line details > Accounting commitments to view the accounting commitments.

Those amounts are registered in the P&L (Profit and Loss) statements and reported on the balance sheet representing the liability and right of use.

Financial commitments and accounting commitments generate postings in Planon for journal entries in your financial system. For more information, see [Generating postings](#).

The **Contract line commitments** system report shows the financial and accounting commitments for contract lines based on lease accounting. For more information on this report, see [Reporting in Lease accounting](#).



Before you start calculating lease accounting commitments, you should first set the **Year end date set by Planon** option of the **Financial years** business object in Field definer to **Yes**. Planon will then determine the end date of a financial year.

For more information on this setting, see Field definer .

If you switch an option (renewal/ termination/purchase) from 'not reasonably certain' to 'reasonably certain' or vice versa, the corresponding commitments will be adjusted accordingly. Planon automatically removes or adds commitments when the **Is reasonably certain?** setting is changed.

- For an additional 'reasonably certain' renewal option: Planon adds commitments in accordance with the added renewal period.
- For an additional 'reasonably certain' termination or purchase option: Planon removes commitments up to the proposed end date of the termination option / purchase option.

## Precalculating commitments for inactive contracts

You can use the **Precalculate** status to generate commitments for inactive contract. This allows you to check the configuration of your contract lines before activating them. Contract lines with the **Precalculate** status are *not* taken into account when indexing a contract or when closing amounts. Additionally, *no* postings are created for these commitments and they are *not* sent to the financial system. You can modify contract lines with the **Precalculate** status and recalculate commitments or activate the contract line.

### Procedure

1. Go to Contracts selection level and select the required contracts.
2. Go to Contract lines.
3. Select the inactive contract lines for which you want generate commitments.
4. On the Status transitions action panel, click Precalculate.

## Accounting commitments

Accounting commitments contain information regarding start date, end date and lease amount. For a lease that is capitalized, interest, lease liability and depreciation are calculated. After a contract line is activated and accounting commitments are generated, any change of financial data updates accounting commitments. If changes are registered after closing the commitment, the changes will be registered in the first open accounting period.

Contract lines can be linked to a contract currency and a functional currency (see [Contract line fields for lease accounting](#) and [Using contract currencies and functional currencies](#)). The contract currency and functional currency can be the same if the lease is paid in the same currency as the company reports in. If you do not specify a contract and functional currency, accounting commitments are calculated based on the currency registered in **System Settings**. For more information, see [System Settings](#).

If both the contract currency and functional currency are specified in the contract line:

- Planon calculates and generates the accounting commitments in two sets: one set in the contract currency of the contract line (based on the normal calculations) and one set in the functional currency of the contract line (based on the calculated amounts and the exchange rates).
- Liability at end is translated based on the spot rate at commitment end date.
- Interest is translated based on the average rate for the accounting period.
- Reclassification to short term is translated based on the spot rate at commitment end date.

- Payment is translated based on the spot rate for the payment date.
- Right-of-use asset is translated based on the historical rate.
- Depreciation is translated based on the historical rate.

In case of differences between translated amounts and calculated amounts, they are registered as FX gain-loss (per accounting period).



The accounting commitments data fields for the functional currency have the prefix "FC" or "RC". For more information on the available accounting commitment data, see [Accounting commitment data fields](#). For more information on registering exchange rates in Planon, see [Adding currencies, currency pairs and exchange rates](#).

## Accounting commitment types

The following accounting commitment types are supported:

- AMT, Amount change
- ARO, ARO (Asset Retirement Obligation or Restoration costs)
- CHANGE, Headlease change
- CORRECTION, Correction
- ELC, End of lease commitment
- ELS, Economic life span
- EXC\_AMOUNT, Execution amount
- EXC\_PUR, Purchase option - execution amount
- FINE\_AMT, Fine amount
- FVC, Fair Value Change
- GRV, Guaranteed Residual Value
- INI, Initial
- IDC, Initial direct costs
- IIC, Initial installation costs
- IMP, Impairment
- INCID, Incidental
- LI, Lease incentive
- OST, Offset amounts
- PRP, Prepay
- R, Regular
- REM, Remeasurement
- REXP\_CLT, Rental expense cancellation
- RS, Reduced scope
- RS\_ENDDATE, Reduced scope end date



- SLB, Sale and leaseback
- SL\_CHANGE, Sublease change
- SL\_END, Sublease end
- SL\_ENDSUSP, Sublease end suspended
- SL\_RENEW, Sublease renewal
- SL\_START, Sublease start
- UNP, Upfront non-refundable payment
- URV, Unguaranteed Residual Value

## Lease liability calculation

In Planon, the lease liability is calculated and registered in the accounting commitments.



In the case of lessors, we use the term 'lease receivable' instead of 'lease liabilities'. The underlying principle, however, is the same. In the standard configuration of Planon Lease accounting, the single label 'Lease liability' stands for all the specific labeling used in the different standards:

- **Lessee**
  - IFRS 16 Lease liability
  - ASC 842 Lease liability
  - GASB 87 Lease liability
  - GASB 96 Subscription liability
- **Lessor**
  - IFRS 16 Net investment
  - ASC 842 Net investment in the lease
  - GASB 87 Lease receivable

Lease liabilities are divided into short-term liabilities (shorter than one year) and long-term liabilities (longer than one year). Each accounting period includes a reclassification of liability from long-term to short-term.

For example, if an organization has a lease over a 15-year period, the lease payments that are due during the coming year are recorded in the short-term liabilities section of the balance sheet.

At the start of the lease, Planon calculates the short-term liability and the long-term liability, which is the *total* liability minus the *short-term* liability. Every time at the end of an accounting period, the time window of one year changes and the change is reclassified from 'long-term' to 'short-term'.

Long-term liability decreases over time. If the remaining lease term is shorter than 12 months, the long-term liability is zero.




- If the lease liability is remeasured, Planon will also recalculate the short-term and the long-term liability.
- Lease liability is also included in the postings, indicated by the following codes:
  - **ST\_LELI** (=short-term liability) and **LT\_LELI** (=long-term liability) for *lessees*
  - **ST\_LERE** (=short-term lease receivable) and **LT\_LERE** (=long-term lease receivable) for *lessors*

For more information on the available data fields for accounting commitments, see [Accounting commitment data fields](#). For more information on the available data fields for postings, see [Posting and journal entry fields](#).

## Pro rata commitments

When an amount is changed not at the start date of a financial period which is not closed, the application creates a pro rata commitment. The pro rata commitment represents the subperiod and the part of the payment for that period.


Pro rata commitments provide better auditability of the subperiod and amount. No postings are created for pro rata commitments. Cashflow commitments always show the total amount for the whole financial period and create the corresponding postings.

 The pro rata commitment always has a reference to the original cashflow commitment it is related to through the **Related contract cashflow** field.

This example helps you to understand the behavior of pro rata commitments.

- Three-years lease with 100,000.00 yearly rent, paid quarterly in advance (Start date: January 1st)
- Lease is closed up to June 30th
- Lease amount is changed to 112,000.00; the date effective is September 1st (That is an additional 3,000 per financial period (Quarter). September being the last Month of the 3rd quarter, and additional (pro rata) of 1,000.00 is required

In an open period, a pro rata commitment is created in addition to the existing cash flow commitment for the subperiod 1st to 30th September. The existing cash flow commitments are modified to include the updated pro rata amount.

 When the lease is closed up to September 30th, a posting is created for the cash flow only and not for the pro rata.


Code	Type	Status	Related cashflow	Start date of commitment	End date of commitment	Closure date	Amount excl. tax	Base amount excl. tax	Cash out	
									ESUSP	Cash
1	Cashflow	Closure		2021-01-01	2021-03-31	2021-01-01	25,000.00	25,000.00	25,000.00	-25,000.00
2	Cashflow	Closure		2021-04-01	2021-06-30	2021-04-01	25,000.00	25,000.00	25,000.00	-25,000.00
3	Cashflow	Closure		2021-07-01	2021-09-30	2021-07-01	26,000.00	25,000.00	26,000.00	-26,000.00
3p	Pro rata	Prolongated	3	2021-09-01	2021-09-30	2021-07-01	0.00	1,000.00	No Posting	
4	Cashflow	Initial		2021-10-01	2021-12-31	2021-10-01	28,000	28,000		

## Reopening accounting commitments

The **Reopen accounting commitments** feature allows you to reopen accounting commitments that are related to the last closed period of the current financial year. For retroactively changed commitments, as well as reopened commitments, the 'book period postings' logic is based on the financial year's last closure date instead of the contract's last closure date.


### Procedure

1. Go to Lease contracts (Lease accounting) > Contracts.
2. Select the contract to which you want to add contract details.
3. Select the record from the Contract details selection level and go to Amount details selection step.
4. Click Lease accounting commitments.
5. On the action panel, click Reopen accounting commitments.


 Reopening of an accounting commitment is allowed only if a closed commitment is for the current financial year and it belongs to the accounting period of the closure date.

## Generating postings

Planon creates postings for both financial commitments and accounting commitments. [Postings](#) can be *provisional* or *final*. Both the provisional and final postings are always linked to their corresponding commitments.

 It is NOT possible to manually add postings or journal entries.

- Planon updates the provisional postings to final postings (posting category = **FIN, Final**) after you have performed a final closure. For more information on closing amounts for accounting and invoicing purposes, see [Closing amounts](#).

 Many events occur during the life span of a contract line. In order to understand which postings are created based on which financial event, Planon logs these events. Whenever a financial event is triggered, the posting(s) created is/are linked to this event. For more information, see [Financial event registration](#).

## Posting types

Planon supports the following posting types:


- ACCPAY, Accrued interest payment
- ARN\_LELI, Asset return - lease liability
- ARN\_ROU, Asset return - right of use
- CASH\_IN, Cash in

- CASH\_OUT, Cash out
- CORRECTION, Correction
- DEPR, Depreciation
- DEPR\_LOSS, Depreciation - loss
- DERECOGN, Derecognition
- DIR, Deferred inflow of resources
- DIRREVLOSS, DIR - revenue loss
- FX\_GALO\_DI, Deferred IDC - Exchange gain/loss
- FX\_GALO, Foreign exchange - gain/loss (liability)
- FX\_GALO\_LA, FX gain/loss lease amount (lease amount operating leases)
- IDC, Initial direct costs
- IDC\_EXP, IDC Expense
- IIC, Initial installation costs
- IMPL, Impairment
- IMP\_REV, Impairment reversal
- INT, Interest
- INTACC, Accrued interest
- LESSEE\_FIN, Lessee - final
- LESSOR\_FIN, Lessor - final
- LESSOR\_ARN, Lessor - asset return
- LI, Lease incentive
- PREPAY, Prepay
- QUANT\_DECR, Quantity decrease
- RECLN, Reclassification
- RECO, Restoration costs
- RECOGN, Initial recognition
- REFUND, Refund
- RENTEXP, Rental expense
- RENTINC, Rental income
- RETAEARN, Retained earnings
- REXPCLT, Rental expense cancellation
- SHORTEN, Shorten
- SLB, Sale and leaseback

- SUBCHANGE, Sublease change
- SUBEND, Sublease end
- SUBRENEW, Sublease renewal
- SUBSTRT, Sublease start
- SUSP, Suspense
- TRANS\_ACCR, Transition accrual


## Recalculating commitments

If you performed an upgrade to a new Planon Live version and financial calculations have been affected, you may need to recalculate your contract lines to make them compliant to the newest calculations.

-  The recalculation only affects existing contract lines; new contract lines created after the upgrade already comply with the new calculations.
- If recalculating commitments is required, this will be mentioned in the Planon [online release notes](#).
- You can, however, always click the **Recalculate commitments** button; it will only perform a recalculation if required.

1. During an upgrade, existing and affected contract lines will be marked in order to identify them.


**Marking is done by setting the Recalculation required after upgrade? field (system name: IsRecalculationRequiredAfterUpgrade) on the contract line to Yes.**

-  The **Recalculation required?** field (system name: **IsSTLTRecalculationRequired**) is no longer in use as of release L47.

2. For the affected contract lines, perform a recalculation by clicking Recalculate commitments on the action panel.

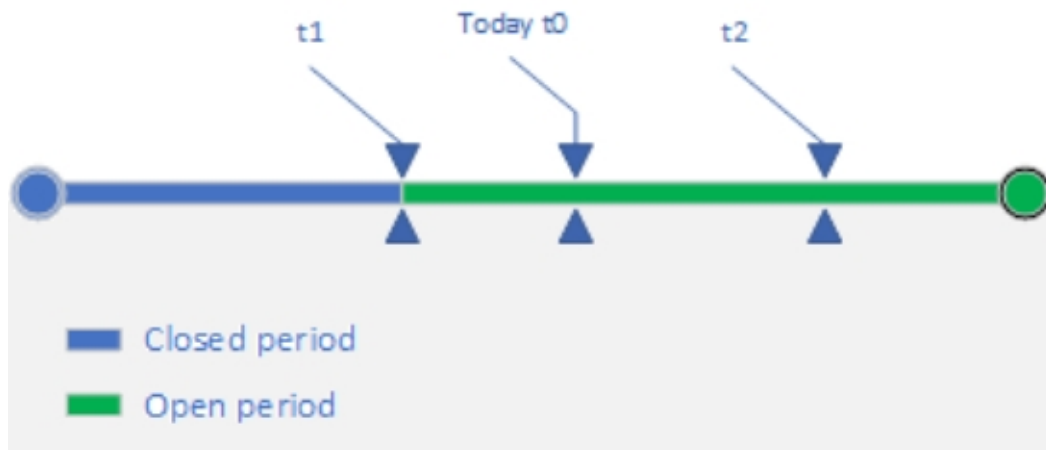
**Alternatively, you can also perform a remeasurement of the lease contract.**

**As a result, the calculations of open commitments are updated and the Recalculation required after upgrade? field is set to No.**

-  If the **Recalculate commitments** action is used for a contract that requires a remeasurement, but that has been closed until the last day of the contract line, Planon automatically resets the **Remeasurement required?** option to **No**.

3. If the recalculation results in a difference in commitments, Planon will:
  - a. Log an event with financial event type Correction (see Financial event registration).
  - b. Create an accounting commitment of type Correction (see Accounting commitment types).
  - c. Create a posting of type Correction (see Posting types).

### Example



When clicking the Recalculate commitments button today (t0) the following will happen:

- If there are no events in the open period, the start of the open period will be used (t1)
- If there are events in the open period (t2), the recalculation will be applied as of then.

Note: t2 could also be before t0, but after t1.

## Using a horizon date

A contract can be for an indefinite period of time, but lease calculations must have an end date. Balance positions such as liability and right-of-use need to be calculated based on an end date. You can use the **horizon date** in Planon to set an end date for the lease calculations.

A contract has an indefinite period if there is:

- a contract line *without* an end date;
- a contract line *with* an end date to which a renewal option is linked with an *indefinite* renewal term.

The horizon date feature in Planon supports the following:

- Leases with an indefinite end date take the horizon date on the contract into account as an end date for the calculations.
- When executing a renewal option with an indefinite end date, the horizon date on the contract is taken into account as the end date of the calculations.
- When setting a renewal option with an indefinite end date to 'reasonably certain', the horizon date on the contract is taken into account as an end date of the calculations.
- For termination options, the horizon date on the contract can be used to switch between 'reasonably certain' and 'not reasonably certain'. A termination option with an end date greater than or equal to the

horizon date is reasonably certain. A termination option with an end date before the horizon date is switched to 'not reasonably certain'.

- For headlease and sublease, the horizon date is used to set the time scope for the headlease and sublease.

## Using multiple accounting standards

You can register lease contracts according to an [Accounting standard](#), such as IFRS 16 or ASC 842 or GASB 87 or GASB 96. Planon then performs all the calculations in accordance with this standard and generates the corresponding accounting commitments. Accounting commitments include all relevant accounting data and are used for reporting and postings. When you register a lease, you can specify up to three accounting standards for one contract line. Planon will then generate up to three sets of accounting commitments: one set for each standard.

### Procedure

1. On the Contracts selection level, select the contract for which you want to specify one or more accounting standards.
2. Go to Contract details > Contract lines.
3. Select the required lease contract line.
4. In the data panel, complete the relevant fields: Accounting standard, Secondary accounting standard, Tertiary accounting standard.



For more information on these fields, see [Contract line fields for lease accounting](#).

## Restrictions for multiple accounting standards

When using multiple accounting standards, the following restrictions apply:

### General

- The **Discount rate** field is mandatory.
- Only the Contract line commitments report supports the use of multiple accounting standards.
- If an impairment is used in combination with multiple accounting standards, you can only change the percentage, not the carrying amount. Planon then calculates the carrying value for the secondary or tertiary accounting standard.
- If initial direct costs are used in combination with old accounting standards, they cannot be changed after contract activation.
- If lease incentives are used in combination with old accounting standards, they cannot be changed after contract activation.
- When using an impairment in combination with accounting standards there is a difference in functionality:

- When using multiple accounting standards, you can only change the percentage in the wizard.
- When using a single accounting standard, you can change the amount and/or the percentage in the wizard.

#### **Limited support**

When using multiple accounting standards, the following fields are only used if they are applicable to the respective standard:

- Residual value

#### **Not supported**

- Headlease and sublease
- Reducing scope
- The following fields are not supported for contract lines with multiple accounting standards:
  - Economic life span (if one of the accounting standards is ASC 842)
  - Postponed payment date
  - Lease accounting transition

## Recalculating operating leases

Operating leases will be recalculated if either of the following options affect the contract end date:

- Renewal
- Termination
- Purchase

When the contract line's calculated end date changes as a result of these options, the financial commitments will be recalculated. For the accounting commitments, this means that when using:

- a primary accounting standard, the lease impact must be recalculated (by performing a remeasurement).
- multiple accounting standards, the operating lease is automatically recalculated (based on the remeasurement of the primary standard and without taking into account discount rates). The open accrual balance will be reduced to zero for the new calculated end date.

## Shortening the duration of a lease contract line

You can shorten the duration of lease contract lines by adjusting the end date. The contract is recalculated from the date effective that you specified. The liability and the right-of-use are recalculated based on the shortened duration.



The right-of use is reduced by a factor that is calculated as follows:

$$\frac{\text{New remaining duration}}{\text{Original remaining duration}} = \text{Reduction factor}$$

Example: a contract line with a duration of 20 years is shortened by 6 years in year 10. New remaining duration of the contract line is 4 years; the original remaining duration was 10 years. The reduction factor is:

$$\frac{4 \text{ (new remaining duration)}}{10 \text{ (original remaining duration)}} = 0.4$$

The liability is recalculated based on the date effective. The difference between the changed liability and right-of-use is registered as gain/loss.

Please note the following:

- The 'Reduce scope' feature is only available for:
  - IFRS16 finance leases - lessee only
  - ASC842 long-term (>1 year) operating leases and finance leases
- The 'Reduce scope' feature is not supported when using multiple accounting standards.
- You cannot use the 'reduce scope' feature in combination with reasonably certain renewal and reasonably certain termination options.

#### Procedure

1. At the Contracts selection level, select the for which contract you want to shorten.
2. Go to Contract details > Amounts.
3. Select the required lease contract line(s).
4. On the action panel, click Reduce scope. The Enter values window is displayed.
5. In the Physical extent 'Y' / End date 'N'? field, click No. This implies that you are changing the end date.
6. In the Add modification on field, specify the date on which the change is to become effective.



The date effective is restricted to the start date of an accounting commitment period.

7. In the End date field, specify the new end date.

8. Click OK to confirm.

**After you have confirmed the date effective and the new end date, Planon:**

- calculates the impact on the liability: the outstanding liability at the time of the change, compared to the outstanding liability on the old end date versus the outstanding liability on the new end date.
- calculates the impact on the right-of-use: the outstanding right-of-use at the moment of the change, compared to the outstanding right-of-use on the old end date versus the outstanding right-of-use on the new end date.
- starting from the **Add modification on date**, Planon recalculates all amounts on the contract line based on the new end date.
- generates an accounting commitment of the type **RS\_ENDDATE, Reduced scope end date** (see [Accounting commitment types](#)).
- calculates the difference between the changed liability and right-of-use. This amount is registered as gain or loss in a posting (with fixed account **SR\_GALO**).
- registers a financial event with the code SHORTEN ([Financial event registration](#)).

After you have shortened the duration of a lease contract line, an automated remeasurement is performed per change effective date.

## Reducing the physical scope of a lease contract

In Planon you can physically reduce the extent of a lease contract (reduce scope). For example: if the floor area of a lease is reduced by 40% as of the first of the next month, the lease can be adjusted accordingly. The monthly lease payments are decreased and based on the reduced floor area, lease liability and right-of-use asset are recalculated and reduced proportionally.

Please note the following:

- The 'Reduce scope' feature is only available for:
  - IFRS16 finance leases - lessee only
  - ASC842 long-term (>1 year) operating leases and finance leases
- The 'Reduce scope' feature is not supported when using multiple accounting standards.
- You can only perform a 'reduce scope' per the first of an accounting period.

You can reduce the scope of a lease as of the start date of an accounting period, regardless of whether it is in the middle of a payment period. In this case, the lease payment is split into two parts:

- the original amount *before* the scope reduction
- the reduced amount *after* the scope reduction

After scope reduction, Planon automatically calculates a refund of (part of) the lease payment. This refund is registered as a change in the right-of-use after the scope reduction.

Planon will process the scope reduction of a lease as follows:

**A.** Decrease the carrying amount of the right-of-use asset to reflect the partial termination of the lease for lease modifications that decrease the scope of the lease.

**B.** Remeasure the lease liability by discounting the revised lease payments using a revised discount rate. (See [Performing a remeasurement](#)).

To register a scope reduction in Planon:

1. At the Contracts selection level, select the contract for which you want to reduce the scope.
2. Go to Contract details > Amounts.
3. Select the required lease contract line(s).
4. On the action menu, click Reduce scope. The Enter values window is displayed.
5. In the Physical extent 'Y' / End date 'N'? field, click Yes. This implies that you are reducing the physical extent.
6. In the Add modification on field, specify the date on which the change is to become effective.
7. In the Physical extent field, specify the new value.
8. Click OK to confirm.



You cannot undo a scope reduction. The **Undo life cycle changes** action is *not* available.

**After you have confirmed the date effective and new physical extent, Planon:**

- calculates the proportional right-of-use decrease, based on the open right-of-use at the moment of the scope reduction and based on the reduction percentage.
- calculates the proportional liability decrease, based on the open liability at the moment of the scope reduction and based on the reduction percentage.
- calculates the difference between the proportionally calculated liability and right-of-use. This amount is registered as gain or loss.
- starting from the **Add modification on** date, Planon recalculated all amounts on the contract line to reduce them according to the reduction percentage.
- recalculates the remaining lease period based on the latest amounts and current discount rate.
- generates an accounting commitment of the type **RS, Reduced scope** (see [Accounting commitment types](#)).
- generates the correct postings (see [Generating postings](#)).
- registers a financial event with the code QUANT\_DECR (see [Financial event registration](#)).



- Planon has now completed the calculations based on the scope reduction (see [Step A](#)).
- You can now continue to revise your payments and discount rate (see [Step B](#)). Before you continue with **Step B**, you should adjust the payments as agreed by the contracting parties as from the **Add modification on** date.
- Note that this does not work if the contract line is linked to a reasonably certain renewal option and the renewal option fields (**New amount at renewal** or **Offset amount at renewal**) have a value. • If you decreased the scope of an ASC 842 contract, the depreciation method changes from 'Annuity' to 'Straight-lined', starting at the moment the change is effective.

## Performing an impairment or an impairment reversal

Over time, the value of leased assets or properties can decrease or increase due to market developments. To correct the depreciation record, you can perform an [impairment](#) (in case the asset's value decreases) or an impairment reversal (in case the asset's value increase).



You can perform an impairment reversal only in these instances.

- An impairment reversal does not exceed the original right-of-use.
- An impairment reversal was preceded by an impairment.

### Procedure

1. At the Contracts selection level, select the contract for which you want to perform an impairment.
2. Go to Contract details > Contract lines.
3. Select the required lease contract line(s).
4. On the action panel, click Perform impairment.

#### The Impairment dialog box appears.

- a. In the Select date of impairment section, specify a date in the Date of impairment field (effective date of the change).
- b. Click Next.
- c. Enter a value in one of these fields.




Once you add value in any of these fields, values in the other fields appear by default.

- New impairment (by %)
- New impairment (by value)
- Impairment - new asset value (%)

- Impairment - new book value
- d. In the Reason for impairment field, specify the reason for performing an impairment.
- e. Click Complete.

 You cannot undo an impairment. The **Undo life cycle changes** action is *not* available.

**Performing an impairment (reversal) results in adjusting the accounting commitments as of the date of implementation. The depreciation value will show an adjusted amount.**

 If you performed an impairment for an ASC 842 contract, the depreciation method changes from 'Annuity' to 'Straight-lined', starting at the moment the change is effective.

## Impairment example

In this section you will find an example of a percentage-based impairment.

You are leasing a building with a rentable floor area of 1000 m<sup>2</sup>, from April 2017 for a period of 10 years for 100,000 euros per year. The right-of-use is 900,000.

After 3 years of lease, the building's value decreases by 50% due to very difficult market conditions. After 6 years, market conditions have improved and the building's value increases to 75% of the original value (= value at start of the lease), until the end of the contract. You can record the (reversal) impairments in Planon, expressed as a percentage. Planon then automatically calculates the new right-of-use. Refer to the following tables.

- At the start of the lease (percentage = 100%):

Year	%	Right-of-use at start	Right-of-use at end
1	100	900,000	810,000
2	100	810,000	720,000
3	100	720,000	630,000
4	100	630,000	540,000
5	100	540,000	450,000
6	100	450,000	360,000
7	100	360,000	270,000
8	100	270,000	180,000
9	100	180,000	90,000

<b>Year</b>	<b>%</b>	<b>Right-of-use at start</b>	<b>Right-of-use at end</b>
10	100	90,000	0

- After 3 years, the percentage changes to 50% (630,000/100%/50%):

<b>Year</b>	<b>%</b>	<b>Right-of-use at start</b>	<b>Right-of-use at end</b>
1	100	900,000	810,000
2	100	810,000	720,000
3	100	720,000	630,000
4	50	315,000	270,000
5	50	270,000	225,000
6	50	225,000	180,000
7	50	180,000	135,000
8	50	135,000	90,000
9	50	90,000	45,000
10	50	45,000	0

- After 6 years, the percentage changes to 75% (180,000/50%\*75%)

<b>Year</b>	<b>%</b>	<b>Right-of-use at start</b>	<b>Right-of-use at end</b>
1	100	900,000	810,000
2	100	810,000	720,000
3	100	720,000	630,000
4	50	315,000	270,000
5	50	270,000	225,000
6	50	225,000	180,000
7	75	270,000	202,500
8	75	202,500	135,000
9	75	135,000	67,500
10	75	45,000	0

# Performing a remeasurement

A remeasurement calculates the lease liability (or lease receivable in case of a lessor contract) per modification date. The difference between the new liability and the carrying value of the liability is added to the right-of-use carrying value. Lease contracts based on lease accounting need remeasurement when the scope of the contract has been changed, i.e. when the contract changes without the change being included in the latest calculations.

Since the introduction of new lease accounting concepts in release L76, a lease remeasurement is performed automatically when the calculations are based on a new end date. The default discount rate is used for remeasurement. To apply a different discount rate, you must perform a manual remeasurement. If the [automatic selection of the discount rate](#) is configured, Planon suggests the user to apply the newly selected discount rate in the automatic remeasurement or to use the same old discount rate.

The events listed in the [Automatic remeasurement](#) section will *automatically* result in a remeasurement. The remeasurement calculation date is equal to the modification date. If a remeasurement is required on an earlier date than the modification date, you can perform a *manual* remeasurement after the transaction is completed (see [Manual remeasurement](#)).

## Automatic remeasurement

Planon *automatically* performs a remeasurement after you do the following:

- change a renewal option from 'reasonably certain' to 'active'.
- change a renewal option from 'not reasonably certain' to 'reasonably certain'.
- change a renewal option from 'reasonably certain' to 'not reasonably certain'.
- cancel or abandon a 'reasonably certain' renewal option.



For contract options, there is actually no difference between the **Canceled** status and the **Abandoned** status. The **Abandoned** status only has a more official character to indicate that you do really not want to use an option. You can only set an active option to **Abandoned**.

- execute an unplanned renewal option. After applying an unplanned option, the remaining open period of the lease needs to be recalculated.
- cancel a planned renewal option. After canceling a planned option, the remaining open period of the lease needs to be recalculated.
- change a termination option from 'reasonably certain' to 'active'.
- change a termination option from 'not reasonably certain' to 'reasonably certain'.

- change a termination option from 'reasonably certain' to 'not reasonably certain'.
- canceled or abandoned a 'reasonably certain' termination option.
- execute an unplanned termination option.
- change the agreements on a contract.

The value of the contract will be recalculated from the date effective of the remeasurement based on the given discount rate.



It is *not* allowed to perform a remeasurement if the change date is in the renewal period.

## Manual remeasurement

### Procedure

1. From the Contracts selection level, select the contract for which you want to perform a remeasurement.
2. Go to Contract details > Amounts.
3. Select the required lease contract line(s).
4. On the action panel, click Perform remeasurement.

The **Enter values** window appears.

If you are using the automated selection of discount rates (see [Using the automated selection of discount rates](#)) a wizard is now started with a discount rate suggested by Planon (see [Discount rate wizard](#)). You can change this rate manually, if required.



This wizard is not displayed by default. If you want to use the wizard, the setting **Use automated discount rate?** in Field definer > Contracts > Business object settings must be set to **Yes**. If set to **No** (default setting), no wizard is displayed and you can continue as described in the steps below.

5. In the Add modification on field, specify the date on which the change is to become effective.
6. In the Discount rate (%) field, specify the new discount rate.
7. Click Save.




You cannot undo a remeasurement. The **Undo life cycle changes** action is *not* available.

Planon recalculates the accounting commitments based on the changed liability and right-of-use asset, from the date effective until the end date of the contract line. If a lease is calculated based on a *negative* discount rate, Planon changes the fixed accounts from 'expenditure' to 'income' for




lessee leases and from 'income' to 'expenditure' for lessor leases.

After you performed a manual remeasurement, Planon registers a financial event with the code **REMEAS**. For more information, see [Financial event registration](#).

 In some cases, when a lease is recalculated, the right-of-use may decrease and become less than zero (negative value). Since it is not possible to register a negative right-of-use or negative depreciation, Planon sets the right-of-use to zero. The decrease in right-of-use below zero is recorded as depreciation loss in Planon.

## Using the automated selection of discount rates

Discount rates are used to calculate the present value of both right-of-use and liability for leases, at the start of a lease for the initial calculation of the lease liability, and also during the lease term for adjustment of these calculations if the contract's scope changes. In addition, a second discount rate can be used at the start of the lease for restoration cost calculations. Instead of manually entering a discount rate, you can also have Planon automatically retrieve the correct discount rate, based on the discount groups, schedules, rates and periods defined in Supporting data .

 This feature is new in the L53 release. After upgrading to this release, everything remains the same, you can still enter a discount rate manually or use the old pop-up for remeasurement instead of using the wizard.

However, to use the automated selection of discount rates features, some preconfiguration is required.

### Preparation

1. You must first configure the following in the Supporting data > Discount rates TSI:

- At **Discount rate schedules**: define the required discount rate schedules (divide time into periods, each period has its own discount rate).
- At **Discount rate groups**: define the required discount rate groups for all kinds of combinations: currency, contract categories, contract group, country.
  - Currency: the contract currency as defined on the contract line.
  - Country: the country as defined in Supporting data > Financial reporting entities > Operating companies and linked to the contract line via the **Financial reporting entity** field.
  - Contract category: the contract category as defined on the contract.
  - Contract group: the contract group as defined on the contract.
  - Payment?: setting of the **Payment?** field on the contract line.

These are the criteria based on which Planon will search for discount rates. For more information, see [Search priority](#). You can change the priority of these search criteria in Field definer > Discount rate groups > Business object settings. Default settings are: Currency=1, Country=2, Contract categories=3, Contract group=4.

The screenshot shows a dialog box titled "Discount rate group setting" with a close button (X) in the top right corner. It has two tabs: "General" (selected) and "Audit info". Under the "General" tab, there is a section "Discount rate group - search priorities" with a list of criteria and their values:

Criteria	Value
Currency	1
Contract categories	3
Contract group	4
Country	2

At the bottom right of the dialog, there are "Cancel" and "Save" buttons. At the bottom center, there is a "Close" button.

- At **Discount rate periods**: define the required discount rate periods and use the **Create discount rates** action to add the required discount rates.

This completes the registration of discount rates.

## 2. Business object settings for Contracts in Field definer

To use the new **Revision discount rate** wizard, your administrator must change the **Business object settings** for **Contracts** in Field definer. Here, the setting **Use revision discount rate wizard?** must be set to **Yes**.

If you now activate a contract line, Planon automatically selects a discount rate for both the lease and restoration costs (if applicable) and populates the contract line fields **Discount rate (%)** and **Discount rate for restoration costs**. You can accept the discount rate suggested by Planon or manually register a discount rate. The **Use discount rate table?** field on the contract line indicates if a discount rate has been registered automatically (**Yes**). You can change the discount rate manually as long as the contract line is *not* active (the **Use discount rate table?** field is then set to **No**).

**i** If you perform a remeasurement or reassessment, you can select the type of discount rate - *lease payment* or *restoration costs* - that you want to revise in the [Revision discount rate wizard](#). Planon automatically retrieves and suggests a discount rate for this discount rate type. The other discount rate type remains unchanged. For more information, see [Performing a remeasurement](#).

## Discount rate wizard

If the **Use discount rate table?** field is set to **Yes** and you click **Perform a remeasurement**, the discount rate wizard will appear.

**Revision discount rate**

Selection steps

- 1. Modification date-time
- 2. Revision details

1. Select revision date

Add modification on: 12/24/2019

Discount rate type

Payment

Restoration cost

Previous Next Cancel

1. Enter a date for remeasurement.
2. Indicate whether you want to revise Payment or Restoration costs and click Next.

**Revision discount rate**

Selection steps

- 1. Modification date-time
- 2. Revision details

2. Enter revision details

Revision date: 12/24/2019

Old rate: 5.5

Auto-selected discount rate code:

Autoselected rate:

Revised discount rate:

Previous Complete Cancel

- The **Old rate** displays the rate as found on the contract line.

- The **Auto-selected discount rate code** refers to the rate from the discount rate table.
  - The **Autoselected rate** displays the actual value of the rate.
3. The proposed rate is displayed in the Revised discount rate. You can manually override this value.
  4. Click Complete.

## Search priority

Finding a discount rate group is performed based on the search priority and the setting of the **Payment Y/N** field.

Initially, the search is performed based on exact match. If there is no match, the algorithm will perform a new search without the lowest priority field(s) until a match is found.

The wizard will find the discount rate, based on the revised discount rate date + the lease period + the 'reasonably certain' options.

If the contract line is still *inactive*, the discount rate is determined based on the start date of the contract line + the lease period + the 'reasonably certain' options.

When a discount rate is found in the table, it is displayed and proposed in the wizard (see [Discount rate wizard](#)). You can accept and use this rate or enter a rate manually. When changing the rate manually, you are prompted to switch the setting **Use automated discount rate?** to **No**.

## Defining reporting entities and linking them to ledger codes

For lease accounting, it is important to be able to report financial data to a financial system. As most companies have their own set of ledger codes, Planon allows you to define your own reporting entities and link them to the ledger codes used within your organization.

### Procedure

1. Go to Financial reporting entities > Components.

**Follow steps 2 and 3 if you want to link financial reporting entities to an ERP system. If your company has a link to multiple financial systems, this is a way to specify different ledger codes per system.**

2. Go to the ERP systems selection step and click Add in the action panel.
3. Specify a name and code for the ERP system and click Save.

**Follow steps 4 and 5 if you want to link financial reporting entities to an operating company. At very large companies, it is common that ledger codes are specific per**

**operating company. For all these operating companies, a specific structure of ledger codes can be defined, so that financial reporting can be specific per operating company.**

4. Go to the Operating companies selection step and click Add in the action panel.
5. Specify a name and code for the operating company and click Save.
6. Go to the Financial reporting entities selection step and add the required reporting entity (-ies).
7. In the data panel, complete the relevant fields. For more information these fields, see [Financial reporting entity fields](#) .
8. Go to the Ledger accounts selection level and add your specific custom ledger codes that are sent to the financial system. These codes are used when the financial reporting entity is linked to a contract line and postings are created for this contract line.
9. In the data panel, complete the relevant fields. For more information these fields, see [Ledger account fields](#).

## Linking custom ledger codes to postings


Planon allows you to define your own reporting entities and link them to the ledger codes used within your organization. This way, you can use your own ledger codes when reporting to your financial system. To do this, follow these steps:


1. Define the required financial reporting entities. See [Defining reporting entities and linking them to ledger codes](#).
2. Link these reporting entities to the specific ledger codes used within your organization (**Financial reporting** TSI > **Ledger accounts** selection level, **Fixed ledger account** field). The **Fixed ledger account** field allows you to map the fixed Planon account codes to your custom codes. See [Ledger account fields](#). For an overview of the fixed account codes defined by Planon, see [Overview of fixed ledger account codes](#).
3. Link contract lines to the relevant reporting entity (via the **Financial reporting entity** field on the contract line; see [Contract line fields for lease accounting](#)). If a contract line is linked to a financial reporting entity and a fixed Planon account code is mapped to a custom code (see step 2), Planon populates the **Ledger account** field of the postings (see [Posting and journal entry fields](#)) with this custom code. Planon searches for ledger account codes based on:
  - the financial reporting entity linked to the contract line;
  - if the code mapping is not defined here and the financial reporting entity is linked to a general entity, the system will check this entity;
  - the start date and end date of the ledger codes.

If a custom code has not been mapped, the postings are only linked to the Planon fixed account code. If the contract line has not been linked to a financial reporting entity, the postings are only linked to the Planon fixed account code.

## Manually adding an indexed amount

Amounts can change based on contractually agreed indexation. Planon has a built-in feature to calculate and register indexed amounts. If you prefer not to use the Planon indexing feature, you can also manually add amounts in Planon that have been indexed by another tool or application. The **Add indexed amount manually** action allows you to directly register a new amount on a specific reference date.

 For more information on price indexing using the built-in feature in Planon, see [Adjusting contract prices using indexation](#).

 If you manually add an indexed amount, Planon processes this as an indexation. If you manually add an amount change via the **Add modification** action, Planon processes this as an amount change and *not* as an indexation.

### Procedure

1. At the Contracts selection level, select the contract for which you want to register an indexed amount.
2. Go to Contract details > Contract lines.
3. Select the required lease contract line(s).
4. On the action panel, click Add indexed amount manually.

#### The Enter values pop-up opens.

5. In the Add modification on field, specify the date on which the change is to become effective and click OK.
6. Enter a new amount in the Amount field.
7. Click OK.

**Planon automatically populates the Reason for price change field on the contract line with the value MNL\_INDEX - manual indexation. The amount change is logged as an INDEXATION event (for more information on financial events, see [Financial event registration](#)).**

## Straight-lining lease payments

In accounting, straight-line accounting methods provide a means to evenly distribute costs and revenues over a fixed length of time. In Planon, payment periods can be monthly, quarterly, weekly, semi-annual or annual whereas accounting periods are monthly or weekly. The **Straight-line payments?** field on the contract line allows you to specify whether lease payments that cover more than one accounting period must

be straight-lined to the same frequency as accounting periods (monthly or weekly). For more information about this setting, see [Contract line fields for lease accounting](#).

When straight-lining payments, the *full* lease payment is debited to the **SUSPENSE** account (lessee) and credited to **CRED**. In case of monthly accounting periods, the amount for that month is debited to **LIABILITY** and credited to **SUSPENSE**.



There are two types of **SUSPENSE** accounts: **ESUSP** for lessee (suspense account - expense) and **ISUSP** for lessor (suspense account - income).

#### Example:

Quarterly rent payment is €900, received in the first month. The monthly rent amount is €300. Based on this data, Planon generates the following postings:

First month:

<b>FIXED Account</b>	<b>Debit</b>	<b>Credit</b>
ESUSP	900	
CRED		900
ST_LELI	300	
ESUSP		300

Second and third month:

<b>FIXED Account</b>	<b>Debit</b>	<b>Credit</b>
ST_LELI	300	
ESUSP		300



For an overview of the fixed ledger account codes as defined by Planon, see [Overview of fixed ledger account codes](#).

## Registering a rent-free period

You can register a [rent-free period](#) in Planon. Follow the steps below.

### Procedure

1. Create a contract.
2. Add a contract line to this contract. In the Amount field, enter the value 0 (no amount has to be paid during the rent-free period).
3. Add a modification and specify the regular lease amount to be paid in the Amount field. Note that this is the actual agreed lease amount to be paid in the future, after the rent-free period.

4. For finance lease contracts where a rent-free period and payment in advance have been agreed, you can postpone the date of the first payment. For more information, see [Postponing the first payment date](#).



For more information on adding contracts and contract lines, see the [Contracts user documentation](#).

## Postponing the first payment date

For finance lease contracts where a [rent-free period](#) and payment in advance have been agreed, you can postpone the date of the *first* payment.



You must first register a rent-free period. See [Registering a rent-free period](#).

The **Postponed payment date** field (see also [Contract line fields for lease accounting](#)) on the contract line allows you to postpone the first payment. From an accounting point of view, the right-of-use starts immediately at the beginning of the contract; the impact on the liability is only at the time of the first payment. Planon will adjust the relevant calculations accordingly.



This feature only applies to *IFRS 16 - lessee* contracts.

### Example

- Finance lease contract (IFRS 16)
- Contract start date: 01/01/2018
- Duration: 10 years
- Payment frequency: quarterly, in advance
- Lease amount: €7,500 per month
- Rent-free period until the first of May
- First payment date: this would actually be 1 April 2018, but has been postponed to May 2018

Since the first payment is postponed:


- the present value of the first payment is calculated with May as a reference
- the impact on the liability will be in May


## Using purchase options

You can use purchase options for leases where the lessee has the possibility to buy the leased asset at a specified price at the end of the lease term. The ownership is then transferred to the lessee. Purchase options can be added and linked to a contract



in Contracts > Contract details > Contract options. Purchase options can be set to 'reasonably certain'.

 There can be only one 'reasonably certain' purchase option per contract. This also applies to the combination of purchase options with termination options and renewal options: there can only be one 'reasonably certain' option.

 For more information on working with contract options in Planon, refer to the Contracts user documentation.

For leases to which a 'reasonably certain' purchase option is linked:

- The accounting commitments are calculated based on the *next possible end date*; lease payments are still registered until the contract line's end date.
- The execution amount is taken into account in the calculations. The execution amount is the amount that must be paid for the transaction to purchase the leased asset.
- The depreciation is calculated based on the economic life span. This means that the depreciation can be extended until after the end date of the lease.
- the contract line fields **Bargain option** and **Transfer ownership** are automatically set to **Yes**. Note that these two fields are also automatically set to **Yes** after you have exercised a purchase option. For more information, see [Contract line fields for lease accounting](#).

After you exercised a purchase option, you should change the contract line's status to **Return of asset**. For more information, see [Returning an asset](#).

## Returning an asset

Whenever an asset is leased for the long term, the lessee will be "the owner" of the asset. The asset can be returned to the lessor after the contract period. To register the return of assets in Planon, you can use a status transition. This status transition marks the definitive end of the agreement between the lessee and the lessor.


The following procedure describes how to register the asset return by changing the status.


### Procedure

1. Go to Contracts.
2. Select a lease contract for which the asset of the related contract line must be returned.
3. Go to Contract details > Contract lines.
4. Select a contract line for which the related asset must be returned.

**On the action panel, there are two statuses available, Expired and Terminated. To return an asset, it must have either one of these end statuses.**

5. The Return of asset status is enabled on the action panel. Select this status to return the asset to the lessor.


 The **Return of asset** status is only available for lease contract lines.

 Once a contract line has the **Return of asset** status, you can no longer change the contract amount.

- Every contract ends with an **End of Lease Commitment (ELC)**. The **ELC** holds the final postings for the lease.
- Postings are created to register accumulated depreciation.
- Any open liability is recorded as **Suspense account - expense (ESUSP)**.
- The right-of-use and accumulated depreciation are recorded. In case of a purchase option, the open right-of-use at the end of the lease is recorded as **Transferred right-of-use (TRANS\_ROU)**. The right-of-use is balanced with the accumulated depreciation and the transferred right-of-use.
- The **Gain/loss (GALO)** is recorded, based on the open right-of-use and the open liability (in case of a final record after an early termination without remeasuring the lease).

## Registering a lease incentive

You can register a [Lease incentive](#) in Planon. A lease incentive that is registered at the contract line start date will reduce the right-of-use. A lease incentive that is registered after the contract line start date will decrease the liability at the date it is entered and increase the carrying value of the liability at the lease incentive payment date.

 You can also register a lease incentive for *lessor* leases, but in this case the lease incentive is not taken into account for either calculations or postings.

You can register lease incentives before the lease contract is activated. Sometimes a lease incentive is not yet known or definitive at the start of the lease. In this case, you can change the lease incentive later, after activating the lease contract.

### Procedure

1. On the Contracts selection level, select the contract for which you want to register a lease incentive.
2. Go to Contract details > Contract lines.
3. On the action panel, click Add special lease amounts.

**The Enter values dialog box is displayed.**

**Enter values** ✕

<span style="color: red;">•</span> Amount type	LI, Lease incentive	
<span style="color: red;">•</span> Frequency type	ONEOFF, One-off	
<span style="color: red;">•</span> Amount	2,500	
<span style="color: red;">•</span> Start date	11/16/2021	
<span style="color: red;">•</span> End date	11/16/2021	

Comments

2000 characters remaining (2000 maximum)

OK

Cancel

- In the **Amount type** field, select **Lease incentive**.
- In the **Frequency type** field, select **One-off**.
- Enter the lease incentive amount in the **Amount** field.
- Specify the **Start date** and **End date** for the lease incentive. For a lease incentive at start, enter the contract line start date.
- If relevant, enter **Comments** to the lease incentive.

You have now registered a lease incentive. The lease incentive is available in the accounting commitments.

## Registering a sublease

For finance leases, you can register a [sublease](#). The part that is subleased is specified as a percentage of the [headlease](#). Planon uses this percentage to calculate the right-of-use that is transferred to the sublease, if required by the accounting standard.

### Procedure

1. In the Contracts TSI, go to the Contracts selection level.
  2. Select the headlease contract and contract line for which you want to define a sublease contract.
  3. On the action panel, click Add sub.
- A subcontract is created.**
4. Complete the relevant fields in the data panel. For more information on the available fields, see the *Contracts* documentation.



- Planon automatically populates the accepting contracting party of the headlease as offering contracting party of the sublease.
- The **Payment contract?** field of the sublease contract is set to **No** by default.

5. Click Save.

**You have now created a subcontract. You can add contract lines to the subcontract in which you define the details of the sublease. For more information on the available fields, see [Contract line fields for lease accounting](#).**

After activating the sublease contract:

- a proportional part of the right-of-use asset is transferred to the sublessee. When the asset is returned at the end of the sublease, the right-of-use asset is transferred back to the headlease.
- this is calculated and stored as residual value on the sublease.
- Planon generates an accounting commitment of the type **SL, Sublease** at the start of sublease, change of sublease and end of sublease (see [Accounting commitment types](#)).
- the corresponding postings are created at closure.



- A sublease contract can only be activated after the headlease contract is activated.
- The result of a headlease amount change during a sublease, is added to the headlease's right-of-use when the sublease ends. However, if a headlease amount change is caused by a CPI index change, the proportional part of the impact is directly registered as gain/loss (GALO).

## Restrictions for headlease/sublease

The following features are not supported for headlease/sublease:

- You cannot change the headlease lease amount in a closed accounting period.
- Headlease scope change (physical size):  
Changing the physical size of a headlease is not possible if a sublease is related to the headlease. Since the size of a sublease contract is expressed as a percentage of the physical size of the headlease, changing the size of the headlease would lead to ambiguous calculations.
- Transition to new accounting standards
- A sublease with a contract currency that deviates from the headlease's contract currency.
- Sublease scope change:  
For sublease contracts that scale up to a larger part of the headlease, a new sublease contract must be created. If the scale of a rentable unit is well defined, it is possible to reduce the scope by terminating the rentable unit's contract line.

- Sublease discount rate change:  
Since a sublease contract in Planon is only considered from the perspective of the lessor, it is not relevant to change the discount rate.
- In subleases, the **Precalculate** status cannot be used.

## Registering a sale and leaseback transaction

If you sell an asset and lease it back from the purchaser, you can register a **sale and leaseback** transaction in Planon. In such an agreement, you become the *lessee* of the asset you formerly owned. For a sale and leaseback transaction, you must specify the sales price, the **carrying amount** and the **fair value** of the asset.

The lease starts with a calculation of the lease liability and right-of-use. The sale and leaseback transaction leads to a correction of the liability and right-of-use, if applicable. Calculation results are shown in the **Sale and leaseback commitment**.

### Procedure

1. At the Contracts selection level, select the contract for which you want to register a sale and leaseback transaction.
2. Go to Contract details > Contract lines.
3. Select the required lease contract line.
4. Set the Sale and leaseback? field to Yes.

**If set to Yes, you must specify a value in the following fields: Sales price, Fair value and Carrying value for 'Sale and leaseback'.**

The financial processing of the sale and leaseback is determined by the height of the sales price compared to the fair value:

- If the sales price you specified is *lower than or equal to* the asset's fair value:  
Planon calculates the right-of-use:  $(\text{lease payments}) + \text{fair value} - \text{sales price}$   
The following posting is created:

DEBIT	CREDIT
<b>Asset's sales price</b> Fixed account: <b>SALE</b>	<b>Asset's carrying value</b> Fixed account: <b>ASSET_CV</b>
<b>Right-of-use</b> <i>(Sum of lease payments) + fair value – sales price</i> Fixed account: <b>PROP</b>	<b>Sum of lease payments</b> Fixed account: <b>LELI LT+ST</b>

- If the sales price you specified is *higher than* the asset's fair value:  
On the lease contract line, an amount is calculated and registered that is partly the lease amount (104,261 in the example below) and partly the

financing amount (120,000 - 104,261 = 15,739 in the example below). This amount is registered as a cashback in the accounting commitments. The cashback is used for partial financing of the lease payments. The initial cashback (FIN\_LELI) is registered in the **Sale and leaseback commitment** posting:

DEBIT	CREDIT
<p><b>Asset's sales price</b> Fixed account: SALE</p> <p><b>Right-of-use</b> <i>((Sum of lease payments) – (Sales price – Fair value)) / Fair value) * Carrying amount</i> Fixed account: PROP</p>	<p><b>Asset's carrying value</b> Fixed account: ASSET_CV</p> <p><b>Lease payments</b> <i>(Sum of lease payments) – (Sales price – Fair value)</i> Fixed account: LELI LT+ST</p> <p><b>Cashback</b> <i>(Sales price) – (Fair value)</i> Fixed account: FIN_LELI</p> <p><b>Balance</b> Fixed account: SLB_GAIN</p>

#### Sales price exceeds fair value - example

- Sales price = 2,000,000
- Carrying value asset = 1,000,000
- Fair value = 1,800,000
- Lease amount = 120,000 (per year, paid in advance, annual payments)
- Discount rate = 4.5% (per year)
- Lease term = 18 years

Calculations are based on the following formulas:

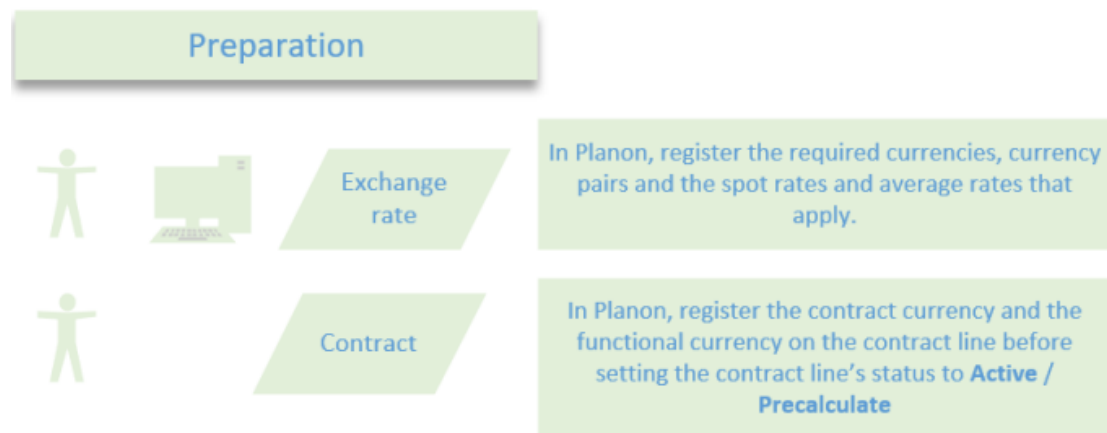
Variable	Formula
Lease amount, excl. financing part	<i>Lease amount payable * Sale &amp; Leaseback factor</i>
Sale & Leaseback factor	<i>Lease liability, corrected / Lease liability, based on lease amount payable</i>
Lease liability, based on lease amount payable	<i>Sum of payments for the lease</i>
Lease liability, corrected	<i>Lease liability, based on lease amount payable - Cashback</i>
Cashback	<i>Sales price asset - Fair value asset</i>

With the data from the example, this results in the following calculations and values:

Variable	Calculation	Value
Lease amount, excl. financing part	$120,000 * 86.9\%$	104,261
Sale & Leaseback factor	$1,324,863 / 1,524,863$	86.9%
Lease liability, based on lease amount payable	$18 * 120,000$	1,524,863
Lease liability, corrected	$1,524,863 - 200,000$	1,324,863
Cashback	$2,000,000 - 1,800,000$	200,000

## Using contract currencies and functional currencies

In large multinationals, lease contracts are often registered for different countries and with different contract currencies and functional currencies. Please refer to the diagrams below to see how Planon supports this process.



**i** For more information, see [Adding currencies, currency pairs and exchange rates and Contract line fields for lease accounting](#).

## Start of lease



After activating the contract:

- Planon calculates a list of financial commitments in the contract currency
- Planon calculates a list of financial commitments in the functional currency
- Planon calculates a list of accounting commitments in the contract currency
- Planon calculates a list of accounting commitments in the functional currency

## Closing accounting period



Make sure the latest spot rates and average rates are defined before closure

After you close an accounting period, Planon:

- lists the financial commitments in the contract currency
- lists the financial commitments in the functional currency
- lists the closed accounting commitments in the contract currency

## Trigger event, for example impairment or remeasurement



After a trigger event, Planon:

- recalculates the list of financial commitments in the contract currency
- recalculates the list of accounting commitments in the contract currency
- recalculates the list of accounting commitments in the functional currency, based on the latest registered spot rates

**i** For more information on commitments, see [Accounting commitments](#). For more information on performing an impairment or a remeasurement, see [Performing an impairment or an impairment reversal](#) and [Performing a remeasurement](#).




## Postings



For amounts based on the functional currency:  
only final postings are generated (after closing the amounts)

For amounts based on the contract currency: Planon first generates provisional postings and after closing the amounts, the final postings are generated.

 For more information on postings, see [Generating postings](#).

-  Please note the following when working with functional currencies in Planon:
- The functional currency/contract currency feature cannot be used in combination with: Budgets, Rentable units, Orders and Invoices. These TSIs only work with the system currency functionality.
  - Termination and renewal options can be linked to a single contract line, so that the execution amount / fine is applied to the linked contract line.
  - You can use functional currencies for operating leases for both IFRS 16 and ASC 842 standards as well as for short-term/low value leases.
  - Asset return postings using functional currencies is supported.

## Adding currencies, currency pairs and exchange rates

When working in a multinational environment, you frequently work with multiple currencies. As a result, you may need to register and report financial data in both the [Contract currency](#) and the [Functional currency](#). In Planon, you can register currencies and their corresponding exchange rates. To do this, follow these steps:

- add the required currencies
- add the required currency pairs (for more information, see [Currency pair](#))
- add the exchange rates that apply

### Procedure

1. Go to Supporting data > Currencies.
2. On the action panel, click Add.

3. In the data panel, complete the relevant fields. For more information on these fields, see Currency fields.
4. Click Save.
5. Go to the Currency pairs selection level to add the required currency pair(s).
6. On the action panel, click Add.
7. In the data panel, complete the relevant fields. For more information on these fields, see Currency pair fields.
8. Click Save.
9. Go to the Exchange rates selection level to add the required exchange rate(s).
10. On the action panel, click Add spot exchange rate / Add average exchange rate.
11. In the data panel, complete the relevant fields. For more information on these fields, see Exchange rate fields.
12. Click Save.
  - You can change an exchange rate as long as the exchange rate is taken into account in a trial closure or in a final closure.
  - A changed exchange rate is applied when performing a trial closure, when (pre)calculating a contract or activating a contract, etc.
  - You can delete an exchange rate as long as it is not linked to a financial commitment or to an accounting commitment. In practice, this means that you can only delete an exchange rate immediately after you have added it.



Within 4-4-5 lease accounting, when adding average exchange rates, these will be based on the relevant week calendar. For more information on working with 4-4-5 lease accounting, see [4-4-5 Lease Accounting](#).

## Calculation example spot rate - average rate

You open a new office in Boston and start a lease for 15,000 USD per month, for 4 years. The discount rate in the lease is 4%, there are no rent-free periods or other lease related costs.

At start date of the contract, the spot rate USD/EUR is 0.858134. The average rate is 0.857502 for the first reporting period.

At the start of the lease, the right-of-use asset is calculated based on the present value of the lease payments: 665,274.97 USD with a monthly depreciation of 13,859.90 USD.

At the start of the lease, the liability asset is calculated based on the present value of the lease payments: 665,274.97 USD.

The interest component is calculated (0.3274% monthly interest = 2,177.94 USD interest in the first month) which leads to a (15,000 USD – 2,177.94 USD = 12,822.06 USD) amortization for the first month.

Based on the spot rate, the right-of-use asset is calculated into 570,895.07 EUR at start of the period with a monthly depreciation of 11,893.65 EUR.

Based on the spot rate, the liability is calculated into 570,895.07 EUR at the start of the period.

Based on the average rate, the interest component is calculated as 1,868.98 EUR in the first month.

Based on the spot rate, the payment is calculated as 12,872.01 EUR in the first month, which leads to a  $(12,872.01 \text{ EUR} - 1,867.59 \text{ EUR} = 11,004.42 \text{ EUR})$  amortization for the first month. The difference of 1.37 EUR caused by differences in spot rate and average rate will be booked by Planon as Forex – gain / loss.

## Currencies in lease accounting contracts

Planon maintains a default system currency. For customers using a contract currency deviating from the system currency, amounts are calculated in the contract currency and converted to the functional currency.

On contract lines you can specify which currency is being used. Customers have two options:

- Contract currency = Functional currency

Calculations are straightforward, US contracts display amount in USD.

- Contract currency  $\neq$  Functional currency

This use case will be further elaborated on subsequently.

## Use case

A customer with offices in the US and headquartered in the EU is using various currencies.

Its US offices use USD, internal reporting is done in EUR:

- Contract currency = USD
- Functional currency = EUR

US contracts for this customer are registered in USD. Amounts for these contracts are converted using the specified currency exchange rates. These converted amounts are displayed on the contract's accounting commitments in two currencies: USD and EUR. To take into account exchange rates, customers must regularly update the spot rates for their currency pairs (in this example: USD-EUR).

### Journal entries & accounting commitments

#### Accounting commitments

Amounts on the accounting commitments are automatically registered in both currencies. The contract currency is leading, the functional currency is mapped to the latest exchange rate. At trial closure a recalculation takes place based on the latest exchange rate.

#### Journal entries

When a contract line is made active, calculations based on the contract currency are mapped to the functional currency. During the contract's duration, amounts are recalculated based on the current exchange rates when a trial closure is performed. In the following image, this happens monthly.



## Interest

Typically, interest is paid over a certain period of time. On the contract line, the interest is registered in the contract currency (USD). During a trial closure, the interest amount is mapped to the functional currency (in EUR) using the **average** exchange rate over that period of time.

## Liability in functional currency

The **Liability at start** and **Liability at end** on a contract is mapped to the functional currency by using the spot rate.

- The first Liability at start is calculated when the contact is made active.
- The Liability at end is calculated at month end. The subsequent Liability at start is not calculated but takes over this value.

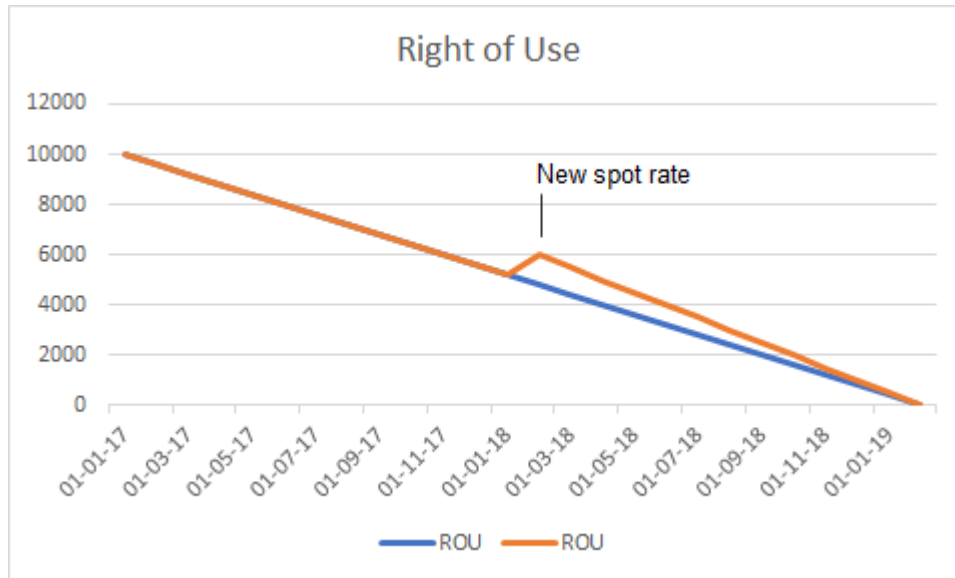
**Net movement** is the difference between the **Liability at start** and the **Liability at end**. It is calculated by subtracting the **Interest** (calculated by using the average exchange rate) from the **Payment** (calculated by using the spot rate):

**Net movement = Payment – Interest**

Because these fields are calculated using different exchange rates, it results in a difference that must be accounted for and which – on the accounting commitments – is booked as **Forex – gain / loss**.

## Right of use in functional currency

At the start of a contract (using the contract currency), the right of use (ROU) is once calculated by using the functional currency based on the spot rate. The ROU is then calculated up to the contract end date, which can be represented in a slope diagram as follows (blue graph):



Whenever there is a financial event that affects your ROU, the ROU can be recalculated using the current spot rate. The new ROU will again be straightlined until the end of the contract (orange line).

## Setting the number of decimal places for a currency

Most currencies are displayed with two decimal places, but some currencies, such as the Japanese yen, have zero decimal places, while others use three or four decimal places to display amounts. By default, amounts in Planon are displayed with two decimal places. This default value of two decimal places is set in Field definer . Planon allows you to deviate from this default and set a specific number of decimal places per currency. Amounts in that currency are then displayed with the number of decimals you specified.



For more information, see the Field definer part of the documentation.

### Procedure

1. Go to Supporting data > Currencies.
2. Add a new currency or select an existing currency for which you want to set the number of decimal places. For more information on adding currencies, see Adding currencies, currency pairs and exchange rates.
3. In the Number of decimal places field, specify the number of decimal places to be used for this currency (a number between zero and six). If you leave this field empty, the default value from Field definer is used

(two decimal places). For a description of the other Currency fields, see Currency fields.



You cannot change the number of decimals on the currency once this has been defined. If the currency is linked to a business object, changing the **Number of decimal places** field of the **Currency** business object from empty to a value will be permanent and irreversible! Important: if you add a contract line and register currencies, these currencies can no longer be changed once you click **Save**.

**Lease amounts for this currency are now displayed with the specified number of decimal places and with the currency symbol specified in the Currency's Symbol field. The commitments and postings are also displayed with this number of decimal places. Amounts you enter for a contract line and contract option are always in the context of the contract currency linked to the contract line (this does *not* apply to free fields).**



For contract lines that are *not* linked to a contract currency or functional currency, Planon uses the number of decimals set in Field definer .

### **This feature is new in the L51 release. When upgrading to this release:**

- There is no impact on existing lease lines. The amounts already stored in the database are *not* affected by the **Number of decimal places** setting.
- Currencies with zero or one decimals need to be defined *before* they can be linked to a contract line. If there already are contract lines linked to a currency such as the Japanese yen, which has zero decimals, the yen must have two different currencies *after* the upgrade: one based on two decimals and the other based on zero decimals. The zero decimal yen can be linked to new leases. The contract lines based on the yen with two decimals can be:
  - continued as is, based on two decimals.
  - exported, then change the currency and import this change.
  - copied from the first open period. The new contract line can be linked to the new yen based on zero decimals and continued. The old contract line can be terminated on the last day of the closed period.

## Using contract shortening options

Shortening options can be used to adjust the end date of a contract and its related contract lines to an earlier date. When applying a shortening option, the contract's end date is moved to an earlier date and financial commitments and accounting commitments are recalculated based on this new end date.




For detailed information on using contract options in general, see [Using contract options](#).

1. Go to Contracts> Contracts.
2. Select the contract to which you want to link a shortening option.


3. Go to Contract details > Contract options.
4. On the action panel, click Add shortening option.
5. In the data panel, complete the relevant fields and specify the desired end date in the Brought forward contract end date field.
6. On the Status transitions action panel, click Applied. The shortening option is now applied.

**After applying a shortening option:**

- The end date of the contract and the linked contract lines is adjusted, based on the **Brought forward contract end date**.

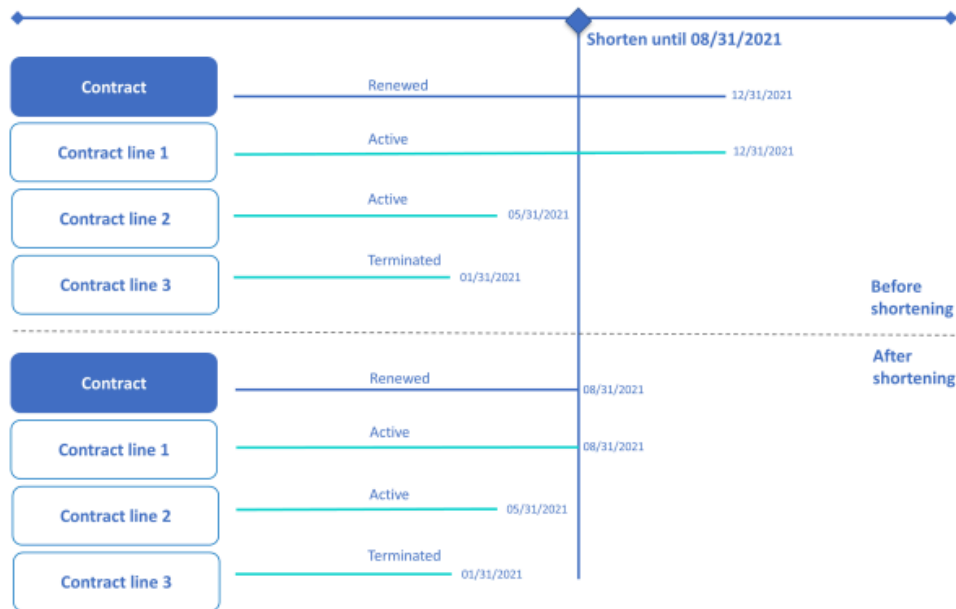
 The status of the contract (lines) does *not* change.

- An **EXE\_SHORTEN** event is created if the actual end date of the lease contract line is adjusted (see [Financial event registration](#)).\*
- A warning is displayed that you should remeasure the lease (the **Remeasurement required?** setting on the lease contract line is automatically set to **Yes**).\*

 \* Only applies if lease accounting lines are affected.

- When the lease accounting line is set to the new end date, the open amounts for liability and right of use are registered as a final commitment at the end date and will be recalculated via the remeasurement.
- You can no longer change the date fields on a shortening option. These fields will be grayed out after a shortening option has been applied or canceled.

The following picture shows the situation *before* and *after* applying a shortening option:



## Terminating a lease contract

If you terminate a contract in the last accounting period of its duration and the lease amount is changed after termination, the commitments and the final record are recalculated.

If required, Planon will automatically remeasure the contract and recalculate the commitments. By default, the remeasurement date will be the change date. If required, you can perform a *manual* remeasurement at an earlier date.

For more information on remeasurements, see [Performing a remeasurement](#).

## Deleting closed lease contract lines

In some cases, for example if there are inaccuracies or functional errors in your contract data, you may want to delete a closed lease contract line. For this purpose, you can use the **Delete after closure** action. This action allows you to delete lease accounting contract lines *after* the financial or accounting closure.



Given the great impact of the **Delete after closure** action, authorization to use this action must be limited to one person only, in a specifically configured role.

To use this action, the following preconditions must be met:

- the contract line is based on lease accounting;
- there is no pending trial closure for the related contract;
- none of the related postings have been archived;



- the setting **Restrict deletion of contracts** in **Field Definer > Contracts > Business object settings** is set to **No**.



For more information on this setting and other contract settings you can make in Field definer , see the Field definer user documentation.

#### Procedure

1. Select the closed lease accounting contract line that you want to delete.
2. On the action panel, click Delete after closure.
3. Click OK in the confirmation message.

#### After you have confirmed, Planon:

- Deletes the selected contract line and all linked data: contract line history, open and closed financial commitments and accounting commitments, financial events;
- Removes all references to this contract line and all references to its financial commitments and accounting commitments;
- Creates a reverse entry of all final postings and journal entries. The reverse entry is registered as **Final** (see [Posting and journal entry fields](#)).
- The reverse entry of all final postings and journal entries has a copy of the link to the financial/accounting commitment snapshot lines of the original postings and journal entries.
- Creates a link to the original posting.
- Links a **Delete** event as a last event to the reverse postings and journal entries and financial event data.
- Creates a snapshot record. If the **Delete after closure** is performed on a date *after* the last closure date of the contract, a closure date record is created on the first open day of the contract:
  - a snapshot record of the contract is created on this closure date
  - a snapshot record of the contract line is created on this date
  - for the financial and accounting commitments, no snapshot records are created



If the **Delete after closure** is performed *on* or *before* the last closure date of the contract, no snapshot records are created.




To find the related postings of your contract, use the **Closure Overview** TSI.

## Completely removing lease accounting contracts

Planon provides a feature for the complete removal of lease accounting contracts. With this feature, you can perform a total contract removal, eliminating not only the contract itself but also its related data. This process is known as a 'cascaded delete,' which means that also all related elements like contract options, contract lines, snapshots and postings (excluding counter-bookings) are deleted. This 'cascaded delete' process can be performed as a background action. For more information, see [Using background actions](#).

### Procedure

1. Earmark all contracts that must be removed.
2. Go to the **Contracts** selection level and select the lease accounting contract(s) you want to remove.
3. On the action panel, click **Add modification**.
4. Go to the **Contract earmarked for destruction?** field and set it to **Yes**.

 Make sure your system administrator has made this field available on the Contracts layout.

5. Create a user report to retrieve all earmarked contracts. This is an optional step, but strongly recommended by Planon.
6. Now all contracts are earmarked, go to the **Contracts** selection level, and from the action panel, choose **Advance delete** to execute the complete removal of the selected lease accounting contract(s).

**A pop-up will now appear, showing the number of earmarked contracts. You will be asked to confirm the permanent deletion of the contracts and their associated data, including contract line data, postings and snapshots. Once you confirm your selection, the deletion process will start.**

**Disclaimer:** Planon will not be able to support any unintentional contract removal. It is strongly recommended to contact Planon and seek advice before using this feature in a production environment. Data linked to non-lease accounting contracts (contract lines), including invoices, cash flows, turnover rent settings, etc., will remain unaffected by this feature and will not be deleted.

## Using background actions

Background actions are actions that are run in the background on the application server, while you continue with your work. For example, you can perform other tasks while closing financial commitments.

 For more detailed information on background actions, see [Background actions](#).

For (lease accounting) contracts, the following actions can be run as a background action:

Action	Business object(s)
<b>Trial close &amp; freeze</b> (financial commitments & accounting commitments)	Contracts
<b>Trial close</b> (financial commitments & accounting commitments)	Contracts
<b>Delete trial closure</b>	Contracts
<b>Close acct. data</b>	Contracts
<b>Close fin. data</b>	Contracts
<b>Index</b>	Contracts
<b>Recalculate commitments</b>	Lease contract lines
Status transition to <b>Active</b>	Contracts, Contract lines

## Procedure

1. Select the elements to which you want to apply the action or status transition, for example the contracts you want to close financially.
2. On the data panel, click Action on selection.

**The Action on selection dialog box appears and displays relevant actions available for the selected elements.**

3. Select the action or status transition that you want to apply to the selected elements. Planon will now ask you if you want to run the selected action as a background action.
4. Click Yes to confirm.

**The background job is now started. The progress and results of the actions executed as background actions can be verified in the Background actions TSI (for more information on this TSI, see [Background actions](#)).**

## Planon calculation start date in lease accounting

The **Planon calculation start date** field on a contract allows you to specify the date from which Planon can use the contract amounts entered for its own calculations. If a lease is entered in Planon, but *not* from the moment the lease is started (**Date effective**), you can use the **Planon calculation start date** to set the date from which the commitments are calculated. From this date, Planon takes over the contract calculations from another system.

In most cases, the **Date effective** is equal to the **Planon calculation start date**. Planon also supports the situation where the **Date effective** is *later* than the **Planon calculation start date**. The lease was started in a different system and later entered Planon. Planon

calculates the commitments with a closure date on or after the **Planon calculation start date**. If a financial commitment starts before and ends after the **Planon calculation start date**, it depends on the closure date if the financial commitment is registered in the old system (**Payment in advance**) or in Planon (**Payment in arrears**).



Planon advises to transfer the lease on a start date of an accounting commitment, to make sure that the implementation in Planon is as easy as possible.

- **Operating leases:**

The accrual balance for the period before registration in Planon can be registered in the **Offset remainder for transition** field.

- **Finance leases:**

Planon calculates the open liability based on all payments that will be registered in Planon. This includes:

- regular payments
- the residual value
- execution amount on option

The present value is calculated from the Planon start date.

The right-of-use has to be taken over from the lease that was registered in another system. In Planon, you have to specify the right-of-use offset and if you are using a functional currency, also the FC right-of use offset. These amounts are used to straightline the depreciation from the Planon start date until the end of the lease.

The accumulated depreciation can be calculated from the Planon start date or can be started from a balance taken over from another system. Before activating the lease, you can enter the balance values in the **Offset - accumulated depreciation** and **Offset - FC accumulated depreciation** fields on the contract line (see [contract line fields](#)), to make sure the balance is continued in Planon. If this value is zero, the calculation starts at zero in Planon.

The lease starts with an initial commitment and an initial event. Planon registers the difference between the liability and the right-of-use at start as retained earnings, to make sure there is a balance at the initial recognition.

After starting the lease in Planon, the same functionality is supported as with normal leases. The main restriction is that no changes are allowed before the Planon start date.

- **Contract options:**

'Reasonably certain' options are included in the calculations based on the Planon start date.

Not supported:

- Multi-GAAP
- Sale and leaseback

- Combination with transition from old standard (IAS17 -> IFRS16 or ASC840 -> ASC842)
- Lease incentives and initial direct costs (can be registered for information only on the contract line but they will not impact the calculations)
- Restoration costs (can only be registered after the lease has been activated. The right-of-use that needs to be registered per Planon start date must be without the effect of the restoration costs)

## Registering COVID-19 lease concessions

During the COVID-19 period, special agreements can be made between lessor and lessee for individual leases. Lessors can grant a temporary rent discount or a temporary rent postponement to their lessees. During the lockdown period, lease amounts can be reduced for a certain agreed period. Based on the same agreement, this lease reduction can be compensated at a later moment in time. Planon supports this way of working by introducing *COVID-19 lines*.

The COVID-19 lines can be defined for specific period of time and generate **Cash\_out** and **ESUSP** postings. A [financial reporting entity](#) can be used to redirect the amounts of the COVID-19 lines to a separate custom ledger code (see [Linking custom ledger codes to postings](#)). In this way the impact of COVID-19 can be managed in the period of the reduction, but also in the period of the settlement at a later moment in time. The lease accounting on the original lease contract line remains unchanged; the impact is only determined by the COVID-19 lines.

### Procedure

1. Go to Contracts.
2. Select the lease contract for which you want to register a COVID-19 lease concession.
3. Go to Contract details > Contract lines.
4. Select the original lease contract line for which you want to define a COVID-19 discount line.
5. On the action panel, click Generate COVID-19 discount lines
6. In the Generate COVID-19 discount lines pop-up, enter the Date effective, End date and Financial reporting entity and click OK.

#### Planon now creates a COVID-19 discount line.

- By default, the COVID-19 line is set to **Payment = Yes**, to ensure that **Cash\_out** postings are created. The amount can be positive or negative (for reduction).
- The COVID-19 line generates **Cash\_out** and **ESUSP** postings, that can be mapped to the custom ledger codes defined on the linked financial reporting entity.

- The COVID-19 line supports contract currencies and functional currencies, it inherits the currencies of the original lease.
- The line can be copied or generated via data import.
- You can link multiple COVID-19 lines to a lease line.

## Financial event registration

Many events occur during the life span of a contract line. In order to understand which postings are created based on which event and also for auditing reasons, Planon registers the events at the **Financial event registration** step. Whenever a financial event is triggered, the posting(s) created is (are) linked to this event.


The **Financial event registration** step displays the events that occurred on the contract line and the date from which the commitments are impacted only after the contract line is moved to the active status.

The following is logged:

- Modification date-time
- For amount changes the event registered is the **Amount change** and the old amount and new amount are shown
- For remeasurements the old and new discount rate are shown
- For contract options: when applying, cancelling or toggling options, the old and new end date are shown
- For impairments the old and new percentage are shown
- The event registration has a reference to the special accounting commitment that reflects the change, so you can directly review the impact

### Overview of financial events

Code	Description	When triggered?
INITIAL	Initial	If you set a contract line to <b>Active</b> .
AMOUNT_INC	Amount increase	If you increase the amount that is registered on the contract line with the <b>Add modification</b> action or with a renewal option (via the fields <b>Offset amount at renewal</b> or <b>New amount at renewal</b> ).
AMOUNT_DEC	Amount decrease	If you decrease the amount that is registered on the contract line with the <b>Add modification</b> action or with a renewal option (via the fields <b>Offset amount at renewal</b> or <b>New amount at renewal</b> ).

Code	Description	When triggered?
CORRECTION	Difference in commitments after recalculation	If you recalculated commitments and the recalculation contains a difference in commitments.
DELETE	Delete closed lease contract line	If you deleted a closed lease accounting contract line (after financial / accounting closure).
INDEXATION	Indexation	If you indexed a contract via Planon's built-in indexing feature or if you used the <b>Add indexed amount manually</b> action to manually register indexed amounts in Planon (see <a href="#">Manually adding an indexed amount</a> ).
		<div style="border: 1px solid black; padding: 5px; margin: 5px 0;">  When indexing a contract through the built-in indexing feature, the corresponding contract lines (=amounts) are also indexed. </div>
ELS_CORR	Economic life span correction	After activating a lease line, you can still enter or change the economic life span. Planon creates an accounting commitment type <b>ELS, Economic life span</b> and registers an event. The depreciation is recalculated, taking into account the new economic life span. For more information on accounting commitment types, see <a href="#">Accounting commitment types</a> .
LI_CORR	Lease incentive correction	If you registered or changed a lease incentive <i>after</i> the activation of a lease contract. The right-of-use is recalculated as if the lease incentive had been entered from the start of the lease.
IDC_CORR	Initial direct cost correction	If you registered or changed the initial direct cost <i>after</i> the activation of a lease contract. The right-of-use is recalculated as if the initial direct cost had been entered from the start of the lease.
IIC_CORR	Correction of initial installation costs	If you changed the initial installation costs. This change is always processed per the effective date of the contract.
REMEAS	Remeasurement	If you performed a remeasurement on a contract line. For more information, see <a href="#">The REMEAS financial event</a> .

<b>Code</b>	<b>Description</b>	<b>When triggered?</b>
QUANT_DECR	Scope reduction	If you reduce the physical scope of a lease contract, Lease liability and right-of-use asset are recalculated and reduced proportionally.
QUANT_INCR	Scope increase	If you increase the scope of a lease contract.
IMPAIRMENT	Impairment change	If you have performed an impairment on a contract line.
IMP_REV	Impairment reversal	If you have performed an impairment reversal on a contract line.
RESTORCOST	Restoration cost change	If you manually changed the restoration costs in the <b>Restoration costs</b> field.
RESTOR_REM	Restoration costs remeasurement	If you change the discount rate of the restoration costs.
RESIDUAL	Residual value change	If you manually changed the residual value in the <b>Residual value</b> field.
SALE_LB	Sale and leaseback	If you registered a sale and leaseback transaction.
ASSET_RETURN	Return the asset at the end of the lease	If you set a contract line's status from <b>Terminated</b> or <b>Expired</b> to <b>Return of asset</b> .
SHORTEN	Shorten duration of lease contract line	If you shortened the duration of a lease contract line by adjusting the end date.
UNDO_TERM	Undo termination	Terminated or expired lease contracts and service contracts can be activated. When reactivating, the UNDO_TERM event is created for lease contracts.
UNP_CORR	Correction of upfront non-refundable payment	If you registered or changed the upfront non-refundable payment <i>after</i> the activation of a lease contract. The right-of-use is recalculated as if the upfront non-refundable payment had been entered from the start of the lease.



Code	Description	When triggered?
URV_CORR	Correction of unguaranteed residual value	If you registered or changed the unguaranteed residual value <i>after</i> the activation of a lease contract. The right-of-use is recalculated as if the unguaranteed residual value had been entered from the start of the lease.

#### Renewal options

RENEWAL	Exercise renewal (set status to <b>Applied</b> )	If you exercised a renewal option (and not only switched from 'not reasonably certain' to 'reasonably certain').
ADD_CER	Add certain renewal	If you add a renewal option and activate it (provided the option becomes reasonably certain).
TO_CER	Set renewal option to certain	If you change a renewal option from 'not reasonably certain' to 'reasonably certain'.
TO_NOTCER	Set renewal option to not certain	If you change a renewal option from 'reasonably certain' to 'not reasonably certain'.
EXE_NEWCER	Execute new certain renewal	If you add a renewal option, execute it within one accounting period and additionally the option is 'reasonably certain'.

#### Termination options

TERMINATE	Exercise termination (set status to <b>Applied</b> )	If you exercised a termination option (and not only switched from 'not reasonably certain' to 'reasonably certain').
ADD_TER CER	Add certain termination option	If you add a certain termination option.
TER_CER	Set termination option to certain	If you change a termination option from 'not reasonably certain' to 'reasonably certain'.
NOT_TER CER	Set termination option to not certain	If you change a termination option from 'reasonably certain' to 'not reasonably certain'.

#### Shortening options

<b>Code</b>	<b>Description</b>	<b>When triggered?</b>
EXE_SHORTEN	Apply shortening option	If you applied a shortening option and the actual end date of the lease contract line is adjusted.
<b>Purchase options</b>		
PURCHASE	Exercise purchase (set status to <b>Applied</b> )	If you exercised a purchase option.
ADD_PURCER	Add certain purchase option	If you add a certain purchase option.
PUR_CER	Set purchase option to certain	If you change a purchase option from 'not reasonably certain' to 'reasonably certain'.
NOT_PURCER	Set purchase option to not certain	If you change a purchase option from 'reasonably certain' to 'not reasonably certain'.

## The REMEAS financial event

Planon automatically triggers a remeasurement and creates a **REMEAS** financial event after you made one of the following contract changes:

- you decreased the amount (**AMOUNT\_DEC** event) or increased the amount (**AMOUNT\_INC** event)
- you changed the contract's physical extent or quantity (**QUANT\_DECR**, **QUANT\_INCR**)
- you exercised a 'reasonably certain' renewal option (**EXE\_NEWCER** event)
- you exercised a 'not reasonably certain' renewal option (**RENEWAL** event)
- you exercised a termination option (**TERMINATE** event)
- you exercised a purchase option (**PURCHASE** event)
- you shortened the duration of a lease contract line by adjusting the end date (**SHORTEN** event)

## Restrictions on financial events

The following table indicates if a financial event is allowed in a closed period:

<b>Event code</b>	<b>Event description</b>	<b>Event allowed in closed period?</b>	<b>Amount change allowed?</b>
INITIAL	Initial	Y	Y
AMOUNT_INC	Amount increase	Y	Y
AMOUNT_DEC	Amount decrease	Y	Y
CORRECTION	Difference in commitments after recalculation	N	N
DELETE	Delete closed lease contract line	Y	N/A
INDEXATION	Indexation	Y	Y
LI_CORR	Lease incentive correction	Y	Y
IDC_CORR	Initial direct cost correction	Y	Y
REMEAS	Remeasurement	Y	Y
QUANT_DECR	Scope reduction	N	N
QUANT_INCR	Scope increase	Y	Y
IMPAIRMENT	Impairment change	Y	N
IMP_REV	Impairment reversal	Y	N
RESTORCOST	Restoration cost change	Y	N
RESIDUAL	Residual value change	Y	N
SALE_LB	Sale and leaseback	Y	Y
ASSET_RETURN	Return the asset at the end of the lease	Y	N

<b>Event code</b>	<b>Event description</b>	<b>Event allowed in closed period?</b>	<b>Amount change allowed?</b>
SHORTEN	Shorten duration of lease contract line	Y	N
<b>Renewal options</b>			
RENEWAL	Exercise renewal (set status to <b>Applied</b> )	Y	Y
ADD_CER	Add certain renewal	Y	Y
TO_CER	Set renewal option to certain	Y	Y
TO_NOTCER	Set renewal option to not certain	N/A	Y
EXE_NEWCER	Execute new certain renewal	Y	Y
<b>Termination options</b>			
TERMINATE	Exercise termination (set status to <b>Applied</b> )	Y	Y
ADD_TERCER	Add certain termination option	Y	Y
TER_CER	Set termination option to certain	Y	Y
NOT_TERCER	Set termination option to not certain	N/A	Y
<b>Purchase options</b>			
PURCHASE	Exercise purchase (set status to <b>Applied</b> )	N	Y
ADD_PURCER	Add certain purchase option	N	Y

---

<b>Event code</b>	<b>Event description</b>	<b>Event allowed in closed period?</b>	<b>Amount change allowed?</b>
PUR_CER	Set purchase option to certain	N	Y
NOT_PURCER	Set purchase option to not certain	N/A	Y

---

# 4-4-5 Lease Accounting

Planon allows for a period of 52/53 weeks as an accounting period as opposed to a proper year. This method is called the [4-4-5 calendar](#). By using this method, financial years always end on the same day (typically the end day of the week).

This calendar structure is common for some industries, such as retail, manufacturing, and parking.

In addition to using a monthly calendar, Planon also supports a 4-4-5 calendar. Based on this calendar Planon will generate weekly accounting commitments.



In Planon, the monthly calendar and 4-4-5 calendar concepts are mutually exclusive. Once a choice is made, it is no longer possible to switch.

## Restrictions for 4-4-5 lease accounting

When using 4-4-5 lease accounting, the following restrictions apply:

You can only use 4-4-5 lease accounting:

- When using multiple accounting standards.

You cannot use 4-4-5 lease accounting:

- In combination with a postponed payment date.
- When transitioning to a new lease accounting standard.

## Working with 4-4-5 Lease Accounting

To be able to properly use 4-4-5 Lease Accounting it is required to distinguish it from recording monthly accounting commitments. This section describes the necessary settings that need to be carried out exactly in the order described:

1. [Specifying financial calendar settings](#)
2. [Specifying financial years](#)

### Specifying financial calendar settings

When using a 4-4-5 calendar, Planon needs to know which rules to apply when determining the end of year and the end of the week. These settings are specified here.

1. Go to Supporting data > Financial calendar settings.

2. Specify the End of year selection, the Week calendar and the End day of week.

For more information about these fields, see [Financial calendar settings fields](#).

## Specifying financial years

After first specifying the [financial calendar](#), you also need to specify the financial years.

1. Go to Supporting data > Financial years selection level.
2. Add as many financial years as required.

**When generating accounting commitments, the corresponding financial years need to be available in Planon.**

**On the Financial periods selection level, Planon has automatically created the financial periods corresponding with the financial years that you added.**

 The periods are added following the week format that was chosen when specifying the financial calendar, either 4-4-5 / 4-5-4 or 5-4-4.

### *Financial year*

## Specifying a 4-4-5 lease contract

You are now ready to add a lease contract and generate weekly accounting commitments.

1. Go to [Contracts](#) and create a lease contract (fill out the required fields).

 For more information about these fields, see [Contracts documentation](#).

2. Go to Contract details selection level and Add a lease amount contract line.
3. On the Lease accounting tab, fill out the financial details and make the following settings:
  - a. Accounting standard: IFRS.
  - b. Accounting commitment period: 1 week
4. Set the contract and the contract line to Active.

## 4-4-5 & using operating companies

When using operating companies in combination with 4-4-5 lease accounting, an additional setting is required.

1. Go to Supporting data > Financial reporting entities > Components > Operating companies step.
2. For your financial operating companies that you maintain here, make sure that the Accounting level field is set to Week.
3. Click Save.

**Do this for all your operating companies - you cannot use a mix of weekly and monthly settings!**



# Working with GASB lease accounting

The Planon application provides with a validated and audit-ready solution for lease accounting to support your organization achieve compliance with GASB 87, as well as GASB 96.



The option to select the Initial installation costs is only possible in GASB96.

## GASB and FASB - a comparison

Both the GASB and the FASB are focused on ensuring that accounting and financial reporting activities are precise and reliable, and the resulting financial reports are accurate and beneficial to the end users. However, GASB and FASB are considerably different in terms of scope and applicability of their objectives.

This table states the list of differences between GASB and FASB accounting standards.

<b>GASB</b>	<b>FASB</b>
The scope of GASB is to set standards for state and local government entities.	The scope of FASB is to help investors and creditors make decisions about private sector companies.
There is no operating lease classification in GASB. Hence, all leases are reported as finance leases.	In FASB, operating and finance leases distinction is maintained. Hence, all operating leases are capitalized in the balance sheet.
Lease payments are classified as capital/finance lease in GASB.	Lease payments are classified as operating lease in FASB.
Lease liabilities are reported as long-term debt in GASB. So, this may impact debt contracts and ratios.	For FASB, operating lease liabilities are counted as operating payables rather than as debt. So, debt contracts and ratios are not impacted.
Unpaid interest must be accrued until it can be paid. A separate liability is reported for accrued interest. Prior to making lease payments, accrued interest must be paid.	For FASB, interest is not accrued.

## GASB - scope

Although the principles, standards and procedures of all accounting standards have the same basis, there are some areas where GASB principles deviate from other accounting standards (FASB in particular). These are listed below:

- Indexation method on renewal options - For renewal options, an indexation method is applied when the option is **Reasonably certain** or **Applied**. This indexation method replaces the indexation method specified on the contract line for the renewal period.
- Deferred inflow of resources - 'Deferred inflow' is the term used to conceptualize 'right-of-use' for a lessor indicating 'Lease receivable'.
- Reasonably certain lessor option - All lessor options can be reasonably certain. For other accounting standards, lessor termination options and renewal options are non-reasonably certain only.
- Short-term lease calculation - Short-term leases are always 'operating leases'. For contracts other than GASB, a short-term lease can be manually overruled and treated as a finance lease. This is strictly not allowed in GASB.

The **Contract portfolio report** provides a comprehensive overview of lease information. For more details on this, see [Contract portfolio overview report](#).

## Indexation method on renewal options

In GASB, if you renew a contract, 'retrospective indexation' is used to calculate the financial commitments for the renewal period. Here, the indexation percentage is applied from the beginning of the contract's duration, and considered for the renewal period. This can be understood clearly from the example given below:

#### Multiple renewal options with different indexation percentages

- **Renewal option 1:** new indexation percentage of 2% (5 months)  
Retrospective indexation is carried out from the beginning of the contract
- **Renewal option 2:** new indexation percentage of 3% (5 months)  
Retrospective indexation is applied from the starting of option 1's renewal term

2019	Indexation percentage on contract line from 1 <sup>st</sup> Feb	Renewal option 1	Renewal option 2	2020	Indexation percentage on contract line from 1 <sup>st</sup> Feb	Renewal option 1	Renewal option 2
	1%	2%	3%		1%	2%	3%
Jan	100.00	100.00		Jan		126.82	126.82
Feb	101.00	102.00		Feb		129.36	130.63
Mar	102.01	104.04		Mar		131.95	134.55
Apr	103.03	106.12		Apr		134.59	138.58
May	104.06	108.24		May		137.28	142.74
Jun	105.10	110.41		Jun			147.02
Jul	106.15	112.62		Jul			151.43
Aug	107.21	114.87		Aug			155.98
Sep	108.29	117.17		Sep			160.66
Oct	109.37	119.51		Oct			165.48
Nov	110.46	121.90					
Dec	111.57	124.34					

Multiple renewal options can be created with different indexation percentages for a contract period. If no indexation percentage is specified for a renewal option, the previous indexation percentage is considered.



The renewal depends on two factors - **Indexation method** must be percentage based retrospective indexation and the **Switch to 'reasonably certain'?** setting on the contract option must be set to **Yes**. For information on **Indexation method** field, see [Contract options fields](#).

## Deferred inflow of resources

In the lessor's perspective, deferred inflow of resources can be seen as revenue from a future period. For example, the acquisition of net assets by the government that applies to a future reporting period (similar to liability). Since the revenue will not be realized in the current accounting period, deferred inflow is usually used for reporting purposes.

Generally, straight line depreciation is calculated for lessee contracts where a fixed amount is deducted every month for the lease period. For lessors, the **Lease receivable** is calculated. For GASB lessor contracts **Deferred inflow of resources** is introduced, for which the following values are calculated:

- **Deferred inflow at start = Lease receivable + Prepayments - Lease incentives**
- **Deferred inflow at end = Deferred inflow at start - Deferred revenue**
- **Deferred revenue = Lease amount - Interest**

Postings are created for amounts that are registered as **Deferred inflow of resources** and **Deferred revenue**.

## Reasonably certain lessor option

For GASB lessor contracts, renewal options can be reasonably certain or non-reasonably certain. For non-GASB lessor contracts, renewal options are always non-reasonably certain.

If a contract line is in the **Active** status, selecting a reasonably certain lessor option will create financial and accounting commitments for the extended period. However, these commitments will not have any impact on the actual commitments until the status of the contract option is moved to **Applied**. After applying contract option, contract and contract line period will be extended automatically and financial and accounting commitments will be created.

## Accrued interest and financial income

For GASB 87 / 96, in both lessee and lessor perspective, unpaid interest is accrued and reported separately from the lease liability (accrued interest liability) or lease receivable (accrued financial receivable). Payments made are first allocated to the accrued interest or accrued financial income before the lease liability or lease receivable.

Accrued interest and lease liability are reported separately. The liability is reported under three positions:

- Short-term lease liability
- Long-term lease liability
- Accrued interest liability

The interest is calculated based on carrying value of the lease liability, on a consistent manner between each payment. In Planon Lease Accounting, this consistent method consists in having a month as a consistent period (for example, a quarterly payment leads to three consistent monthly accrued interest).

As periodic interest is accrued, the carrying value of the lease liability remain constant between each payment.

### ASC 842 Finance lease, IFRS 16 leases: Interest is capitalized

Accounting period		Cashflows	Financial position			Profit & loss
Type	Start date to End date	Financial obligation	Liability start	Liability delta	Liability end	Interest
		€	€	€	€	€
INI	01-Jan-2023 to 01-Jan-2023		0,00	900311,76	900311,76	
	01-Jan-2023 to 31-Jan-2023	30000,00	900311,76	-28783,70	871528,06	1216,30
	01-Feb-2023 to 28-Feb-2023	0,00	871528,06	1218,00	872746,06	1218,00
	01-Mar-2023 to 31-Mar-2023	0,00	872746,06	1219,70	873965,76	1219,70
	01-Apr-2023 to 30-Apr-2023	30000,00	873965,76	-28820,53	845145,23	1179,47
	01-May-2023 to 31-May-2023	0,00	845145,23	1181,13	846326,36	1181,13

## GASB 87 / 96 leases: Interest is accrued

Accounting period		Cashflows	Financial position				Profit & loss
Type	Start date to End date	Financial obligation	Liability start	Liability delta	Liability end	Accrued interest	Interest
		€	€	€	€		€
INI	01-Jan-2023 to 01-Jan-2023		0,00	900311,7617	0,00		
	01-Jan-2023 to 31-Jan-2023	30000,00	900311,7617	-30000	930311,7617	1218,00	-1218,00
	01-Feb-2023 to 28-Feb-2023	0,00	870311,7617	0,00	870311,7617	2435,99	-1218,00
	01-Mar-2023 to 31-Mar-2023	0,00	870311,7617	0,00	870311,7617	3653,99	-1218,00
	01-Apr-2023 to 30-Apr-2023	30000,00	870311,7617	-26346,01	900311,7617	1181,13	-1181,13
	01-May-2023 to 31-May-2023	0,00	843965,7525	0,00	843965,7525	2362,25	-1181,13

## Short-term lease calculation

In accounting, generally any lease term which is less than an year is considered as operating lease and lease term longer than an year is financial lease. However, you can choose to overrule these criteria for other accounting standards, but in GASB this is followed strictly. In GASB, short-term leases are always operating leases.

To determine whether a lease is 'operating' or 'finance' you have first calculate the lease period, for which both **Renewal options** and **Termination options** are taken in to account. Based on these rules, the lease period is calculated and the type of lease, 'operating' or 'finance', is ascertained.

- If there are multiple renewal options, the last renewal option is used to calculate the lease period.
- For multiple termination options, the first termination option is used.
- If both renewal options and termination options exists for a lease, only termination option is used.



This method of lease period calculation is valid for both lessee and lessor.

## Supported and unsupported features for GASB

The following features are supported for GASB:

- Restoration costs (ARO)
- Guaranteed residual value
- Multi-currency
- Multi-GAAP: GASB can be the first accounting standard with another standard being the second or third accounting standard. However, GASB **cannot** be the second or third accounting standard.

- Unguaranteed residual (a value can be registered without affecting the calculations)
- Executory costs

The following features are **not** supported for GASB:

- Headlease / Sublease
- Weekly Lease Accounting (WLA)

# Lease accounting event overview

In addition to the reporting options, it is also possible to create a data snapshot using the lease accounting event overview.

The following topics describe the purpose and process of generating a lease accounting event overview.

## Purpose

Based on the financial data calculated for lease contracts, you can create a snapshot of the data in a **Lease accounting event overview**. Here, you can view and assess the manner in which your leases develop over time. The data in this snapshot can be used as input for creating an [asset movement schedule](#), it also contains the [financial events](#) that triggered the change.

Subsequently, you can create a report on this data or export it to a financial system for further analysis.

## Generating and viewing a lease accounting event overview

It is possible to create a snapshot of the lease accounting event data for a specific accounting period.

1. Trial close a contract.

**Based on the contract's closure date, the commitments will be (trial) closed. As a result, snapshot data and lease accounting event data is created.**

2. Go to Lease accounting event overview.

**This TSI consists of a number of levels and steps.**

3. In Accounting periods, select the accounting period(s) for which you want to view or display lease accounting event data.

**When an accounting period is closed, a snapshot is linked to it. The periods are assigned by Planon.**

4. In Filters, you can make a selection to narrow down your results.

**This level or the steps in it are optional, you could even skip them.**

5. Go to Contract snapshots, this level displays your snapshot.

**The data of the accounting period(s) selected earlier, is captured in a single snapshot.**

Each time you close a contract, a single snapshot is created. This is true if your contract comprises one or multiple accounting periods. An accounting period can also be linked to multiple contracts.

6. Go to Contract line snapshots, this level displays a snapshot of the contract lines.

**The data in this level as well as in the previous level is populated when you trial close a contract.**

7. Go to Event details, this level consists of two steps: Lease accounting event data and Financial event registration data.

**Lease accounting event data displays the accounting commitments and its related data (dates, payments, events, etc.). You can export this data and make it available to a financial system via a tailor made solution, or create a report. For a description of its fields, see [Lease accounting event data - fields](#).**


**Financial event registration data lists (a snapshot of) the [financial events](#) that were registered for the contract line when closing the period. For a list of events, see [Financial event registration](#).**




# Reporting in Lease accounting

The following system reports are available in Lease accounting:

- **Contract line commitments**  
See [Generating the Contract line commitments report](#) and [Contract line commitments report - an overview](#)
- **Disclosure overview**  
See: [Generating the Disclosure overview report](#) and [Data in the Disclosure overview report](#)
- **Lease overview**  
See: [Generating the Lease overview report \(old\)](#) and [Data in the Lease overview report](#)

 A new version of the 'Lease overview report' called the 'Lease schedule report' is introduced. This report shows the changes in the liability and right of use (RoU) grouped by change type and period. It allows you to consolidate multiple contracts and analyze their movement schedule over time.


- **Contract portfolio overview**  
See [Generating the Contract portfolio overview report](#) and [Data in the Contract portfolio overview report](#).
- **Contract portfolio accounting period report**  
See [Generating the Contract portfolio accounting period report](#) and [Data in the Contract portfolio accounting period report](#)

 For more information about reporting, see [Reports](#).

## Linking reporting groups to a contract line

Contract lines can be grouped for reporting purposes. You can link one or more **Reporting groups** to a single contract line. Based on the linked reporting group(s), contract lines are classified in the report. When you generate the report, subtotal pages are displayed for each reporting group linked, for both lessee and lessor.

Reporting groups are available at the **Contracts > Filters > Contract line reporting groups** step. A fixed number of 10 reporting groups are available and you can set them to active and use the active ones for linking to the contract line(s).

 The inactive reporting groups will not be shown in the list when you are linking the reporting groups to the contract line.

## Procedure

1. In the Contracts TSI, go to Contracts > Contract details > Contract lines.
2. Select the contract line to which you want to link the reporting group(s).
3. On the action panel, click Link reporting groups.

**The Reporting groups window opens.**

4. Select the reporting group(s) you want to link.
5. Click OK.

**The contract line is now linked to the reporting group(s).**

## Generating the Contract line commitments report

Please note that the **Contract line commitments** report only displays values if the contract lines (amounts) included in the report have the status **Precalculate, Active, Expired** or **Terminated, Asset return**.

1. In the Contracts TSI, go to Contracts and select the contract that you want to include in the report.
2. Go to Contract details > Contract lines.
3. Select the contract line you want to include in your report. You can select only *one* contract line for this report.
4. On the action panel, click Report.

**The Reporting dialog box opens.**

5. Click the System reports tab.
6. Select the Contract line commitments report.

**For more information on the data displayed in this report, see [Contract line commitments report - an overview](#).**

7. Edit the report settings, if required:
  - **Contract currency (Yes) or Functional currency (No):** Specify whether you want to display the contract currency (**Yes**) or the functional currency (**No**) in the report.
  - **Accounting standard option:** In Planon, it is possible to link multiple accounting standards to a contract line. You can specify a primary, secondary and tertiary accounting standard (for more information, see [Using multiple accounting standards](#)). The report is generated only for *one* accounting standard, based on the option you select here: **Primary, Secondary** or **Tertiary**.
  - **Cluster by week periods:** For 4-4-5 lease accounting, click **Yes** if you want to cluster the week entries in your report by week periods (as determined by your [4-4-5 calendar](#)). If you click **No**, the report will display week entries.

8. Select the relevant output options for your report.

## Contract line commitments report - an overview

The **Contract line commitments** system report shows the financial and accounting commitments for contract lines based on lease accounting.

The first section of the report gives an overview of all key data entered by the user.

Contract line details and commitments report Planon

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Navigation: Home | 01-Apr-2023 10:34:01 | 01-Apr-2023 10:34:01 | Lease | Contract commitments

Contract data	
Contract	UP-HL Test
Part of sublease?	No
Lease / Lessor	Leasee
Leasee	016, AAA
Lessor	016, AAA
Date effective	01-Jan-2023
Payment calculation start date	01-Jan-2023
Contract period	36 Months
End date modification	28-Feb-2026
Warson date	
Contract group	01, Lease contracts

Contract line data		Initial direct costs	
Contract line	ESSE, lease monthly	Lease incentive	
User defined status	Prohibitable	Fair value	
Contract line period	36 Months	Guaranteed residual value	
Date effective	01-Jan-2023	Unguaranteed residual value	
End date	28-Feb-2026	Restoration costs	
Financial reporting entity		Economic life span	
Payment in advance?	Yes	Discount rate (%)	5.00 %
Payment frequency	1 Month	Discount rate for restoration costs	
Functional currency		Total minimum lease payments at start	
Contract currency			
Accounting standard	IAS88?		
Contract type	Financial lease		
Accounting commitment period	1 Month		
Should lease lease?	No		
Low value asset?	No		
Payment?	Leasee		

The second part of the report gives an overview of the following.

- The classification criteria. These criteria are based on the contract line data you entered and on calculations executed by Planon. You can classify a contract line either as operating lease or finance lease. In this report, Planon validates if the classification you defined matches the classification calculated by the system. As long as the contract has the **In preparation** or **Inactive** status, no commitments are entered into the system. This allows you to prepare contracts by analyzing the consequences of the current lease settings. You can check the result and change settings, if required. For activated contracts, the report can be used to check the consequences of an amount change.
- The contract options that have been defined. Contract options are taken into account in the calculations.
- All accounting and financial commitments which can be expected for the selected lease line. Accounting commitments are grouped per accounting period. Financial commitments are also grouped per period and are based on the closure date/payment date. The report provides the following information, based on the type of accounting commitment:

- accounting commitments for operating lease show the expenses and (cumulative) lease accrual
- accounting commitments for finance lease show the interest, liability, net movement and depreciation

**i** For a lessor, the report shows the income, deferred rent and net movement.

Classification criteria		Result	Contract type	Present value of lease payments vs. fair value
Classification criteria		No	Operational	-
Is it, Classifying 1.1		No	Operational	Contract life vs. economic life
Is it, Classifying 2.1		No	Operational	

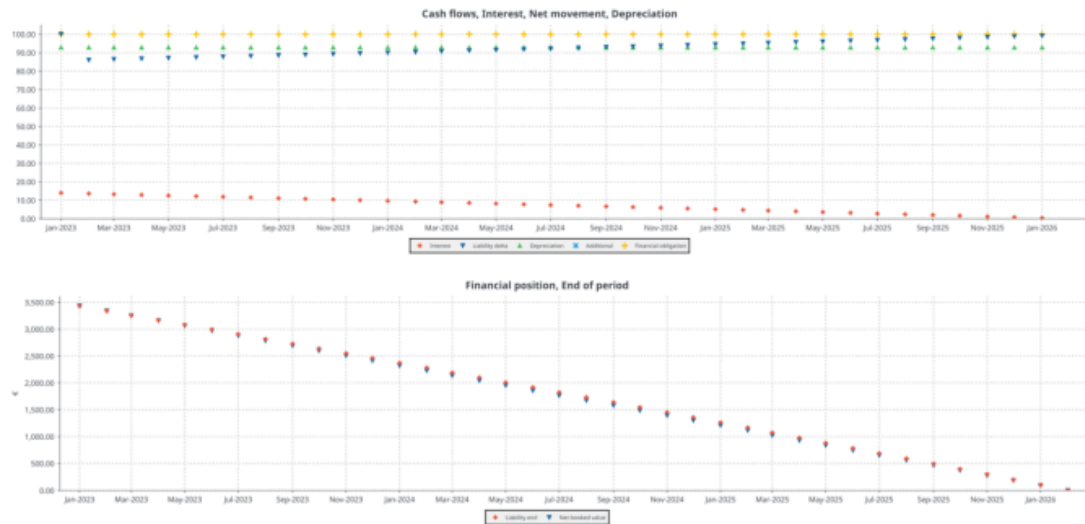
Renewal and termination options							
Type	Option	Status	Reasonably certain?	To be applied before	Term	Penalty	Next possible end date
Renewal	21st, Renewal	Applied	Yes		1 Month		
Renewal	21st, Renewal	Applied	Yes		1 Month		

GASB87																	
Type	Accounting period	Start date to end date	Cashflow		Financial position										Profit & loss		
			Financial obligation	Liability start	Liability delta	Liability end	Liability start short term	Liability end short term	Liability start long term	Reclassification to short term	Liability end long term	Accrued interest	Right of use start	Right of use end	Accumulated depreciation	Interest	Depreciation
INI	31-Jan-2023 to 31-Jan-2023		0.00	3,528.14	3,528.14	0.00	1,000.00	0.00	2,428.28	0.00	2,428.28	0.00	0.00	3,528.14			
	31-Jan-2023 to 31-Jan-2023		100.00	3,528.14	-100.00	3,428.14	1,000.00	1,000.00	2,428.28	89.97	2,338.31	13.97	3,528.14	5,495.31	92.85	13.97	92.85
	31-Feb-2023 to 28-Feb-2023		100.00	3,428.14	-80.00	3,348.14	1,000.00	1,000.00	2,338.31	80.00	2,258.31	13.01	3,428.14	5,342.46	185.70	13.01	92.85
	31-Mar-2023 to 31-Mar-2023		100.00	3,348.14	-80.00	3,268.14	1,000.00	1,000.00	2,258.31	80.00	2,178.31	12.27	3,348.14	5,246.52	278.54	12.27	92.85
	31-Apr-2023 to 30-Apr-2023		100.00	3,268.14	-80.71	3,187.43	1,000.00	1,000.00	2,178.31	80.71	2,097.60	12.81	3,268.14	5,150.71	371.39	12.81	92.85
	31-May-2023 to 31-May-2023		100.00	3,187.43	-81.00	3,106.43	1,000.00	1,000.00	2,097.60	81.00	2,016.60	12.95	3,187.43	5,054.76	464.24	12.95	92.85

**i** The **Type** column indicates the type of accounting commitment, for example the code **INI** stands for 'initial accounting commitment'. See the legend in the report itself for an explanation of the different codes.

The last section of the report shows a graphical representation of the data displayed above.




**i** You can only run the **Contract line commitments** report for lease accounting contract lines and only for one contract line at a time. If you generate a report on inactive contract lines

for which percentage-based indexation is defined, the indexation is applied and taken into account in the initial calculations. If a contract line has been terminated early, Planon creates a record to settle the costs due to this early termination.


## Generating the Disclosure overview report

Please note that the **Disclosure overview** report only displays values if the contracts included in the report have the status **Active**, **Renewed**, **Blocked**, **Expired** or **Terminated**.

1. In the Contracts TSI, go to Contracts.
2. On the action panel, click Report.  
**The Reporting window opens.**
3. Click the System reports tab.
4. Select the Disclosure overview report.
5. Edit report settings, if required.

 For more information on editing report settings for the disclosure overview, see [Editing the Disclosure overview report settings](#).

6. Select relevant output options for your report.

 For more information on the data displayed in this report, see [Data in the Disclosure overview report](#).

## Editing the Disclosure overview report settings

1. Go to the Contracts selection level.
2. On the System reports tab, select the Disclosure overview report.
3. On the action panel, click Edit report settings.

**The Report settings - Disclosure overview window opens.**

The following options are available:

- **Accounting standard:** Select **ASC842** or **IFRS16**. All contracts with a reference to the selected standard will be included in the report.
- **Financial year:** Select the required financial year. Data included in the report will be based on this financial year.
- **Reporting based on:** Specify whether you want to report based on a **Monthly** or **Weekly** accounting period.

 Currently the report only supports Monthly lease accounting.

- **Start financial period / End financial period:** Specify the start and end of the financial period you want to report on.

- **Include qualitative disclosure:** Specify whether or not you want to include qualitative disclosures in your report.
- **# years for the maturity analysis report:** This setting is read-only set to five years fixed for calculating and including in the maturity analysis part of the report. The report setting for financial year is the first period in the report's **Maturity analysis** section.

## Data in the Disclosure overview report

The **Disclosure overview** system report can be applied on multiple contracts. The report consists of four sections.

**i** If you are using multiple currencies, the complete report is displayed for each currency, grouped by currency.

The first section shows general data such as the financial year, the start date and end date of the reporting period, the accounting period type (weekly or monthly).

The second section is the **Quantitative overview**. This section shows the accumulated amounts of all selected contract lines linked to the selected accounting standard based on the actual dates.

**i** Currently, data changes that occur in a closed period will not be taken into account (will not be displayed in the report). These changes will be included at the start of the first open period.

The totals are grouped into three categories: **Statement of financial position**, **Statement of profit and loss** and **Statement of cashflow**. The report depends on the chosen standard and is split for lessee (see 2A) and lessor (see 2B).

Report setting			
Financial year:	2017	Reporting period start:	01/01/2017
Period type:	M	Reporting period end:	12/31/2017
<b>Quantitative overview</b>			
Lessee			
	Period	At start of period	At end of period
<b>Statement of financial position</b>			
Lease liability			€ 0.00
Lease right of use - assets			€ 0.00
Additions to right of use - assets	€ 0.00		
Reductions of right of use - assets	€ 0.00		
Accumulated depreciation		€ 0.00	€ 0.00
<b>Statement of profit and loss</b>			
Interest expense		€ 0.00	
Depreciation		€ 0.00	
Short-term lease amount		€ 0.00	
Low-value asset - lease amount		€ 0.00	
Income from subleasing right of use - assets		€ 0.00	
<b>Statement of cashflow</b>			
Cash payments for principal portion		€ 0.00	
Cash payments for interest portion		€ 0.00	
Short-term lease payments		€ 0.00	
Low-value asset - lease payments		€ 0.00	
Variable lease payments		€ 0.00	

Lessor			
	Period	At start of period	At end of period
<b>Statement of financial position:</b>			
Lease receivables			€ 9,801.36
Unearned finance income	€ 198.64		
Derogated right of use - asset	€ 0.00		
<b>Statement of profit and loss:</b>			
Finance income of finance leases	€ 198.64		
Principal portion income of finance leases	€ 9,801.36		
Lease income of operating leases	€ 0.00		
<b>Statement of cash flow:</b>			
Cash receivables for principal portion	€ 9,801.36		
Cash receivables for interest portion	€ 198.64		
Cash receivables operating lease	€ 0.00		
Variable lease payments income	€ 0.00		

2B

The third section is the **Maturity analysis**. This section shows an overview in time of the amounts to be paid (lessees) or to be received (lessors) for the selected contracts. The number of years to be shown depends on the report setting **# of years in maturity analysis** (see [Editing the Disclosure overview report settings](#)). The analysis is split into a lessee part and a lessor part. The **Remaining years** row displays the sum of all amounts for the period specified as **# of years in maturity analysis**.

Maturity analysis									
Years	Lessee				Lessor				Unearned finance
	Operating lease	Finance lease		Total	Operating lease	Finance lease		Total	
		Principal	Interest			Principal	Interest		
2017	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 9,801.36	€ 198.64	€ 10,000.00	€ 198.64
<b>Total undiscounted</b>	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 9,801.36	€ 198.64	€ 10,000.00	€ 198.64

3

The fourth section is the **Qualitative overview**. This section shows an overview of all active disclosures linked to the selected contracts. In addition, it also shows the contracts to which no disclosures are linked. You can link disclosures to a contract or, if you want to be more specific, to contract options or to contract lines. All disclosures in the **Active** status are added to the **Qualitative overview** section.

Contract disclosure records			
Lessor			
Contract	Description	Doc?	Comment
IFRS16LessorFinanida / No disclosures to be reported.	<no disclosure>		

4

**i** Disclosures can be added on the Contracts > Contract details > Disclosures step if, in addition to the regular figures calculated by Planon, additional information needs to be reported for a contract. For example, if you want to explain why you performed an impairment. Qualitative disclosures can be any kind of information that has to be linked to a contract and that is important to be published at disclosure.

## Generating the Lease overview report (old)

**i** The **Lease overview** report only displays values if the contract lines (amounts) included in the report have the status **Precalculate**, **Active**, **Expired** or **Terminated**, **Asset return**.

1. In Contracts, go to Contracts > Contract details > Contract lines (Amounts).
2. On the action panel, click Report.  
**The Reporting window opens.**
3. Click the System reports tab.
4. Select the Lease overview report.
5. Edit report settings, if required.



For more information on editing report settings for the Lease overview, see [Editing the Lease overview report settings](#).

6. Select relevant output options for your report.

## Editing the Lease overview report settings

1. Go to the Contracts > Amounts selection step.
2. On the System reports tab, select the Lease overview report.
3. On the action panel, click Edit report settings.

### The Report settings - Lease overview window opens.

The following options are available:

- **Title:** Enter a report title. By default, the report name is populated.
- **Subtitle:** Enter a subtitle here, if required.
- **Accounting standard:** Select **ASC842** or **IFRS16**. All contract lines based on the selected standard will be included in the report.
- **Based on contract currency?:** Specify whether you want to display the contract currency (**Yes**) or the functional currency (**No**) in the report.
- **Cluster by week periods:** For 4-4-5 lease accounting, click **Yes** if you want to cluster the week entries in your report by week periods (as determined by your [4-4-5 calendar](#)). If you click **No**, the report will display week entries.

## Data in the Lease overview report

The **Lease overview** system report can be used to report on:

- lease and sublease
- portfolio lease where individual leases are combined under one main contract
- a combination of leases



Depending on the contract lines included in the report, information is displayed from different perspectives: Lessor / Lessee, Operating lease / Finance lease. If you are using



multiple currencies, the complete report is displayed for each currency, grouped by currency.

The report consists of the following sections.

Details per contract line, the related contract and contract options

Lease overview		Combined leases		Planon					
Supervisor		24-Jul-2023 08:02:32							
<b>IFRS16: Lessee</b>									
Contract code	Main/subcontract	Contract line code	Lessee/Lessor	Date effective	End date	Contract type	On balance	Renewal Option	Termination Option
0037	Main	0163	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0038	Main	0164	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0040	Main	0166	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0041	Main	0167	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0041	Main	0168	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0042	Main	0169	Lessee	01-Jan-2017	30-Jun-2018	Finance lease	Yes	Yes	No
0042	Main	0170	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	Yes	No
0042	Main	0171	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	Yes	No
0042	Main	0172	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	Yes	No
0042	Main	0173	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	Yes	No
0043	Main	0174	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0043	Main	0176	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0044	Main	0175	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0044	Main	0178	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0045	Main	0180	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No
0045	Main	0181	Lessee	01-Jan-2017	31-Dec-2017	Finance lease	Yes	No	No

A total overview of the selected leases, for both lessor and lessee. The totals of cashflow, P&L and balance sheet data are shown.

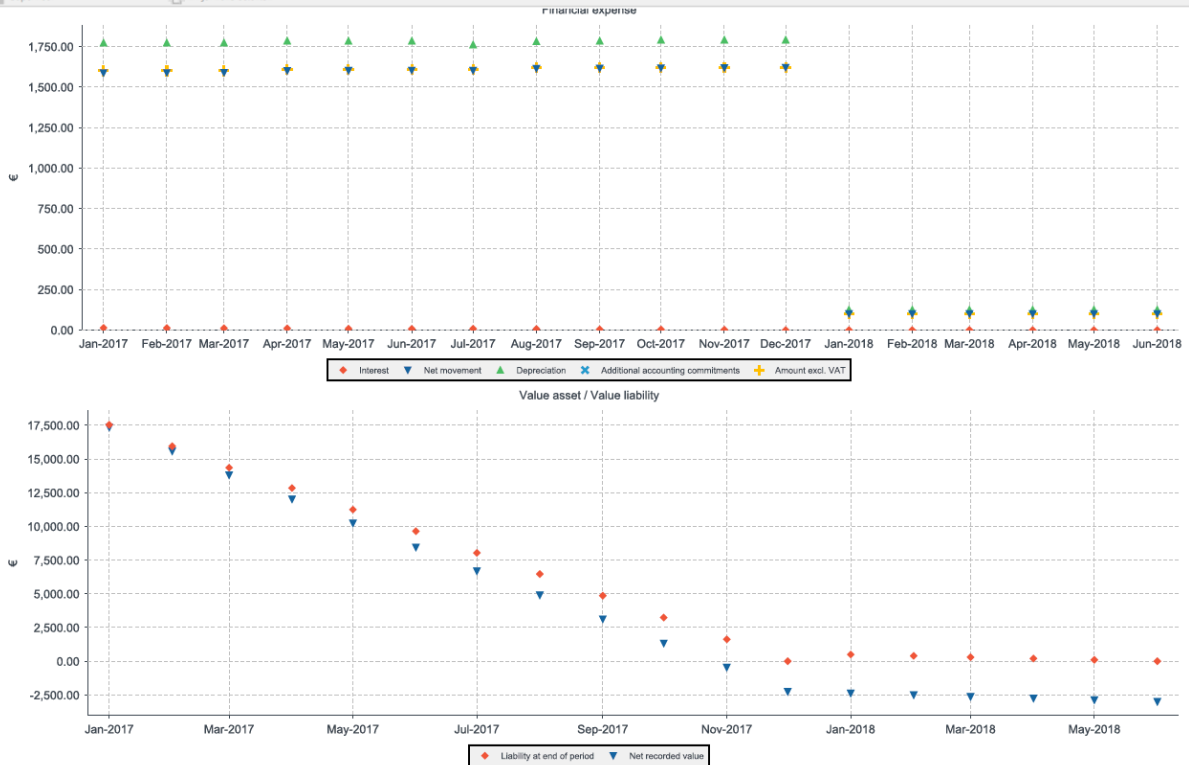
Lease overview		Combined leases		Planon	
Supervisor		24-Jul-2023 08:02:32			
<b>Total overview</b>					
IFRS16	Lessee			Lessor	
	Finance lease	Operating lease	Short-term / low value	Finance lease	Operating lease
Cashflows					
Amount excl. tax	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 7,200,000.00
Profit & loss					
Interest	€ 0.00	€ 0.00	-	€ 0.00	-
Depreciation	€ 0.00	€ 0.00	-	€ 0.00	-
Net movement	€ 0.00	€ 0.00	-	€ 0.00	-
Lease amount	-	-	€ 0.00	-	€ 7,200,000.00
Lease accrual / deferred income	-	-	€ 0.00	-	€ 0.00
Additional	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Balance sheet					
Right of use	€ 0.00	€ 0.00	-	-	-
Liability / receivables	€ 0.00	€ 0.00	-	€ 0.00	-

Per combination lessee/lessor and finance/operating lease, the selected commitments are shown.

IFRS16 Lessee: Financial Lease

Accounting period		Cashflow	P & L			Balance sheet at start date of the accounting period					
Start date	End date	Amount excl. VAT	Interest	Depreciation	Net movement	Additional accounting commitments	Right of asset use at start of period	Right of asset use at end of period	Liability at start of period	Liability at end of period	
01-Jan-2017	31-Jan-2017	€ 1,600.00	€ 13.11	€ 1,772.80	€ 1,586.89		€ 21,273.60	€ 17,211.74	€ 19,120.74	€ 17,533.85	
01-Feb-2017	28-Feb-2017	€ 1,600.00	€ 11.94	€ 1,772.80	€ 1,588.06		€ 19,500.80	€ 15,647.04	€ 17,533.85	€ 15,945.79	
01-Mar-2017	31-Mar-2017	€ 1,600.00	€ 10.80	€ 1,773.35	€ 1,589.20		€ 17,728.00	€ 14,091.79	€ 15,945.79	€ 14,356.59	
01-Apr-2017	30-Apr-2017	€ 1,610.00	€ 9.60	€ 1,784.97	€ 1,600.40		€ 16,064.65	€ 12,614.92	€ 14,446.59	€ 12,846.19	
01-May-2017	31-May-2017	€ 1,610.00	€ 8.43	€ 1,784.96	€ 1,601.57		€ 14,279.68	€ 11,038.06	€ 12,846.19	€ 11,244.62	
01-Jun-2017	30-Jun-2017	€ 1,610.00	€ 7.23	€ 1,784.94	€ 1,602.77		€ 12,494.72	€ 9,461.20	€ 11,244.62	€ 9,641.85	
01-Jul-2017	31-Jul-2017	€ 1,610.00	€ 8.04	€ 1,761.37	€ 1,601.96		€ 10,568.73	€ 7,750.75	€ 9,635.80	€ 8,033.84	
01-Aug-2017	31-Aug-2017	€ 1,620.00	€ 6.44	€ 1,782.25	€ 1,613.56		€ 8,911.23	€ 6,296.60	€ 8,083.84	€ 6,470.28	
01-Sep-2017	30-Sep-2017	€ 1,620.00	€ 4.84	€ 1,784.73	€ 1,615.16		€ 7,138.98	€ 4,729.97	€ 6,470.28	€ 4,855.12	
01-Oct-2017	31-Oct-2017	€ 1,620.00	€ 3.24	€ 1,791.27	€ 1,616.76		€ 5,373.78	€ 3,166.33	€ 4,855.12	€ 3,238.36	
01-Nov-2017	30-Nov-2017	€ 1,620.00	€ 1.64	€ 1,791.28	€ 1,618.36		€ 3,582.51	€ 1,583.15	€ 3,238.36	€ 1,620.00	
01-Dec-2017	31-Dec-2017	€ 1,620.00	€ 0.00	€ 1,791.23	€ 1,620.00		€ 1,791.23	€ 0.00	€ 1,620.00	€ 0.00	
01-Jan-2018	31-Jan-2018	€ 100.00	€ 0.00	€ 125.00	€ 100.00		€ 750.00	€ 625.00	€ 600.00	€ 500.00	
01-Feb-2018	28-Feb-2018	€ 100.00	€ 0.00	€ 125.00	€ 100.00		€ 625.00	€ 500.00	€ 500.00	€ 400.00	
01-Mar-2018	31-Mar-2018	€ 100.00	€ 0.00	€ 125.00	€ 100.00		€ 500.00	€ 375.00	€ 400.00	€ 300.00	
01-Apr-2018	30-Apr-2018	€ 100.00	€ 0.00	€ 125.00	€ 100.00		€ 375.00	€ 250.00	€ 300.00	€ 200.00	
01-May-2018	31-May-2018	€ 100.00	€ 0.00	€ 125.00	€ 100.00		€ 250.00	€ 125.00	€ 200.00	€ 100.00	
01-Jun-2018	30-Jun-2018	€ 100.00	€ 0.00	€ 125.00	€ 100.00		€ 125.00	€ 0.00	€ 100.00	€ 0.00	
		€ 19,940.00	€ 85.31	€ 22,125.95	€ 19,854.69	€ 0.00					

The last section of the report shows a graphical representation of the commitment data.



# Lease schedule overview report

As a Lease accounting solution user, you can generate the **Lease schedule overview** to get a comprehensive overview on the changes to Liability and Right of Use during the duration of a contract. You can generate this report for a contract and all its contract lines that are **Active**.

## Generating the Lease schedule overview report

### Procedure

1. In the Contracts TSI, go to Contracts.
2. On the action panel, click Report.

**The Reporting window opens.**

3. Click the System reports tab.
4. Select the Lease schedule overview report.
5. Edit the report settings, if required.

These settings are similar to the settings in **Contract portfolio overview** report. For more information, see [Generating the Contract portfolio overview report](#).

Additionally, there is also the option to not insert the financial period. If left empty, it will show the entire contractual period.

6. Click OK.
7. Select relevant output options. You can Preview & print or Save as your report.

## Lease schedule overview report - an overview

The **Lease schedule overview** report contains the following sections and information.

- The first section shows a summary of the IFRS16 contract lines selected for this report and general data such as the date effective, end date and options.
- **Total overview:** This section shows an overview of the balance sheet and profit & loss positions for both lessee and lessor.
- **Financial event Totals:** This section represents a summary of all the financial events that occurred during the contractual period and the impact in the liability delta and RoU delta.
- **Movement table:** For the selected contract and their contract lines, the movement table shows the balance positions and profit & loss flows

for all the accounting period part of the requested time frame of the report. The periodic delta of liability and RoU is detailed by financial event when they occur during an accounting period.

## Contract portfolio overview report

As a GASB user, you can generate the **Contract portfolio overview** report to get a comprehensive overview of the **Disclosure overview** and **Lease overview** reports combined together. You can generate this report for all contract lines that are **Active**.



For information on the data displayed in the **Contract portfolio overview** report, see [Data in the Contract portfolio overview report](#).

## Generating the Contract portfolio overview report

### Procedure

1. In the Contracts TSI, go to Contracts.
2. On the action panel, click Report.

#### The Reporting window opens.

3. Click the System reports tab.
4. Select the Contract portfolio overview report.
5. Edit the report settings, if required. These settings are similar to the settings in Disclosure and Lease overview reports. For more information, see Editing the Disclosure overview report settings and Editing the Lease overview report settings.



The field **Maturity - Include remaining periods in selected year** allows you to select the desired options (**Yes / No**).

- If you select **No** (to exclude), the maturity analysis will exclude the selected financial year.
  - **Example:** 2023 is the selected financial year, setting is **No**, whatever period start and period end are, maturity analysis starts from 2024.
- If you select **Yes** (to include), the maturity analysis shows the amounts for the remaining periods of the selected financial year (maturity is always about forecasted data).
  - **Example 1:** 2023 is the selected financial year, setting is **Yes**, period start is 1, period end is 6; maturity analysis displays the amounts for the remaining 6 periods (7 to 12) in 2023 and continue further with 2024.
  - **Example 2:** 2023 is the selected financial year, setting is **Yes**, period start is 1, period end is 12; maturity will start from 2024 as there are no remaining periods for 2023.

6. Click OK.
7. Select relevant output options. You can Preview & print or Save as your report.



For information on the data displayed in this report, see [Data in the Contract portfolio overview report](#).

## Data in the Contract portfolio overview report

The **Contract portfolio overview** report contains the following sections and information:

- The first section shows general data such as the financial year, the start and end of the reporting period.
  - **Financial year:** the financial year for reporting as selected in the **Financial year** reporting setting.
  - **Reporting period start:** start date of the reporting period, based on the financial year and the **Financial period start** reporting setting.
  - **Reporting period end:** end date of the reporting period, based on the financial year and the **Financial period end** reporting setting.

Example: Financial year is 2020, from 04/01/2020 to 03/31/2021

Monthly accounting with the following report settings:

**Financial start period** = 1, **Financial end period** = 12,

**Reporting period start:** 4/1/2020, **Reporting period end:** 3/31/2021.

- **Quantitative overview**

This section is grouped into four categories: **Statement of net position**, **Statement of changes in net position**, **Statement of cash flows** and **Non-lease payments**. The overview is split for lessee and lessor.

- **Statement of net position**

The **Additions to right-of-use** and **Reductions of right-of-use** fields show the leases that start or end during the reporting period. **Additions:** the right-of-use of leases not taken into account at the start date of the reporting period.

**Reductions:** the right-of-use of early terminated leases before the end date of the reporting period.

Changing data retrospectively in a closed period results in multiple accounting commitments in the first open accounting period. The amounts of the financial position show the values from either the latest or earliest commitment and not the accumulated values.

- **Statement of changes in net position** and **Statement of cash flows**

These sections display the sum of all the amounts of regular commitments whose actual start date falls between the accounting period start date and accounting period end date. The **Interest expense** and **Depreciation** are based on the actual dates.

- **Non-lease payments**

**Guaranteed residual value:** displays sum of all guaranteed residual value amounts at the end date of the lease, where the end date matches the reporting period.

**Impairment loss:** displays the sum of all impairment loss amounts with an impairment date that matches the reporting period.

**Termination penalties:** displays the sum of all 'reasonably certain' termination option penalty amounts at the end date of the lease, where the end date matches the reporting period.

- **Contract disclosure records and Contract disclosure records before start date**

For all selected contracts, the disclosure information is available in the section **Contract disclosure records before start date** (section 5, 6).

The disclosure information is also available in the section **Contract disclosure records** (section 3, 4) in case the contract start date is later than or equal to the start date of the selected financial year in the report.

The overview is split for lessee and lessor.

- **Lease maturity schedule**

This section shows an overview in time of the amounts to be paid (lessees) or to be received (lessors) for all active leases. The overview is split for lessee and lessor. It shows the data from the **Financial year** set in the report settings. Displays the sum of the amounts of the regular commitments whose actual start date falls between the reporting start date and end date. Data is grouped based on the financial year.

- **Details**

This overview shows data from the start of the reporting period until the end of the lease. Data in the details section of **Lease maturity schedule** is grouped based on the financial year.



If you are using multiple currencies, the complete report is displayed for each currency, grouped by currency.

## Contract portfolio accounting period report

As a lease accounting solution user, you can generate the **Contract portfolio accounting period** report to get a comprehensive overview on actuals (what has been registered based on postings values). You can generate this report for all contract lines that are **Active** and which contract has been closed at least until the end date of the selected reporting period.

## Generating the Contract portfolio accounting period report

### Procedure

1. In the Contracts TSI, go to Contracts.

2. On the action panel, click Report.  
**The Reporting window opens.**
3. Click the System reports tab.
4. Select the accounting period report.
5. Edit the report settings, if required. These settings are similar to the settings in Contract portfolio overview report. For more information, see Generating the Contract portfolio overview report.
6. Click OK.
7. Select relevant output options. You can Preview & print or Save as your report.



All contracts selected must be closed up until financial period end date selected in the report settings.

## Data in the Contract portfolio accounting period report

The **Contract portfolio accounting period** report contains the following sections and information:

- The first section shows general data such as the financial year, the start and end of the reporting period.
  - **Financial year:** the financial year for reporting as selected in the **Financial year** reporting setting.  
Example: Financial year is 2021, from 04/01/2020 to 03/31/2021
  - **Accounting standard:** the Accounting standard as selected in the **Financial year** reporting setting.  
Period covered by the report following report settings: Report period start = 1, Report period end = 12  
Example: Report period start: 04/01/2020, Report period end: 03/31/2021.
- **Quantitative overview**  
This section is grouped into four categories: **Statement of financial position**, **Statement of profit and loss**, **Statement of cash flows** and **Non-lease payments**. The overview is split for lessee and lessor.
  - **Statement of financial position**  
The **Additions to right-of-use assets** and **Reductions of right-of-use assets** fields show the leases that start or end during the reporting period. **Additions:** the recognition of right-of-use asset for leases that become active later than the start date of the reporting period. **Reductions:** the derecognition of right-of-use asset for leases that have been terminated before the end date of the reporting period.
  - **Statement of profit and loss**

This section display the sum of **Interest expense** and **Depreciation** booked during the report period. Same logic applies to **Short term lease amount** rent expenses.

- **Statement of cash flows**

This section displays the sum of all regular payments that are booked during the period report.

- **Non-lease payments**

This section displays the sum of all payments booked during the report period, that are not regular payments.

- **Contract disclosure records and Contract disclosure records before start date**

For all selected contracts, the disclosure information is available in the section **Contract disclosure records before start date** (section 5, 6).

The disclosure information is also available in the section **Contract disclosure records** (section 3, 4) in case the contract start date is later than or equal to the start date of the selected financial year in the report.

The overview is split for lessee and lessor.

- **Accounting period overview**

Reporting table on actuals, only for the period set in the Report settings, no forecast. It contains values of the different flows that have been booked during the report period, and the corresponding balance positions, for each accounting period of the report period.

- **Non-lease components**

**Guaranteed residual value:** displays the sum of all guaranteed residual value amounts that have been booked during the reporting period.

**Impairment loss:** displays the sum of all impairment loss amounts with an impairment date that is within the reporting period.

**Termination penalties:** displays the sum of all early termination penalty amounts that have been booked during the reporting period.



# Lease classifications

A lease classification refers to the way in which a lease is processed from an accounting point of view. Leases can be classified as [finance lease](#) or [operating lease](#). Classification is calculated and validated by Planon. See [Lease accounting standards and their classification](#) for an overview.

When registering a lease in Planon, you can set the field **Contract type** to **Operating lease** or to **Finance lease**. Based on the information you specified in the lease contract line and any 'reasonably certain' options you defined, Planon determines the expected classification. The **Contract type - strict** field on the lease contract line displays the classification as calculated by Planon. However, you can deviate from the classification determined by Planon and overrule it.



After activating the lease line, the contract type can no longer be changed.

If the classification determined by Planon differs from the classification specified by you, Planon asks you to specify:

1. the reason why the contract is classified differently (in the **Reason for classification** field);
2. the responsible person who approved the classification when activating the contract line (in the **Classification confirmed by** field).

## Lease accounting standards and their classification

- For **IAS 17 / ASC 840 lessee and lessor** leases and for **IFRS 16 / ASC 842 lessor** leases, classification is based on an expected transfer of ownership of the leased asset. The default classification is operating lease. If the contract's **Transfer of ownership** is set to **Yes**, the contract will be classified as a finance lease.
- For **IFRS 16 / ASC 842 lessee** leases, the classification is based on the duration of the lease (including 'reasonably certain' options). Leases shorter than or equal to one year, are classified as 'short term lease' (operating lease IFRS 16 and ASC 842). Leases longer than one year are classified as 'long term lease' (finance lease IFRS 16 and ASC 842).
- For **ASC 842**, there is an additional option: ASC 842 long term operating lease. This is a lease longer than one year but without an intention to transfer ownership.

For **IFRS 16** there is an additional option to classify as an operating lease by defining the lease as low value asset (also if the duration of the lease is longer than one year).



**GASB lessee and lessor** leases are always classified as finance leases.

Refer to the following tables for a detailed overview of the lease classification based on the classification criteria.

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### IFRS 16 Lessee - Operating lease

Classification criteria	Setting
Is the (expected) lease term < 1 year	Yes
Short term lease?	Yes
Low value asset?	No
FL classifying criterion 1 / 2? *	No

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### IFRS 16 Lessee - Finance lease

Classification criteria	Setting
Is the (expected) lease term < 1 year	No
Short term lease?	No
Low value asset?	Yes
FL classifying criterion 1 / 2? *	Yes

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### ASC 842 Lessee - Operating lease

Classification criteria	Setting
Is the (expected) lease term < 1 year	Yes
Does it concern an asset of specialized nature, to be used only by the lessee?	No
FL classifying criterion 1 / 2? *	No
Short term lease?	Yes = short term operating lease  No = long term operating lease

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**ASC 842 Lessee - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>
Is the (expected) lease term < 1 year	No
Does it concern an asset of specialized nature, to be used only by the lessee?	Yes
FL classifying criterion 1 / 2? *	Yes

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**IAS 17 / ASC 840 Lessee - Operating lease**

<b>Classification criteria</b>	<b>Setting</b>
Present value of lease payment > 90% of the Fair value at inception?	No
Lease term is > 75% of the economic life of the asset?	No
Ownership transfer at the end of lease?	No
Bargain purchase option included?	No
Does it concern an asset of specialized nature, to be used only by the lessee?	No
Should fair value risks accrue to the lessee?	No
Should the secondary lease period be substantially below market rates?	No
FL classifying criterion 1 / 2? *	No

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**IAS 17 / ASC 840 Lessee - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>
Present value of lease payment > 90% of the Fair value at inception?	Yes
Lease term is > 75% of the economic life of the asset?	Yes
Ownership transfer at the end of lease?	Yes
Bargain purchase option included?	Yes
Does it concern an asset of specialized nature, to be used only by the lessee?	Yes
Should fair value risks accrue to the lessee?	Yes

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**IAS 17 / ASC 840 Lessee - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>
Should the secondary lease period be substantially below market rates?	Yes
FL classifying criterion 1 / 2? *	Yes

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**IAS 17 / IFRS 16 Lessor - Operating lease**

<b>Classification criteria</b>	<b>Setting</b>
Present value of lease payment > 90% of the Fair value at inception?	No
Lease term is > 75% of the economic life of the asset?	No
Ownership transfer at the end of lease?	No
Bargain purchase option included?	No
Does it concern an asset of specialized nature, to be used only by the lessee?	No
Should fair value risks accrue to the lessee?	No
Should the secondary lease period be substantially below market rates?	No
FL classifying criterion 1 / 2? *	No

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**IAS 17 / IFRS 16 Lessor - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>
Present value of lease payment > 90% of the Fair value at inception?	Yes
Lease term is > 75% of the economic life of the asset?	Yes
Ownership transfer at the end of lease?	Yes
Bargain purchase option included?	Yes
Does it concern an asset of specialized nature, to be used only by the lessee?	Yes
Should fair value risks accrue to the lessee?	Yes
Should the secondary lease period be substantially below market rates?	Yes

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**IAS 17 / IFRS 16 Lessor - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>
FL classifying criterion 1 / 2? *	Yes

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**ASC 840 / ASC 842 Lessor - Operating lease**

<b>Classification criteria</b>	<b>Setting</b>
Present value of lease payment > 90% of the Fair value at inception?	No
Lease term is > 75% of the economic life of the asset?	No
Ownership transfer at the end of lease?	No
Bargain purchase option included?	No
Does it concern an asset of specialized nature, to be used only by the lessee?	No
Does third party exceed fair value underlying asset?	No
Payments for lessor, to satisfy residual value guarantee?	No
FL classifying criterion 1 / 2? *	No

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**ASC 840 / ASC 842 Lessor - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>	<b>Remarks</b>
Present value of lease payment > 90% of the Fair value at inception?	Yes	
Lease term is > 75% of the economic life of the asset?	Yes	
Ownership transfer at the end of lease?	Yes	
Bargain purchase option included?	Yes	
Does it concern an asset of specialized nature, to be used only by the lessee?	Yes	
Should fair value risks accrue to the lessee?	Yes	ASC 840 only
Should the secondary lease period be substantially below market rates?	Yes	ASC 840 only
Does third party exceed fair value underlying asset?	Yes	

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**ASC 840 / ASC 842 Lessor - Finance lease**

<b>Classification criteria</b>	<b>Setting</b>	<b>Remarks</b>
Payments for lessor, to satisfy residual value guarantee?	Yes	
FL classifying criterion 1 / 2? *	Yes	

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\*) **FL classifying criterion 1 / 2?**: additional settings to classify a lease as finance lease. The names of these two fields can be configured freely to define customer-specific classification criteria.

# Overview of fixed ledger account codes

This table lists the fixed ledger account codes as defined by Planon.

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<b>Code</b>	<b>Description</b>
ACCDEPR	Accumulated depreciation
ACCIMP	Accumulated impairment
ACCP	Account payable
ACCP_IIC	Initial installation costs
ACCP_IIC_P	Provisional initial installation costs
ACCR	Accrued rental
ACCRCLT	Accrual cancellation
ACCP_IDC	Initial direct costs
ACCP_LI	Lease incentive
ASSET_CV	Asset - carrying value
CASH	Cash
CRED	Creditor
DEBI	Debtor
DEIN	Deferred income
DEPR	Depreciation
DEREC_AS	Derecognition of asset
EOL_DERECG	End of lease derecognition
ESUSP	Suspense account - expense
ESUSPCLT	Expense suspense cancellation
EXPE	Expenditure

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<b>Code</b>	<b>Description</b>
FIACC	Accrued interest
FIEX	Financial expense
FIIN	Financial income
FIN_LELI	Financial liability
FX_GALO	Forex - gain / loss
GALO	Gain / loss
GROLERE	Gross lease receivable
IMPL	Impairment loss
IMP_REV	Impairment reversal
INCO	Income
ISUSP	Suspense account - income
LELI	Leasing liability
LERE	Leasing receivable
LT_LELI	Long-term liability
LT_LERE	Long-term receivable
ONB_GALO	Onboarding gain / loss
OPCO	Open commitments
PREPAYBS	Prepayment before start of contract
PREPAYUP	Upfront prepayment
PREPAYUP_P	Provisional upfront prepayment
PROP	Property
PROP_DEPRL	Property depreciation loss
PURCHASE	Purchase
RECO	Restoration costs
REEX	Rental expense
REEXCLT	Rent expense cancellation



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<b>Code</b>	<b>Description</b>
REIN	Rental income
RETAEARN	Retained earnings
SALE	Sale
SERVAM	Service amount
SL_E_ROU	Sublease end - RoU
SLB_GAIN	Gain on Sale and Leaseback
SLB_LOSS	Loss on Sale and Leaseback
SR_GALO	Gain/loss on scope reduction
ST_LELI	Short-term liability
ST_LERE	Short-term receivable
TRANSROU	Transfer right-of-use

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# Lease accounting - Field descriptions

## Contract data fields

Field	Description
Customer	<p>This field displays the name of the customer to whom services are provided.</p> <p><b>Note</b>The customer cannot be changed once the contract is active.</p>
Contract ID of other party	Enter the other party's contract ID (that is the code used to represent the other contract party).
Contract group	Enter the code group and the group name that apply to the contract. A pick list is available for this field. The value in this field can be overwritten.
Contract category	Enter the contract category. For example, a contract could be a service contract or an all-in-one contract. A pick list is available for this field, and can be maintained by your organization.
Parent level	If a subcontract is added to a main contract, this field automatically shows the name of the main contract.
Project	<p>Enter one of the available projects from a pick list containing the projects.</p> <p><b>Tip</b> For details on creating and maintaining projects, see <a href="#">Work Orders</a>.</p>
Risk category	Enter the relevant risk category from a pick list containing the risk categories.
Automatic renewal?	<p>Specify whether automatic contract renewal applies to the contract. When selected, the renewal process automatically processes renewal options based on either priority or date.</p> <p><b>Note</b>The <b>Automatic renewal</b> feature is <i>not</i> supported for Lease accounting.</p>
Payment contract?	<p>This Yes/No field enables you to define if the amount specified in a contract is to be paid to or received from the other party. Once you have activated the contract, it is no longer possible to change this setting.</p> <p><b>Warning</b> If you change the setting on a lease contract, the rentable unit is removed from all the linked lease contract lines and a warning message appears.</p>
Option counter	This read-only field indicates the number of times the contract has been renewed.
Contract date	Enter the date the contract was drawn up.



Field	Description
Date effective	Enter the contract's start date.
Planon calculation start date	Enter the date from which Planon ProCenter can use the amounts entered for its own calculations. Initially, Planon ProCenter inherits this value from the <b>Date effective</b> field. The date can then be modified manually, however it should never be set to a value that is later than that in <b>Date effective</b> . For more information, see <a href="#">Planon calculation start date in accounting</a> .
Contract period	<p>Select a contract duration from the list:</p> <ul style="list-style-type: none"> <li>• Unknown</li> <li>• Day</li> <li>• Week</li> <li>• Month</li> <li>• Year</li> <li>• Undefined</li> </ul> <p>Specify the quantity for Day, Week, Month, and Year.</p> <p>Depending on the period and duration selected, the <b>End date</b> is automatically calculated and updated using the formula given below:</p> <ul style="list-style-type: none"> <li>• <b>End date = Date effective + Contract period – 1 day</b></li> </ul> <p><b>Example:</b> An annual contract is valid from 1-1-2007 up to 31#12-2007.</p> <p>If you select <b>Unknown</b> or <b>Undefined</b>, the end date is not specified.</p> <div style="border: 1px solid black; padding: 5px;"> <p><b>Note</b>After you have activated the contract, this field becomes read-only.</p> </div>
Horizon date	<p>Specify the horizon date for lease calculations. The <b>Horizon Date</b> is used to determine the calculation date until which Planon creates commitments.</p> <p>A contract can be for an undefined period of time, but lease calculations must have a date. You can use the horizon date in Planon to set an end date for the lease calculation. For more information, see <a href="#">Using a horizon date</a>.</p>
End date	<p>The contract's end date. If a value is entered for <b>Contract period</b>, the end date is automatically calculated and displayed in this field. You can also manually enter an end date in this field, which will cause the <b>Contract period</b> to be adjusted automatically. Note that after you have activated the contract, this field becomes read-only.</p> <p>If you change the <b>Date effective</b>, the <b>End date</b> is adjusted accordingly.</p> <p>If you change the <b>End date</b>, the values in the <b>Contract period</b>, <b>Next end date</b> (for accepting and offering party), and <b>Next notice date</b> (for accepting and offering party) fields are adjusted accordingly.</p> <p>If the contract is renewed with a renewal option, the <b>End date</b> is adjusted accordingly.</p>
Actual end date	<p>This field is only populated if a contract is terminated with a termination option and in the date on which the contract actually ends. The <b>Actual end date</b> occurs before the <b>End date</b>.</p>

Field	Description
In possession as of	Indicates the date from which the tenant is granted access to the property / space / rentable unit.
Occupancy as of	Indicates the date on which the property / space / rentable unit was formally occupied.
Previous reconciliation date of contract amounts	Indicates the date on which the contract amounts in Planon were last compared to accounting records.
Accepting / offering contracting party	Use these fields to specify the contracting party to whom the service/goods are delivered (accepting party) and the contracting party that delivers the service/goods (offering party). The required contracting party can be selected from a pick list containing contracting parties that were defined at the <b>Components</b> > Contracting > parties selection step. <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p><b>Note</b> Users of the <b>Service Providers</b> solution must take note of the following:</p> <ul style="list-style-type: none"> <li>• Use the <b>Customer</b> field instead of the <b>Accepting contracting party</b> field</li> <li>• If it is not desirable that the address of the <b>Offering contracting party</b> is automatically copied to the external tradesperson on the order, change the corresponding setting in Field definer . See: <a href="#">General order setting fields</a>.</li> </ul> </div>
Closed until date	Indicates the date until which contract amounts have been closed.
Trial closure date - acct.	Displays the date up to which the trial closure of contract amounts is valid.
Trial closure until	Indicates the date up to which a trial closure of amounts is valid.
Closed until date - acct.	Displays the date up to which contract amounts were closed.
Cost center	Select the cost center that applies to the contract from a pick list containing the cost centers. <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p><b>Note</b> A cost center is a hierarchical element. This means it can be divided into sub-centers. The maximum number of levels in the hierarchical structure is six.</p> </div>
Department	Select the department the contract was drawn up with from a pick list. This list contains departments added to Planon ProCenter .
External coordinator address	Select the address of the external person responsible for coordinating the task from the pick list containing the addresses of external persons.
External coordinator contact	Select the contact details of the external person responsible for coordinating the task from the pick list containing the contact details of external.
External tradesperson address	Select the company address, if an external company completes the order from the pick list containing the addresses of external companies.
External tradesperson contact	Select the contact details of the external person responsible for carrying out the task from the pick list containing the contact details of external persons.
Internal coordinator	Select the internal employee in the organization responsible for coordinating execution of the order from the pick list containing the internal employees in the organization.
Internal tradesperson	Select the internal employee in the organization responsible for carrying out the order from the pick list containing the internal employees in the organization.


Field	Description
Subcontractor	<p>Select the relevant subcontractor from the list. Selecting a subcontractor indicates the contract is a 'subcontractor' contract.</p> <p><b>Note</b>This field is editable only in Service Providers solution mode.</p>
Standard cost category	Select the relevant standard cost category from a pick list containing standard cost categories.
Standard cost type	Select the relevant standard cost type from a pick list containing the standard cost type.
Indexed up to (date)	<p>Indicates the date until which contract amounts have been indexed. This field is automatically populated.</p> <p><b>Tip</b> For more information on Indexing and modifying the index numbers, see <a href="#">Supplier data</a>.</p>
Notice term - accepting party	<p>Select the term of notice required by the accepting party when terminating a contract. You can choose the relevant unit of time (Day, Week, Month, and Year), together with the desired quantity of the selected unit.</p> <p>If you change the value in this field, the value of the <b>Next notice date - accepting party</b> is calculated automatically on saving the contract.</p>
Notice term - offering party	<p>Select the term of notice required by the offering party when terminating a contract. You can choose the relevant unit of time (Day, Week, Month, and Year), together with the desired quantity of the selected unit.</p> <p>If you change the value in this field, the value of the <b>Next notice date - offering party</b> is calculated automatically on saving the contract.</p> <p><b>Note</b>The notice term specified in this field will also be used as a default when adding a contract termination option.</p>
Next notice date – accepting/ offering party	<p>The value of the <b>Next notice date</b> field is calculated automatically in either of the following ways or a combination of both:</p> <ul style="list-style-type: none"> <li>• Specifying a <b>Notice term</b> on the contract</li> <li>• Defining contract options</li> </ul> <p>If you add a contract termination option (together with a notice term on the contract), then activate it, the next notice date is calculated automatically when you save the contract. You can also click <b>Recalculate notice dates</b> on the action panel to update the dates if the contract end date has passed. The earliest next notice date is taken into account.</p> <p>If you apply a contract renewal or contract shortening option (together with a notice term on the contract), the next notice date is calculated automatically.</p>
Proposed termination date	Indicates the proposed termination date for the contract. Default this is the current date + the term of notice. Note that if the <b>In Use</b> option of the <b>Proposed termination date</b> field has been set to <b>No</b> in <b>Field Definer</b> , it is not possible to terminate a contract. For details on setting field attributes in <b>Field Definer</b> , see <a href="#">Field Definer</a> .

Field	Description
Prices announced up to	Indicates the date up to which prices have been announced in a price announcement for the selected contract.
Cash flow start date	The date from which we start recording cash flow on the contract. The payment date cash flow assigned to this contract must be on or after this date.
Cash flow start balance	This is the payment balance on the cash flow start date.



## Contract line fields for lease accounting

Field	Description
<b>General</b>	
Recalculation required after upgrade?	You can use this field to check if recalculation of lease accounting contract lines is needed after an upgrade. For more information, see <a href="#">Recalculating commitments</a> .
Financial reporting entity	Select the financial reporting entity that you want to link. For more information, see <a href="#">Linking custom ledger codes to postings</a> .
Percentage of headlease	For finance leases, you can register a <a href="#">sublease</a> as part of the <a href="#">headlease</a> . In this field, specify the percentage of the headlease that is subleased. Planon uses this percentage to calculate and register the right-of-use that is transferred to the sublease. This field can only be edited for contract lines of a subcontract that have the <b>In preparation</b> status.  For more information on registering a sublease in Planon, see <a href="#">Registering a sublease</a> .
Sublease end - RoU	Displays the right-of-use that must be transferred back to the headlease at the end of the sublease.
	 This field is discontinued from release L76.
Impairment percentage	This field is automatically calculated and populated by Planon after you performed an impairment. If the right-of-use has decreased, you can register this as an impairment percentage in Planon (see <a href="#">Performing an impairment or an impairment reversal</a> ). Default value of this field is 100%.
Amount	Enter the lease amount. You cannot specify a negative amount.
	 Note that this is the price per unit of time that is specified in the <b>Amount per</b> field.

Field	Description
Amount per	For Finance or Operating lease contract lines, enter the unit of time to which the amount applies (week, month, year) or indicate a once-only amount.
Take retrospective payments into account?	Setting this option to <b>Yes</b> ensures that the retrospective payments are included for accounting calculations in the original period, if a contract is entered or changed retrospectively. Default setting is <b>No</b> . For more information, see <a href="#">Amount changes in a financially closed period</a> .
<b>Financial commitments</b>	
Postponed payment date	For finance lease contracts (IFRS 16) where a rent-free period and payment in advance have been agreed, you can postpone the date of the first payment. Enter the date to which you want to postpone the first payment. For more information on this subject, see <a href="#">Postponing the first payment date</a> .
Payment frequency	<p>Enter the frequency with which the amount specified in the contract line is to be paid or received.</p> <p>For <b>Amount per / Payment frequency</b>, the following combinations are allowed:</p> <ul style="list-style-type: none"> <li>• Month/Week</li> <li>• Year/Week</li> <li>• Week/Week</li> <li>• Month/Month</li> <li>• Year/Year</li> <li>• Month/Year</li> <li>• Year/Month</li> </ul>
<b>Lease accounting commitments</b>	
Contract type / Secondary contract type / Tertiary contract type	<p>Specify whether the primary, secondary, tertiary contract type is <b>Operating lease</b> or <b>Finance lease</b>. If you enter an additional accounting standard (in the <b>Secondary accounting standard</b> or <b>Tertiary accounting standard</b> field), you can choose which classification to use for this standard. For example, you can calculate according to IFRS 16 Finance lease and IAS 17 Operating lease.</p> <p>Note that it is only allowed to enter the fields related to lease accounting if the <b>Contract type</b> field is filled.</p>
Accounting standard / Secondary	Select the required primary / secondary / tertiary accounting standard based on which the calculations will be applied. You can specify up to three accounting standards for one contract

Field	Description
accounting standard / Tertiary accounting standard	<p>line. Planon will then generate three sets of accounting commitments: one set for each standard. Note that this field is only available if the contract type is <b>Finance lease</b>.</p> <p>If you select <b>ASC842</b> or <b>IFRS16</b>, calculations are based on the new accounting standards.</p> <p>If you select <b>IAS17</b> or <b>ASC840</b> or leave the field empty: calculations are based on the old lease accounting standards.</p> <p>This setting can only be modified if the contract line has the <b>Inactive</b> status. If the contract line is already <b>Active</b>, you can only enter the old accounting standards.</p> <p>For more information on specifying a secondary or tertiary accounting standard, see <a href="#">Using multiple accounting standards</a>.</p>
Accounting commitment period	<p>Select a duration for which the accounting commitments must be calculated and displayed on the <b>Accounting commitments</b> step.</p>
	<div style="border: 1px solid #0070C0; padding: 5px;">  You can choose either <b>Week</b> or <b>Month</b> as accounting period.         </div>
Accounting commitment start date	<p>This field displays the date as of which you need to start an accounting period to make sure that a financial year contains a complete number of accounting periods. This field is populated automatically. The financial year and start date of the contract line are taken into account when calculating this date.</p>
Horizon date	<p>Displays the horizon date for lease calculations. The <b>Horizon Date</b> is used to determine the calculation date until which Planon creates commitments. You can specify a horizon date at the <b>Contracts</b> level. For more information, see <a href="#">Contract data fields</a>.</p>
Straight-line payment?	<p>Specify if lease payments that cover more than one accounting period must be straight-lined to the same frequency as accounting periods. In Planon, accounting periods can be monthly or weekly. By default, this field is set to <b>No</b>. Once a contract is active, this field can no longer be changed. For more information on straight-lining lease payments, see <a href="#">Straight-lining lease payments</a>.</p>
Contract currency	<p>Enter the <a href="#">Contract currency</a> that you want to use.</p>
Functional currency	<p>Enter the <a href="#">Functional currency</a> that you want to use.</p>




Field	Description
	<p>If both currency fields are empty, the accounting commitments are calculated based on the system currency registered in <b>System settings</b>.</p> <p>If you use a functional currency, you must specify both a contract currency and a functional currency, as these can deviate from the system currency. If you use multiple functional currencies, the system currency is empty. If you use a functional currency in Planon, we advise you to <i>always</i> specify both fields and not leave them both empty.</p> <p>If both currency fields are populated, the accounting commitments are calculated in two sets: one set based on the contract currency and one set based on the functional currency ((see <a href="#">Accounting commitments</a>)).</p> <div style="border: 1px solid #00a0e3; padding: 5px; margin-top: 10px;"> <p> It is not possible to specify a functional currency without specifying a contract currency.</p> <p> For more information on using functional currencies, see <a href="#">Using contract currencies and functional currencies</a>.</p> </div>
Discount rate (%)	Enter a number which indicates the percentage of the rate of return on the lease amount. You can also enter a negative discount rate.
Discount rate for restoration costs	The selected discount rate for restoration cost calculation.
Discount rate for lease	The selected discount rate for lease payment calculation.
Use discount rate table?	Indicates if the discount rate is provided by the discount rate table or that it is filled in manually.
Initial direct costs	<p>Specify the costs which are (expected) to be made at the time of starting the contract. These costs will be added to the initial right-of-use asset for the lessee.</p> <p>Postings are created for amounts that are registered as initial direct costs. Note that these amounts are registered as account payable.</p>
Initial installation costs (GASB87 only)	Specify the initial installation costs. These are one-off costs, made prior to the lease. The costs are added to the right-of-use, because they are part of the investment in the lease.
Lease incentive	Specify the amount for the lease incentive. This amount will be subtracted from the initial right-of-use asset for the lessee.


Field	Description
Prepayment	<p>Postings are created for amounts that are registered as lease incentive. Note that these amounts are registered as 'account payable' (although it is a 'receivable').</p> <p>If the first payment for the contract line is made before the official start of the lease, register the corresponding amount here. As a prepayment is registered and paid before the lease starts, it is included in the 'Right of use', not in the 'Liability'. The prepayment is registered in the postings under fixed account code <i>Prepayment before start of contract</i>.</p>
Upfront non-refundable payments	<p>Prepayment as a fixed payment that is not linked to the regular rent payment obligation for the lessee, using additional logic (Upfront non-refundable payments).</p>
Prepayment date	<p>Enter the date the prepayment was made.</p>
Depreciate property	<p>Depreciation is only calculated for the lessee and only if this field is set to <b>Yes</b>. If set to <b>No</b>, a balance posting is created for the property at asset return. The property is booked against the fixed account <b>PROP_DEPRL (Property depreciation loss)</b>.</p> <p>Note that the <b>Depreciate property</b> field is only accessible for inactive financial lease contract lines for lessees. In all other lease contract cases, this field is read only.</p>
Restoration costs	<p>Specify the costs which are (expected) to be made at the time of ending the contract, for example to restore a property or an asset back in its old state. You can add restoration costs at the start of the contract, but you can also add or modify these costs during the term of the contract. The restoration costs and the corresponding discount rate will be taken into account when calculating the RoU (right-of-use) asset for the lessee.</p> <p>Restoration costs are recalculated if the contract's end date changes. The end date of a contract may change after:</p> <ul style="list-style-type: none"> <li>• you changed a linked option (termination, renewal or purchase) from 'reasonably certain' to 'not reasonably certain' or vice versa;</li> <li>• you exercised an option.</li> </ul> <p>The restoration costs are then recalculated based on the new changed end date. The effect of restoration costs on the right-of-use is shown in accounting commitments of type ARO.</p>

Field	Description
Discount rate for restoration costs	Enter a number which indicates the percentage of the rate of return on the restoration costs. You can also enter a negative discount rate.
Fair value	Estimate what the value of the asset is at the beginning of the lease.
Total minimum lease payment	Displays the value for the total minimum lease payment. Depending on the value, the contract can be classified as finance lease or operating lease (only applies to the old accounting standards and to lessor cases).
Economic life span	<p>Select a period that indicates the economic life span of the asset (as an estimate).</p> <p>The value of the economic life span should always be greater than the contract line period value. If it is not, a warning message will be displayed.</p> <p>If the warning message is ignored, the economic life span value will be taken into account while calculating depreciation.</p>
Guaranteed residual value	<p>For the consequences of the assets, see <a href="#">Guaranteed residual value</a>.</p> <p>For lessee perspective: enter the amount that will be paid at the end of the lease, when the residual value of the asset is lower than the guaranteed value. It is included in the lease liability.</p> <p>For lessor perspective: enter the amount of the guarantee that will be received at the end of the lease, as a complete intrinsic residual value of the asset or a lower one compensated by a payment from the lessee. It is included in the lease receivable.</p> <p>If you change the amount of residual value of a contract line that is already active, the lease liability and ROU asset, or lease receivable of the remaining period are recalculated. The new amount is taken into account from the moment the value has been changed.</p>
Unguaranteed residual value	<p>For the assets, see <a href="#">unguaranteed residual value</a>.</p> <p>Only for lessor perspective, enter the amount of the residual value of the asset that is no guaranteed by the lessee. It's included in the lease receivable.</p> <p>For lessee perspective, the amount entered is not part of any calculation.</p>
Short term lease?	A short term lease is a lease that, at the date of commencement, has a maximum possible lease term, including options to renew or extend, of 12 months or less.


Field	Description
	<p>For ASC842 operating leases, you can change the <b>Short term lease?</b> setting to determine how operating leases are calculated. For IFRS16 leases or finance leases, this setting is determined by Planon and cannot be overruled by users. When modifying the <b>End date</b>, <b>Contract type</b> and <b>Accounting standard</b> fields, the <b>Short term lease?</b> field is automatically calculated and set by Planon. Changes made by the user are overwritten by the system.</p>
<p>Low value asset (IFRS only)</p>	<p>For IFRS 16 - Lessee, this field will be taken into account for the classification. If set to <b>Yes</b> the classification should be 'operating lease, off balance'.</p>
<p>Contract type - strict</p>	<p>Contracts can be classified as operating lease or finance lease. Classification is calculated and validated by Planon. This field displays the classification as calculated by Planon.</p>
<p>Classification confirmed by / Reason for classification</p>	<p>If the classification determined by the system differs from the classification specified by you, Planon asks you to fill in:</p> <ul style="list-style-type: none"> <li>• the reason why the contract is classified differently;</li> <li>• the responsible person who approved the classification when activating the contract line.</li> </ul>
<p>Option detail</p>	<p>This calculated field provides an overview of all lease contract options of the selected contract and displays this information on the contract line.</p> <p>The overview indicates which options are included (reasonably certain) / excluded (not reasonably certain) from the lease.</p>
<p>Ratio of contract period and economic life span (IFRS / FASB)</p>	<p>The ratio value is calculated and displayed automatically.</p>
<p>Ratio of total minimum lease payment and fair value (IFRS / FASB)</p>	<p>The ratio value is calculated and displayed automatically.</p>

 Planon does not perform this check for leases that are part of a [sublease](#).

Field	Description
<p>Payments for lessor, to satisfy residual value guarantee? (FASB only)</p>	<p>This option can be set to <b>Yes</b> or <b>No</b> and is taken into account when classifying the contract line.</p>
<p>Does third party exceed fair value underlying asset? (FASB only)</p>	<p>Select <b>Yes/ No</b> as required. This is taken into account when classifying the contract line.</p>
<p>Bargain option (IFRS / FASB)</p>	<p>Select <b>Yes</b> to indicate that a bargain purchase option is included.</p>
<p>Executory costs</p>	<p>Recurring costs in a lease, such as insurance, maintenance and taxes for the leased property paid by the lessee or lessor.</p>
<p>Should fair value risks accrue to the Lessee? (IFRS / FASB)</p>	<p>If you select <b>Yes</b>, this indicates that the fair value risks accrue to the lessee and the contract is a finance lease. If you select <b>No</b>, the contract is an operating lease.</p>
<p>Should the secondary lease period be substantially below market rates? (IFRS only)</p>	<p>If you select <b>Yes</b>, this indicates that the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent. This classifies the contract as a finance lease. If you select <b>No</b>, the contract is an operating lease.</p>
<p>Gross investment</p>	<p>Enter the value of the investment before depreciation is deducted.</p>
<p>Balance sheet offset</p>	<p>This field stores the calculations of migrated contracts. It is used for operating lease only.</p>
<p>Specialized nature (IFRS / FASB)</p>	<p>Selecting <b>Yes</b> indicates that the asset is of a specialized nature, hence, the related contract is a finance lease</p>
<p>Transfer ownership</p>	<p>Selecting <b>Yes</b> indicates that the ownership of the asset can be transferred. Hence, the related contract is a finance lease.</p>


Field	Description
(IFRS / FASB)	
FL classifying criterion 1?	These two criteria fields can be used for the classification of a finance lease. If one of these fields has the value <b>Yes</b> , the <b>Contract type-strict</b> setting is set to <b>Finance lease</b> .
FL classifying criterion 2?	
<b>Transition and offset</b>	
Lease accounting transition	Select the transition definition based on which the contract lines will be transitioned to the new lease accounting standard. For more information on defining transition definitions, see <a href="#">Defining a transition definition</a> .
Transition contract line	If a new contract line is created based on a transition, the two contract lines (old standard and the new standard) are linked through this contract line reference.
Offset remainder for transition	Stores the open accrual when transitioning (required for the <b>Modified Retrospective</b> transition).
Offset fields	<p>These fields store the calculations of migrated contracts.</p> <p>The <b>Initial accounting commitments</b> and <b>Depreciation</b> fields are used for the initial calculations after migration. The remaining offset fields are used for storing the additional calculations after activating the contract.</p> <p>For more information on migrating contracts, see <a href="#">Migration of contracts based on lease accounting</a></p> <p>.</p>
Offset transition ROU	Enter the difference in right-of-use when transitioning with the <b>Modified retrospective with right of use based on full retrospective (MR&amp;FR)</b> method.
Offset - FC transition ROU	Enter the depreciation in the functional currency on the transition line.
Offset - accumulated depreciation	Enter the open accumulated depreciation amount for the migrated line.
<div style="border: 1px solid black; padding: 5px;"> <p> Only enter the start value of the (FC) accumulated depreciation. There are no additional postings at the activation of the contract or at the asset return. At the asset return, the accumulated depreciation (ACCDEPR) is booked against the right-of-use (PROP)).</p> </div>	

Field	Description
Offset - FC accumulated depreciation	Enter the functional currency value of the open accumulated depreciation for the migrated line.
Offset liability	Enter the liability amount on the transition line.
Offset liability FC	Enter the functional currency liability on the transition line.

 If you want to register amounts with more than two or three decimal places, you can use one of these free decimal fields.


- **Free numerical field 11-12** (system names **FreeDecimal11-12**): to register amounts up to eight decimals
- **Free numerical field 13-14** (system names **FreeDecimal13-14**): to register amounts up to ten decimals

## Accounting commitment data fields

 • The accounting commitments fields for the functional currency have the prefix "FC".

• Functional currency functionality for cashback is currently not supported.(\*)

Field	Description
Accounting commitment type	Displays the <a href="#">accounting commitment type</a> .
Accounting standard	Displays the <a href="#">Accounting standard</a> based on which the accounting commitments are generated.
Accumulated depreciation / FC - accumulated depreciation	Displays the accumulated depreciation on the right-of use.
Cashback at start of period / *FC - cashback at start of period	Displays the discounted value of cashback at the start of the accounting period.
Cashback at end of period / *FC - cashback at end of period	Displays the discounted value of the cashback at the end of the accounting period. This value is calculated as follows:


 Cashback is only relevant if the sales price exceeds the fair value of an asset. At the start of the lease, the cashback is the sales price minus the fair value.

Field	Description
	<i>Cashback at start + Cashback interest - Cashback return</i>
Cashback payment / *FC - cashback payment	Displays the cashback return. This value is calculated as follows:  <i>Lease amount * (1 - factor)</i>
Cashback interest / *FC - cashback interest	Displays the cashback interest. This value is calculated as follows:  <i>Cashback at start * Discount rate</i>
Cashback - Factor	Displays the factor that is used:  (Lease Liability at start of the lease – Cashback at start of the lease) / Lease liability at start of the lease)
Change in right of use / FC- Change in right of use	Displays the change in the right-of-use at the end of the sublease (after you changed the amount on a headlease).
Closure date	Displays the closure date of the accounting commitment. This date is always equal to the end date of the accounting period.
Contract line	Displays the contract line based on which the accounting commitments are generated.
Depreciation / FC - depreciation	Displays the decreasing value of the property based on the valuation of the property and time period. This is only displayed for finance lease.  Even though a contract line is terminated early, the depreciation will still be booked until the end of the original contract line / economic life span. For a contract line based on finance lease, if the contract is for the lessor, depreciation will not be calculated. The lessee is expected to depreciate an asset.
Depreciation loss / FC - depreciation loss	Displays the depreciation loss at the end of the sublease (after you changed the amount on a headlease).
End date	Displays the end date of the accounting commitment.
Exchange rate functional currency	Displays the exchange rate that is used to calculate the functional currency. For more information on functional currencies, see <a href="#">Using contract currencies and functional currencies</a> .



Field	Description
Interest / FC - interest	Displays the rate of interest defined on the contract line.
Financial commitment details	This field provides information about the linked supplements.
Forex - gain / loss FX gain/loss lease amount	Displays the <a href="#">Forex – gain / loss</a> . Planon registers the differences in spot rate and average rate as <b>Forex – gain / loss</b> .
Forex - long-term gain / loss Forex - short-term gain / loss	
Net gain/loss FC - net gain/loss	Displays the gain / loss of a sublease at the start of this sublease.
Gross lease amount / FC - gross lease amount	Displays the lease amount including lease incentive, initial direct costs and restoration costs. This field is used to calculate the depreciation for ASC 842 long-term operating leases.
Gross lease receivable / FC - gross lease receivable	This field is used for headlease / sublease. It displays the part of the right-of-use that is transferred from the headlease to the sublease when entering into a sublease. At the end of the sublease, the right-of-use is transferred back to the headlease. For more information, see <a href="#">Registering a sublease</a> .
Lease amount / FC - lease amount	Displays the lease amount that has to be paid / received.
Liability at start/end of period / FC - liability at start/end of period	Displays the liability amount at the start / end of the commitment period.
Long-term liability at start/at end of period / FC - long-term liability at start/at end of period	The long-term liability at the start / end of the accounting period.
Net movement / FC - net movement	Displays the difference in lease liability, which is the amount after the internal rate of return is deducted from the payment amount. This is only displayed for finance lease.

Field	Description
Payment / FC - payment	Displays the payments in the accounting period for only the regular commitments, based on the closure date of the financial commitments (accounting commitment's start date <= financial commitments' closure date <= accounting commitment's end date).
Payment?	Indicates if the amount specified is to be paid to or received from the other party.
Posting details	Displays an overview of all relevant data of the postings/journal entries linked to the accounting commitment.

 Postings and posting details become available after trial closure or final closure.

System...	A...	Posting ca...	Posting type...	I.	Journal entries.Fix...	Journal entri...
☒	✓	PRV	INT	☒	FIEX	€ 161,764.58
☒	✓	PRV	INT	☒	ST_LELI	€ 161,764.58
☒	✓	PRV	DEPR	☒	DEPR	€ 70,891.55
☒	✓	PRV	DEPR	☒	ACCDEPR	€ 70,891.55
☒	✓	PRV	SUSP	☒	ST_LELI	€ 180,000.00
☒	✓	PRV	SUSP	☒	ESUSP	€ 180,000.00
☒	✓	PRV	RECLN	☒	LT_LELI	€ 19,694.25
☒	✓	PRV	RECLN	☒	ST_LELI	€ 19,694.25

Reclassification to short-term / FC - reclassification to short term	Displays the liability that will be reclassified to 'short-term liability' when the time window shifts over time.
Remainder / FC - remainder	Displays the difference between payment and deferred income/accrued expense. This is only displayed for operating lease and additional accounting commitments.
Reversal?	This field is populated if there is a change with regard to a closed period. In this case, the accounting data can no longer be adjusted. Planon creates reversals for all the original entries and the changed commitments are recalculated. The entire set (reversals and corrected entries) is posted in the next month.
Right of use at start / end FC - right of use at start / end	Displays the ROU amount at the start / end of the commitment period.

Field	Description
Send to financial system?	Planon uses this field to indicate whether postings should be sent to your financial system.
Short-term liability at start / end of period / FC - short-term liability at start / end of period	The short-term liability at the start / end of the accounting period.
Start date	Displays the start date of the accounting commitment.
Start date original period / End date original period	If an amount changes in a period that is already financially closed, this change is registered in the first open period. However, for reporting purposes it might be required to have a link to the original period as well. Planon automatically stores this information in the <b>Start date original period / End date original period</b> fields.
Sublease end - RoU at start / at end / FC - Sublease end - RoU at start / at end	Displays the right-of-use at the start / at the end of the sublease. At the end of the sublease, the right-of-use must be transferred back to the headlease.  Example: 20% of the headlease is subleased. At the start of the sublease, the right-of-use of the headlease was 1,000 and at the end of the sublease it was 400. The right-of-use at the start that is transferred to the sublease is $20\% * 1,000 = 200$ . The right-of-use that must be transferred back to the headlease is: $20\% * 400 = 80$ .
Sublease end - RoU interest / FC- Sublease end - RoU interest	Displays the interest amount that is used to calculate the carrying value of the right-of-use at the end of the sublease. At the end of the sublease, the final carrying value is transferred back to the headlease.
Type	Displays whether the contract line is based on Operating lease or Finance lease.

## New fields for accounting commitments

If you activated the feature switch **Perform the Lease Accounting eXtensions (LAX) upgrade to use new features** (release L76), the following new fields for accounting commitments will be available. Planon added special accounting commitments for each lease operation type. The special accounting commitments show the carrying values for liability and right-of-use before the operation, the impact of the operation (= the "delta") and the carrying value after the operation. This change implies that all fields that represent a carrying value must be replaced with new fields on all your layouts. However,

the old fields will display the values in the old way for quite some time. Deprecation of the old fields will not be affected within a year from this release (L76).

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### **New fields Lease Accounting eXtensions (LAX)**

Accumulated remainder

Additional amount

Additional lease amount

Additional remainder

Balance accrual at start

Balance accrual at end

Balance accrual delta

Commitment order number

FC - Accumulated remainder

FC - Additional amount

FC - Additional lease amount

FC - Additional remainder

FC - Long-term lease liability at start

FC - Long-term lease liability at end

FC - Long-term lease liability delta

FC - Lease liability at start

FC - Lease liability at end

FC - Lease liability delta

FC - RoU at start

FC - RoU at end

FC - RoU at delta

FC - Short-term lease liability at start

FC - Short-term lease liability at end

FC - Short-term lease liability delta

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## **New fields Lease Accounting eXtensions (LAX)**

FC - Sublease end - RoU at start

FC - Sublease end - RoU at end

FC - Sublease end - RoU delta

Financial event registration

Financial year

Long-term lease liability at start

Long-term lease liability at end

Long-term lease liability delta

Lease liability at start

Lease liability at end

Lease liability delta

Period frequency

Number of periods

RoU at start

RoU at end

RoU at delta

RoU functional currency factor

Short-term lease liability at start

Short-term lease liability at end

Short-term lease liability delta

Sublease end - RoU at end

Sublease end - RoU at start

Sublease end - RoU delta

Voided?

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## Financial commitments data fields

**Note**The fields for the functional currency have the prefix "FC" (only applies to contracts based on lease accounting).

Field	Description
Contract line	Displays the contract line to which the financial commitment applies.
Closure date	Indicates the date on which amounts can be closed. This date depends on whether payment is in advance or in arrears. Example: A user has agreed that rent is to be paid monthly in advance. The commitment period is 1/1/2008 - 1/31/2008. In this case, the closure date is 1/1/2008. If the user agrees that the amount is to be paid in arrears, the closure date is 1/31/2008.
Payment date	Displays the date at which the financial commitment is to be settled.
Accounting date	Displays the accounting date and indicates the period the financial commitment is accounted for. Accounting dates refer to the actual dates that an accounting period begins and ends. The accounting date must be within an accounting commitment start date and end date.
Start date commitment	Displays the start date of the financial commitment.
End date commitment	Displays the end date of the financial commitment.
Payment?	Indicates if the amount specified is to be paid to or received from the other party.  <b>Tip</b> You can use this field in reports to make the correct calculations. For details on creating reports, see the <i>Report Manager</i> documentation.
Amount (incl. / excl. tax)	The financial commitment amount in this field is calculated based on the values specified in the <b>Amount</b> , <b>Amount per</b> and <b>Payment frequency</b> fields of the corresponding contract line at the <b>Contract details &gt; Contract lines</b> selection step. Example 1 <b>Amount</b> (contract line) = \$ 1500 <b>Amount per</b> = month (monthly amount) <b>Payment frequency</b> : 3 months <b>Amount financial commitment</b> = \$1500 * 3 = \$ 4500 Example 2 <b>Amount</b> (contract line) = \$ 12000 <b>Amount per</b> = year (annual amount) <b>Payment frequency</b> = 3 months <b>Amount financial commitment</b> = (\$12000/12) * 3 = \$ 3000

Field	Description
FC - amount excl. VAT	If you are using functional currencies in lease accounting contracts (see the <i>Lease accounting</i> documentation), this field displays the financial commitment amount based on the functional currency.
FC - spot exchange rate	If you are using functional currencies in lease accounting contracts (see the <i>Lease accounting</i> documentation), this field displays the spot exchange rate that is used to calculate the functional currency. Planon uses the spot rate that was valid on the financial commitment's <b>Payment date</b> .
VAT rate	Displays the VAT rate that applies to the financial commitment.  <b>Note</b> Note that if the VAT rate is changed within a payment period, separate financial commitments (or supplements) are created. Please refer to the following example.  Example <b>Amount</b> (contract line) = \$ 100 <b>Amount per</b> = month <b>Payment frequency</b> = 3 months <b>VAT rate</b> = 6%  This results in the following financial commitment: 1/1/2010 – 3/31/2010: Amount incl. VAT = \$ 318 (300 + 18,00 VAT based on 6% VAT)  Assume the VAT tariff changes on 2/1/2010 from 6% to 19%. The following 2 financial commitments are created: 1/1/2010 – 1/31/2010 Amount incl. VAT = \$ 106 (100 + 6,00 VAT based on 6% VAT) 2/1/2010 – 3/31/2010: Amount incl. VAT = \$ 238 (200 + 38,00 VAT based on 19% VAT)
Send to financial system?	Planon uses this field to indicate whether postings should be sent to your financial system.
Posting details	Displays an overview of all relevant data of the postings/journal entries linked to the financial commitment.

**Note** Postings and posting details become available after trial closure or final closure.

Posting details						
Syst...	Posting cat...	Posting type...	Icon	Journal entries...	Journal entries...	
☰	✓ ✓ FIN	CASH_OUT	☰	ESUSP	€ 80,000.00	
☰	✓ ✓ FIN	CASH_OUT	☰	CASH	€ 80,000.00	

Field	Description
Technical comment	This field can be used by exporting interfaces to store additional information about the export in addition to the <b>Send to financial system</b> field. Technical comments can include for example an export batch ID. This field is populated by Planon and cannot be changed by users.


## Closure date overview - accounting commitments

Fields	Description
Contract line data	Indicates the contract line the accounting commitment belongs to.
Accounting commitment	Displays the start date and end date of an accounting commitment.
Batch ID	Use this field to indicate that the data has been processed in the accounting system. This is the only field in the <b>Closure overview</b> TSI that users can edit.
Closure date of accounting commitment	Displays the date from which the amount closure data is retrieved. This date is equal to the <b>Closed until date</b> .

## Transition definition fields

Field	Description
Code	Enter a code for the transition definition.
Description	Enter a name for the transition definition.
New accounting standard	Select the required accounting standard for transition. You can choose between <b>IFRS16</b> and <b>ASC842</b> .
Transition type	Select the required transition type. You can choose between <b>FR - Full retrospective</b> , <b>MR&amp;FR - Modified retrospective with right of use based on full retrospective</b> , <b>MR - Modified retrospective</b> and <b>ONB - Onboarding contract line</b> .
Effective transition year	If you want to transition to the new accounting standard before 2019, you can do this by entering the desired financial year for transition in this field.



Field	Description
	<div style="border: 1px solid black; padding: 5px;">  <b>CON_LINE - Contract line specified:</b> You must select this field if you are importing or entering contract lines from other applications to Planon. </div>
Discount rate	Specify the discount rate, if required.
Date of change	Displays the date on which the transition definition is created.

## Posting and journal entry fields

Field	Description
Accounting commitment	Displays the accounting commitment that is linked to the posting/journal entry.
Accounting standard	Displays the <a href="#">Accounting standard</a> that is linked to the posting/journal entry.
Actual?	Indicates whether the posting reflects the current situation . If set to <b>Yes</b> , it means that the posting has not been reverted. By default, the field is set to <b>Yes</b> .
Amount	Displays the amount credited or debited by the posting/ journal entry.
Batch ID	Displays the ID number of the batch in which the journal entry has been processed.
Batch ID - final	Use this field when custom-made interfaces with third party systems are built. It displays the final batch ID.
Batch ID - trial	Use this field when custom-made interfaces with third party systems are built. It displays the trial batch ID.
Budget	Displays the budget that applies to the costs in the posting.
Budget type	Displays the type of budget that applies to the costs in the journal entry: Invoiced; Committed; Estimated.
Contract line	Displays the contract line that is linked to the posting/journal entry.
Financial commitment	Displays the financial commitment that is linked to the posting/journal entry.
Financial event	The <b>Financial event</b> field displays the latest financial event that triggered and generated the posting.

Field	Description
Financial event registration	For more information on financial events, see <a href="#">Financial event</a> and <a href="#">Financial event registration</a> .
Finalization date	Displays the financial event to which the posting is linked.
Finalized for user	Use this field when custom-made interfaces with third party systems are built. It displays the date on which an action has been finalized.
Fixed account	Use this field when custom-made interfaces with third party systems are built. It displays the user by whom an action has been finalized.
Functional currency exchange rate	Displays the type of account that applies to the posting/journal entry.
Increment budget type	Displays the exchange rate that is used to calculate the functional currency. For more information on functional currencies, see <a href="#">Using contract currencies and functional currencies</a> .
Ledger account	Specify whether you want to allow the budget to be incremented by postings, or not.
Payment date	Displays the custom ledger code that is linked to the posting/journal entry. For more information, see <a href="#">Linking custom ledger codes to postings</a> .
Posting	Displays the date on which the amount has to be paid.
Posting category	Displays the posting to which the journal entry is linked.
Posting type	Displays the posting category: <b>Final</b> or <b>Provisional</b> . For more information on final and provisional postings, see <a href="#">Generating postings</a> .
Reversal posting?	Displays the type of posting (see <a href="#">Posting types</a> for a list of available posting types).
Send to financial system?	Indicates whether the posting reverses another posting. If set to <b>Yes</b> , this posting reverts the posting that can be found via the posting reference.
Start date / end date	Planon uses this field to indicate whether postings should be sent to your financial system.
Start date / end date	Displays the start date and end date of the posting/journal entry.


Field	Description
System status	Displays the posting's status: <b>Initial</b> or <b>Balanced</b> . Note that the posting's status can only be set to <b>Balanced</b> if all related journal entries are in balance.
Transferred to archive?	Indicates if the posting/journal entry has been archived or not. If a posting is archived, all related journal entries are archived too.
Type?	Displays the type of journal entry: debit or credit.

## Financial reporting entity fields

Field	Description
Code	Enter a code for the reporting entity.
Description	Enter a description for the reporting entity.
General (Y/N)?	Specify if the reporting entity is a general type (choose <b>Yes</b> ) or a specific type (choose <b>No</b> ). General entities can be linked to contract lines or can be used to link to specific groups so that their codes can be reused. Specific entities can be linked to contract lines only, they cannot be linked other entities.
Financial reporting entity	In this field you can select a general entity.
ERP system	If required, select the ERP system you want to link to the financial reporting entity.
Operating company	If required, select the operating company you want to link to the financial reporting entity.
Document	Select a digital document to link to the financial reporting entity.

## Ledger account fields

Field	Description
Code	Enter a code for the ledger account.
Description	Enter a description for the ledger account.
Start date	Enter a start date for the ledger account.

Field	Description
End date	Enter an end date for the ledger account.
Fixed ledger account	Specify the fixed account code (defined by Planon) to link it to the custom specific code. By doing so, the custom specific code will also be registered in the posting. For an overview of the fixed account codes defined by Planon, see <a href="#">Overview of fixed ledger account codes</a> .
Financial reporting entity	Specify the financial reporting entity to which the ledger code is linked. Note that this ledger code is also used in generated postings.
	<div style="border: 1px solid black; padding: 5px;">  You can only define one code per financial reporting entity at one moment in time. </div>
Document	Upload support documents related to the ledger account.
Comment	Enter a comment on the ledger account as required.

## Lease accounting event data - fields

The data displayed on this step is assembled and populated from the following levels/steps:

- Accounting periods
- Accounting commitments
- Contracts
- Contract lines
- Liability
- Right of use

**Specific fields are mentioned in the following table.**

Field	Description
Lease amount	<p>The value of this field is taken from <b>Accounting commitments</b>.</p> <p>If the field <b>Payment?</b> is set to <b>Yes</b>, it is registered as <b>Expenditure</b>.</p> <p>If the field is set to <b>No</b>, it is registered as <b>Income</b>.</p>
Remainder	The value of this field is taken from <b>Accounting commitments</b> .

Field	Description
	<p>If the field <b>Payment?</b> is <b>Yes</b>, it is registered as <b>Accrual</b>.</p> <p>If the field is <b>No</b>, it is registered as <b>Deferred income</b>.</p>
Amount	<p>Displays the sum of payments/receipts during the accounting period and based on the financial commitment start date.</p> <p>If the field <b>Payment?</b> is set to <b>Yes</b>, it is registered as <b>Paid</b>.</p> <p>If the field is set to <b>No</b>, it is registered as <b>Received</b>.</p>
Financial event	Displays the event that is registered on the contract line based on the end date of the accounting commitment.
Previous event	Displays the event that preceded the current financial event.
Sequence number within accounting period	<p>If multiple events are logged, this number indicates the order of creating accounting commitments. Accounting commitments are created for one period, the sequence number starts with 1 and is incremented. For example, when an amount is changed:</p> <ul style="list-style-type: none"> <li>• Original accounting commitment = 1</li> <li>• Counter accounting commitment = 2</li> <li>• New accounting commitment = 3</li> </ul>

## Currency fields

Field	Description
Code	Enter a code for the currency.
Name	Enter a description for the currency.
Symbol	Enter a symbol for the currency.
Number of decimal places	Specify the number of decimal places to be used for the currency. For more information, see <a href="#">Setting the number of decimal places for a currency</a> .
Numerical code	<p>Enter the relevant numeric currency code, for example <b>978</b> for Euro, or <b>840</b> for US Dollar.</p> <p>Currencies can be represented in the code in two ways: a three-letter alphabetic code and a three-digit numeric code. The most recent edition is ISO 4217:2015. The purpose of ISO 4217:2015 is to establish internationally recognised codes for the</p>

Field	Description
	representation of currencies. For more information, see .

## Currency pair fields

Field	Description
Code	Enter a code for the currency pair.
Name	Enter a description for the currency pair.
From currency	Enter the base currency. For more information base currency, see <a href="#">Currency pair</a> .
To currency	Enter the counter currency. For more information on counter currency, see <a href="#">Currency pair</a> .

## Exchange rate fields

Field	Description
Registration date	Enter the registration date. This is the date on which the exchange rate has been published by a financial system.
Start date / end date	Enter the start and end date of the exchange rate's period, for example, the monthly average of the month January 2017 (1-1-2017 - 31-1-2017). If you register a spot rate, you can check the valid spot rate on a certain date, i.e. the spot rate valid between the start date and end date.
Period	<p>Enter the exchange rate's period.</p> <p>For spot rates, the <b>Period</b> is one day by default. If you skip a number of days in a row, the system will stretch the end date of the previous registration to make it a consecutive sequence.</p> <p>For average rates, you can only specify a period of one month.</p> <p>The following applies to average exchange rates:</p> <ul style="list-style-type: none"> <li>• after you have defined an initial period, the subsequent periods are automatically defined by</li> </ul>

Field	Description
	<p>Planon. There can be no gaps in the time line.</p> <ul style="list-style-type: none"> <li>• you can only have one average rate per currency pair</li> <li>• average rates are always on a monthly basis</li> </ul>
Currency pair	<p>Select the relevant currency pair. For more information on currency pairs, see <a href="#">Currency pair</a> and <a href="#">Currency pair fields</a>.</p>
Conversion factor	<p>If two currencies are very different, you can enter a conversion factor in this field for the conversion.</p> <p>Example:</p> <p>You specified a conversion factor of 0.001 and an exchange rate of 0.023. The actual exchange rate between the Iranian Rial and the US Dollar is 0.000023 (in other words: with 1 Iranian Rial, you can get 0.000023 US Dollar). The actual exchange rate is calculated by multiplying the <b>Exchange Rate</b> (0.023) with the <b>Conversion Factor</b> (0.001) = 0.000023.</p>
Exchange rate	<p>Specify the applicable exchange rate.</p>



To restore an entry in a sequence, you must delete entries from its end.

## Contract options fields

### Field

### Description

#### General

Contract

Enter the contract to which the contract option applies.

Contract line

Contract lines can be linked to a [contract currency](#) and a [functional currency](#) (see [Contract line fields for lease accounting](#) and [Using contract currencies and functional currencies](#)).

The **Contract line** field is used to determine the linked functional currency to be used in calculations.


Contracting party - fine

Enter the contracting party that is required to pay a fine.






Contracting party - fee

Enter the contracting party that receives a fee.

Reasonably certain?

This field is automatically set by Planon. If the **Reasonably certain?** field is set to **Yes**, the option is included in the recalculation. Contract managers need to know which options are highly certain to be applied. In the element list with contract options, reasonably certain options are clearly recognizable because they have a different icon: 

**Note** if you do not see the icon, widen the **Status** column until the icon becomes visible.

Status	Code	Description
 	0002	Renewal +5 years
  	0001	Planned renewal

Switch to 'reasonably certain'?

Select **Yes** to set the option to 'reasonably certain' or **No** to set the option to 'not reasonably certain'.

**Note** this setting is not always applicable, for example not for IFRS 16 operating leases.

## Renewal options

Note:

When using renewal options in contracts based on lease accounting, the following applies:

- automatic renewal is *not* supported;
- you must use priority on renewal options;
- there can be only one renewal option active at the same time;
- it is not allowed to link a renewal option to a contract if the related contract line is not activated.



Field	Description
Indexation method	Select the indexation method that you want to apply when creating a renewal option for GASB lease contract. Only <b>Percentage based indexation</b> method is allowed. For more information renewal option in GASB, see <i>GASB &gt; Index method on renewal options</i> . For information on defining the indexation methods, see Supporting data > <i>Indexation methods</i> .
Renewal option type	This is a read-only field that is associated with the <b>Switch to 'reasonably certain'?</b> field. If the <b>Switch to 'reasonably certain'?</b> field is set to <b>Yes</b> , Planon will automatically set the <b>Renewal option type</b> field to <b>Additional term</b> in case no fine amount has been registered on the option (in the <b>Amount of fine</b> field). If the <b>Switch to 'reasonably certain'?</b> field is set to <b>No</b> , Planon will automatically set the <b>Renewal option type</b> field to <b>Additional fine</b> in case a fine amount has been registered on the option in the <b>Amount of fine</b> field (only applies to operating leases).
Amount of fine	Enter the amount that has to be paid if the renewal option is not applied (only applies to operating leases).
Priority	The renewal process operates based on the value you set in this field. The contract option with the highest priority (1) is processed first. Contract options for the same contract cannot have the same priority.
Renewal term	Enter the period by which the contract can be extended. For lease accounting, the <b>Renewal term</b> field cannot be empty.
New amount at renewal	Use this field to specify a new amount for the renewal period. If the renewal option is applied, the related lease accounting contract line is updated with the new amount. For reasonably certain options these amounts are directly included in the lease accounting calculations.
Offset amount at renewal	The amount you specify here is added to the amount that is specified in contract line's the <b>Amount</b> field.
Notice term - offering party / Notice term - accepting party	<p><b>Note</b> After applying a planned renewal option with an amount change, you have to perform a re-measurement of the relevant contract.</p> <ul style="list-style-type: none"> <li>• The <b>New amount at renewal</b> and <b>Offset amount at renewal</b> fields can only be changed if the renewal option is in the <b>Inactive</b> status.</li> <li>• You can only fill out either the <b>New amount at renewal</b> field or the <b>Offset amount at renewal</b> field.</li> </ul>
	<p>In some cases, the notice term is related to the remaining open contract term. If the contract term changes due to a contract renewal, the notice term needs to be adjusted as well. Select the term of notice required by the accepting / offering party when renewing a contract.</p> <p>When applying a renewal option, the value specified in these two fields is also updated in the corresponding fields of the linked contract.</p>

Field	Description
Tentative notice date	The date in this field is automatically calculated and updated by Planon. Notice dates can be used in notifications, so that a contract manager can take timely action on a contract or contract option before the notice date expires. For more information, see the <i>Notice dates on contract options</i> section in the <i>Contracts</i> documentation.
Tentative contract end date	The date that appears in this field is based on the following calculation: Contract end date + Renewal term = Tentative contract end date Example: 31-12-2018 + Year = 31-12-2019 This date is a tentative date, because it may shift as a result of changing the contract end date. This date will only be calculated if the renewal option status is <b>Active</b> or <b>In preparation</b> .
<b>Termination options / Purchase options</b>	
Exercisable by	Specify the contracting party that can exercise the termination / purchase option ( <b>Both</b> , <b>Accepting party</b> , <b>Offering party</b> ). <b>IMPORTANT:</b> If <b>Exercisable by</b> is set to <b>Both</b> , you must <i>manually</i> set the termination option to 'reasonably certain' to ensure that the option is taken into account for the calculations. Be aware that as long as the option is 'not reasonably certain', it will <i>not</i> be taken into account in the calculations.
Term of notice - offering party	Specify the term of notice required by the offering party. The relevant unit of time (e.g. weeks, months, etc) is chosen from a pick list, together with the desired quantity of the selected unit.
Execution amount	Specify the amount that must be paid for the transaction to purchase the leased asset.
Purchase option?	Displays if the option is a purchase option. For more information on purchase options, see <a href="#">Using purchase options</a> .

## Financial year fields

Field	Description
Year	Enter a year that represents the new financial year.
Description	Enter a description for the financial year.
Start date	The start date is automatically populated by adding one day to the end date of the previous financial year.
End date	Select an end date for the financial year. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"><b>Note:</b> If the setting <b>Year end date set by Planon</b> is set to <b>Yes</b> in <b>FieldDefiner &gt; Financial years &gt; Business object settings</b>, the end date is automatically populated and Planon will define the financial year as an exact year with a fixed start date.</div>
Costs excl. VAT	When creating a financial year, typically, the default setting is taken from <b>System Settings</b> . Here you can overrule this setting for a selected financial year, if required.  Click <b>No</b> , if you want to calculate costs including VAT or click <b>Yes</b> if you want to calculate costs excluding VAT.
Status	The status of the financial year is displayed: <b>Open</b> or <b>Closed</b> .
Journal entries generated for contract lines	If you applied the <b>Generate journal entries for contracts</b> action, this field will be automatically set to <b>Yes</b> . Journal entries are created for those contracts which belong to the selected financial year and are linked to a budget definition. For more information on the <b>Generate journal entries for contracts</b> action, see <a href="#">Adding a financial year</a> .

## Financial calendar settings fields

Note that you cannot change any of the following settings if accounting commitments based on weekly lease accounting are present.

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Field	Description
End of year selection method	Select how Planon should determine the <a href="#">end of year</a> : <ul style="list-style-type: none"><li>• <b>Last</b></li></ul>

Field	Description
	<p>The fiscal year ends on the final Friday/ Saturday/Sunday in the fiscal year end month (applied period factor in present value calculation = 52.1775).</p> <ul style="list-style-type: none"> <li data-bbox="740 415 889 443">• <b>Nearest</b></li> </ul> <p>The fiscal year ends on the Friday/ Saturday/Sunday that is closest to the last day of the fiscal year end month (applied period factor in present value calculation = 52.1775).</p> <ul style="list-style-type: none"> <li data-bbox="740 646 894 674">• <b>Strict 52</b></li> </ul> <p>The fiscal year comprises a full year (52 weeks exactly). This could, for example, be: 1 January - 31 December. As a result, the first or last week of the year can be less than or greater than 7 days (applied period factor in present value calculation = 52).</p>
Week calendar	<p>Select the weekly calendar type to be used. You can choose between a variation of week clusters that together make up a quarter (13 weeks = a quarter):</p> <ul style="list-style-type: none"> <li data-bbox="740 1066 854 1094">• 4-4-5</li> <li data-bbox="740 1115 854 1142">• 4-5-4</li> <li data-bbox="740 1163 854 1190">• 5-4-4</li> </ul>
End day of week	<p>Select the day that marks the end of the week. This value will be used when determining the fiscal year end month based on the <b>End of year selection method</b>.</p>

# Calculations based on lease accounting (IFRS 16)

The calculation explained in the below cases are from the lessee perspective. In case of a lessor perspective, terminology will be different. For example, the lease liability will become lease receivables, payment will become income and lease accrual will become deferred income etc.

## Finance lease base case

In this example, the finance lease contract period is 10 years. The amount is 1,000 euros each year, payment at the end of the year, given an interest rate of 5%.

Start date	End date	Liability at start	Interest	Liability at end	Depreciation	Additional	Amount
01-Jan-2015	01-Jan-2015	€ 7,721.73		€ 7,721.73			
01-Jan-2015	31-Dec-2015	€ 7,721.73	€ 386.09	€ 7,107.82	€ 772.17		€ 1,000.00
01-Jan-2016	31-Dec-2016	€ 7,107.82	€ 355.30	€ 6,463.21	€ 772.17		€ 1,000.00
01-Jan-2017	31-Dec-2017	€ 6,463.21	€ 323.16	€ 5,786.37	€ 772.18		€ 1,000.00
01-Jan-2018	31-Dec-2018	€ 5,786.37	€ 289.32	€ 5,075.69	€ 772.17		€ 1,000.00
01-Jan-2019	31-Dec-2019	€ 5,075.69	€ 253.78	€ 4,329.47	€ 772.17		€ 1,000.00
01-Jan-2020	31-Dec-2020	€ 4,329.47	€ 216.47	€ 3,545.94	€ 772.18		€ 1,000.00
01-Jan-2021	31-Dec-2021	€ 3,545.94	€ 177.30	€ 2,723.24	€ 772.17		€ 1,000.00
01-Jan-2022	31-Dec-2022	€ 2,723.24	€ 136.16	€ 1,859.40	€ 772.17		€ 1,000.00
01-Jan-2023	31-Dec-2023	€ 1,859.40	€ 92.97	€ 952.37	€ 772.18		€ 1,000.00
01-Jan-2024	31-Dec-2024	€ 952.37	€ 47.63	€ 0.00	€ 772.17		€ 1,000.00
			€ 2,278.27		€ 7,721.73		€ 10,000.00

The finance lease calculations start with a data record that begins and ends on the start date of the contract line and contains the total minimum lease payments at start of the lease. In this case it is 7,721.73 euros.

**The total liability:** The total liability at start of the lease period is calculated as the sum of amounts to be paid taking the interest of 5 % into account. The setting on the contract line for payments at the start or at the end of the period is taken into account in these calculations. For example, given an annual amount of 1,000.00 and a rate of 5 %:

Period	Payment before	Payment after
Year1	1,000.00	952.38
Year2	952.38	907.03
Year3	907.03	863.84

**Liability at start of the period:** This is equal to the liability at the end of the previous period and represents the liability on the first day of the accounting period.

**Interest:** Based on the liability at start of the period and depending on registered payments in this accounting period, the interest is calculated based on the current liability. In case of a payment at the end of the period, the interest is calculated based on a liability of 7,721.73 euro. So 5% of this amount will be booked as interest.

**Liability at end:** The remaining part  $(1,000.00 - 386.09) = 613.91$  euro will be spent on reducing the liability, so the liability at the end is  $7,107.82 = 7,721.73 + 386.09 - 10,000.00$ .

**Depreciation:** Is calculated as a linear depreciation, the total liability should be depreciated to the residual value at the end of the contract line period at the end of the lease (0 euro in this case). Depreciation will only be calculated for the lessee and only if the contract line setting depreciate property= Y.

## Predefined changes at inception of lease

In this example, the finance lease contract period is 10 years. The amount is 12,000 euros every year appraised with a fixed amount of 1,200; payment at the end of the year, given an interest rate of 5%.

**Condition:** The predefined price changes need to be defined before activation of the contract line. It is also possible to define the contract line based on an indexation based on percentage. The indexation will be applied at activation of the contract line and the initial calculations are based on the indexed amounts.

Start date	End date	Liability at start	Interest	Liability at end	Depreciation	Additional	Amount
01-Jan-2015	01-Jan-2015	€ 139,614.00		€ 139,614.00			
01-Jan-2015	31-Dec-2015	€ 139,614.00	€ 6,380.70	€ 133,994.70	€ 13,961.40		€ 12,000.00
01-Jan-2016	31-Dec-2016	€ 133,994.70	€ 6,039.73	€ 126,834.43	€ 13,961.40		€ 13,200.00
01-Jan-2017	31-Dec-2017	€ 126,834.43	€ 5,621.72	€ 118,096.15	€ 13,961.40		€ 14,400.00
01-Jan-2018	31-Dec-2018	€ 118,096.15	€ 5,122.81	€ 107,578.96	€ 13,961.40		€ 15,600.00
01-Jan-2019	31-Dec-2019	€ 107,578.96	€ 4,536.95	€ 96,317.91	€ 13,961.40		€ 16,800.00
01-Jan-2020	31-Dec-2020	€ 96,317.91	€ 3,885.90	€ 81,103.81	€ 13,961.40		€ 18,000.00
01-Jan-2021	31-Dec-2021	€ 81,103.81	€ 3,099.19	€ 65,083.00	€ 13,961.40		€ 19,200.00
01-Jan-2022	31-Dec-2022	€ 65,083.00	€ 2,174.15	€ 45,657.15	€ 13,961.40		€ 21,600.00
01-Jan-2023	31-Dec-2023	€ 45,657.15	€ 1,142.85	€ 24,000.00	€ 13,961.40		€ 22,800.00
01-Jan-2024	31-Dec-2024	€ 24,000.00	€ 0.00	€ 0.00	€ 13,961.40		€ 24,000.00
			€ 37,986.00		€ 139,614.00		€ 177,600.00

**The total liability:** The total liability at the start of the lease period is calculated as the sum of amounts to be paid, taking the interest of 5 % into account. Given an annual amount of 12,000.00 and interest rate of 5 % and given the fixed raise of 1,200.00 each year. The net present value takes all changes known at the inception of the lease that are incorporated into the calculation of minimum lease payments.

### Residual value:

In this example, the finance lease contract period is 10 years. The amount is 1,000.00 euros each year, payment at the end of the year, given an interest rate of 5%. At end of the lease there is an agreement to have 1,500.00 euro as a residual value.

**Condition:** The residual value needs be entered before activation of the lease contract line so that it can be included in the calculations.

Lessee perspective -Takes the guaranteed residual value into account.

Lessor perspective -Takes the highest of the unguaranteed and the guaranteed value

Start date	End date	Liability at start	Interest	Liability at end	Depreciation	Additional	Amount
* 01-Jan-2015	01-Jan-2015	€ 8,642.60		€ 8,642.60			
01-Jan-2015	31-Dec-2015	€ 8,642.60	€ 432.13	€ 8,074.73	€ 714.26		€ 1,000.00
01-Jan-2016	31-Dec-2016	€ 8,074.73	€ 403.74	€ 7,478.47	€ 714.26		€ 1,000.00
01-Jan-2017	31-Dec-2017	€ 7,478.47	€ 373.92	€ 6,852.39	€ 714.26		€ 1,000.00
01-Jan-2018	31-Dec-2018	€ 6,852.39	€ 342.62	€ 6,195.01	€ 714.26		€ 1,000.00
01-Jan-2019	31-Dec-2019	€ 6,195.01	€ 309.75	€ 5,504.76	€ 714.26		€ 1,000.00
01-Jan-2020	31-Dec-2020	€ 5,504.76	€ 275.24	€ 4,780.00	€ 714.26		€ 1,000.00
01-Jan-2021	31-Dec-2021	€ 4,780.00	€ 239.00	€ 4,019.00	€ 714.26		€ 1,000.00
01-Jan-2022	31-Dec-2022	€ 4,019.00	€ 200.95	€ 3,219.95	€ 714.26		€ 1,000.00
01-Jan-2023	31-Dec-2023	€ 3,219.95	€ 161.00	€ 2,380.95	€ 714.26		€ 1,000.00
01-Jan-2024	31-Dec-2024	€ 2,380.95	€ 119.05	€ 1,500.00	€ 714.26		€ 1,000.00
			€ 2,857.40		€ 7,142.60		€ 10,000.00

**Liability at start:** Liability at the start of the lease period is calculated as the sum of amounts to be paid taking the interest of 5 % into account but also taking into account the residual value at end of 10 years. In this case, the present value of residual value of 1,500.00 euro at the start and given a rate of 5 %, the liability at the start will be 7,721.73 + 920.87 (which is 15,000.00 \* 0,614) = 8642.60.

**Liability at end:** At the end of the contract duration, the liability will not become zero as it does in the base case. It will be 1,500.00 euro.

## Case with payment period > accounting period

In this example, the finance lease contract period is 10 years. The amount is 1,000.00 euros each year, payment at the end of the year, given an interest rate of 5%. The accounting period is every half year.

Start date	End date	Liability at start	Interest	Liability at end	Depreciation	Additional	Amount
* 01-Jan-2015	01-Jan-2015	€ 7,721.73		€ 7,721.73			
01-Jan-2015	30-Jun-2015	€ 7,721.73	€ 190.69	€ 7,912.42	€ 386.09		
01-Jul-2015	31-Dec-2015	€ 7,912.42	€ 195.40	€ 7,107.82	€ 386.09		€ 1,000.00
01-Jan-2016	30-Jun-2016	€ 7,107.82	€ 175.53	€ 7,283.35	€ 386.09		
01-Jul-2016	31-Dec-2016	€ 7,283.35	€ 179.86	€ 6,463.21	€ 386.08		€ 1,000.00
01-Jan-2017	30-Jun-2017	€ 6,463.21	€ 159.61	€ 6,622.82	€ 386.09		
01-Jul-2017	31-Dec-2017	€ 6,622.82	€ 163.55	€ 5,786.37	€ 386.09		€ 1,000.00
01-Jan-2018	30-Jun-2018	€ 5,786.37	€ 142.89	€ 5,929.26	€ 386.08		
01-Jul-2018	31-Dec-2018	€ 5,929.26	€ 146.42	€ 5,075.68	€ 386.09		€ 1,000.00
01-Jan-2019	30-Jun-2019	€ 5,075.68	€ 125.35	€ 5,201.03	€ 386.09		
01-Jul-2019	31-Dec-2019	€ 5,201.03	€ 128.44	€ 4,329.47	€ 386.08		€ 1,000.00
01-Jan-2020	30-Jun-2020	€ 4,329.47	€ 106.92	€ 4,436.39	€ 386.09		
01-Jul-2020	31-Dec-2020	€ 4,436.39	€ 109.56	€ 3,545.95	€ 386.09		€ 1,000.00
01-Jan-2021	30-Jun-2021	€ 3,545.95	€ 87.57	€ 3,633.52	€ 386.08		
01-Jul-2021	31-Dec-2021	€ 3,633.52	€ 89.73	€ 2,723.25	€ 386.09		€ 1,000.00
01-Jan-2022	30-Jun-2022	€ 2,723.25	€ 67.25	€ 2,790.50	€ 386.09		
01-Jul-2022	31-Dec-2022	€ 2,790.50	€ 68.91	€ 1,859.41	€ 386.08		€ 1,000.00
01-Jan-2023	30-Jun-2023	€ 1,859.41	€ 45.92	€ 1,905.33	€ 386.09		
01-Jul-2023	31-Dec-2023	€ 1,905.33	€ 47.05	€ 952.38	€ 386.09		€ 1,000.00
01-Jan-2024	30-Jun-2024	€ 952.38	€ 23.52	€ 975.90	€ 386.08		
01-Jul-2024	31-Dec-2024	€ 975.90	€ 24.10	€ 0.00	€ 386.08		€ 1,000.00
			€ 2,278.27		€ 7,721.73		€ 10,000.00

In this case the total of minimum lease payments is not different from the base case, the payments did not change in this case. The accounting periods are split into two

separate periods, so the interest, the liability at the end of the period and the depreciation is different.

**Interest:** If the interest of the first two periods is added:  $190.69 + 195.40 = 386.09$  euro, just as our based case.

**Liability at the end of the second period (= one year)** is also the same as in the base case: 7,107.82.

**Depreciation:** It is spread out over two periods and adding two periods will have the same amount as in the base case:  $386.09 + 386.09 = 772.17$  (notice that there is a difference due to rounding).

## Operating lease base case

In this example, the operating lease contract period is 5 years. The amount to be paid is 1,000 euros each year and the amount is booked on a yearly basis.

Start date	End date	Lease amount	Additional	Lease accrual	Balance	Amount excl.
Jan 1, 2015	Dec 31, 2015	€ 1,000.00		€ 0.00	€ 0.00	€ 1,000.00
Jan 1, 2016	Dec 31, 2016	€ 1,000.00		€ 0.00	€ 0.00	€ 1,000.00
Jan 1, 2017	Dec 31, 2017	€ 1,000.00		€ 0.00	€ 0.00	€ 1,000.00
Jan 1, 2018	Dec 31, 2018	€ 1,000.00		€ 0.00	€ 0.00	€ 1,000.00
Jan 1, 2019	Dec 31, 2019	€ 1,000.00		€ 0.00	€ 0.00	€ 1,000.00
		€ 5,000.00				€ 5,000.00

**The lease amount:** Represents the amount that will be booked every accounting period. In this case it is equal to the amount that needs to be paid every period.

## Lease accrual based on rent free period

In this example, operating lease contract period is 5 years. The amount to be paid is 1,000 euros each year and the amount is booked on a yearly base. The first year is rent free. In this case the first payment is not registered, the amount is straight lined over the total contract period, so every year 800 euro is booked. This introduces a lease accrual.

Start date	End date	Lease amount	Additional	Lease accrual	Balance	Amount excl.
Jan 1, 2015	Dec 31, 2015	€ 800.00		€ -800.00	€ -800.00	€ 0.00
Jan 1, 2016	Dec 31, 2016	€ 800.00		€ 200.00	€ -600.00	€ 1,000.00
Jan 1, 2017	Dec 31, 2017	€ 800.00		€ 200.00	€ -400.00	€ 1,000.00
Jan 1, 2018	Dec 31, 2018	€ 800.00		€ 200.00	€ -200.00	€ 1,000.00
Jan 1, 2019	Dec 31, 2019	€ 800.00		€ 200.00	€ 0.00	€ 1,000.00
		€ 4,000.00				€ 4,000.00

**The lease accrual:** Represents the difference of the amount to be booked vs. the amount to be paid in the accounting period. The rent free period triggered the difference and this difference is booked as lease accrual.

**The balance:** Represents the total difference between the amounts that are booked vs. the amounts that are paid calculated from the start of the contract period. It is a running total of the lease accrual.

In this case the first period registers a large accrual and the difference will be corrected in the next four years.



## Lease accrual based on payment period > accounting period

In this example, operating lease contract period is 5 years. The amount to be paid is 1,000 euros each year at the start of the year and the amount is be booked on a quarterly basis. The first quarter, the full year is paid at once but only a quarter of the amount is booked. This implies a lease accrual that will be straightened after one year. The balance runs to zero every year but starts to build up again every first quarter.

Start date	End date	Lease amount	Additional	Lease accrual	Balance	Amount excl.
Jan 1, 2015	Mar 31, 2015	€ 250.00		€ 750.00	€ 750.00	€ 1,000.00
Apr 1, 2015	Jun 30, 2015	€ 250.00		€ -250.00	€ 500.00	
Jul 1, 2015	Sep 30, 2015	€ 250.00		€ 250.00	€ 250.00	
Oct 1, 2015	Dec 31, 2015	€ 250.00		€ -250.00	€ 0.00	
Jan 1, 2016	Mar 31, 2016	€ 250.00		€ 750.00	€ 750.00	€ 1,000.00
Apr 1, 2016	Jun 30, 2016	€ 250.00		€ -250.00	€ 500.00	
Jul 1, 2016	Sep 30, 2016	€ 250.00		€ 250.00	€ 250.00	
Oct 1, 2016	Dec 31, 2016	€ 250.00		€ -250.00	€ 0.00	
Jan 1, 2017	Mar 31, 2017	€ 250.00		€ 750.00	€ 750.00	€ 1,000.00
Apr 1, 2017	Jun 30, 2017	€ 250.00		€ -250.00	€ 500.00	
Jul 1, 2017	Sep 30, 2017	€ 250.00		€ 250.00	€ 250.00	
Oct 1, 2017	Dec 31, 2017	€ 250.00		€ -250.00	€ 0.00	
Jan 1, 2018	Mar 31, 2018	€ 250.00		€ 750.00	€ 750.00	€ 1,000.00
Apr 1, 2018	Jun 30, 2018	€ 250.00		€ -250.00	€ 500.00	
Jul 1, 2018	Sep 30, 2018	€ 250.00		€ 250.00	€ 250.00	
Oct 1, 2018	Dec 31, 2018	€ 250.00		€ -250.00	€ 0.00	
Jan 1, 2019	Mar 31, 2019	€ 250.00		€ 750.00	€ 750.00	€ 1,000.00
Apr 1, 2019	Jun 30, 2019	€ 250.00		€ -250.00	€ 500.00	
Jul 1, 2019	Sep 30, 2019	€ 250.00		€ 250.00	€ 250.00	
Oct 1, 2019	Dec 31, 2019	€ 250.00		€ -250.00	€ 0.00	
		€ 5,000.00				€ 5,000.00

## Guaranteed and unguaranteed residual values

The solution manages the correct usage of the fields 'Guaranteed residual values' and 'Unguaranteed residual value'.

Field	Lessee's lease liability	Lessor's lease receivable
Guaranteed residual value	Yes	Yes
Unguaranteed residual value	N/A	Yes

The usage of the field 'Guaranteed residual value' depends on the point of view of the lease.

- **Lessee:** Only the amount of the payment that a lessee anticipates will be entered. This payment represents the difference between the guaranteed value and the fair value of the underlying asset of the lease.

- **Lessor:** The amount of the guarantee made by the lessee will be entered. Whatever the fair value of the underlying asset is, the lessor will always obtain this value. This value can be represented by the complete fair value intrinsic of the leased asset or a lower intrinsic value for the asset and a complement in payment.

For lessors, only the total amount of the guaranteed residual value is used in the calculation and accounting. No difference is made between the intrinsic value of the asset and any payment received from the lessee. Any adjustments will have to be made in the accounting tool using the global amount posted by Planon Lease Accounting.

Subleases do not use the fields in the calculation of the lease receivable. The unguaranteed residual value of the right of use that will come from a sublease ending before the headlease is automatically calculated.

If the fields are entered and a purchase option exists on the lease, the purchase price replaces the residual values in the calculation of the lease liability for the lessee and the lease receivable for the lessor as soon as it is reasonably certain to be applied or applied.

## Special features for contract options

For both active and inactive leases based on lease accounting, renewal and termination options can be defined.



For general information on working with contract options, see the Contract Management documentation.

Planon supports two different methods for renewal and termination options on lease contracts:

1. Exercising the option is 'Reasonably certain'.
2. Exercising the option is 'Not reasonably certain'.

These different methods allow you to change the likelihood of options being exercised on (active) leases. With regard to renewal options, setting and changing an **Horizon date** allows you to automatically apply rolling renewals on active leases. This can affect the certainty of renewal options being exercised. See [Rolling renewals](#) for more information.

## Renewal options on lease contracts

A renewal option can affect the calculations on an (active) lease contract. Similarly, any change in the renewal option data, for example modifying the period or changing the type from 'reasonably certain' to 'not reasonably certain', will trigger a remeasurement on the contract line.

### 'Reasonably certain' renewal option on lease contracts

For **Finance lease contracts** and **Operating lease contracts**: if you define an active renewal option as **Additional term**, it is marked as 'reasonably certain'. If the option is added after the start of the contract, Planon will automatically perform a remeasurement


on the corresponding contract line to include the result of the renewal option in the calculations of accounting commitments. Financial commitments will only be confirmed if the option is executed.


Configuration: to make the renewal option 'reasonably certain' to be exercised, enter a value in the **Additional term** field.

#### **Additional fine on operating lease contracts**

For (short term) **Operating lease contracts** you can add an additional fine to the calculations. The additional fine is added to the lease amounts and used for straight-lining. The term of the option is not added to the lease term yet, only the fine.

Configuration: define the renewal option as **Additional fine** and set the system status to **Active** before activating the contract line based on lease accounting.

 It is not possible to combine **Additional fine** and **Additional term** options. This means that the fine is not included when the option is set to **Additional term** and the term of the lease is not extended in the initial calculations if the option is defined as an **Additional fine**.

 You can only enter a priority on **active** renewal options. The priority of options can be changed, but renewal options that are 'reasonably certain' must always have a higher priority than options that are 'not reasonably certain'. You can also manually switch between 'reasonably certain' and 'not reasonably certain', provided that no horizon date is entered. For more information on the horizon date, see the [Rolling renewals](#) topic. If there is a 'reasonably certain' termination option, you cannot add 'reasonably certain' renewal options.


## Termination options on lease contracts

A termination option can affect the calculations on an (active) lease contract. Similarly, any change in the termination option data, for example modifying the dates, will require a remeasurement on the contract line.

#### **'Reasonably certain' termination option on lease contracts**

If a termination option is 'reasonably certain', calculations are based on the proposed end date and the execution amount of the termination option. If a termination option is changed to 'not reasonably certain', the end date of the contract line is used for calculations.

You can use the **Switch to reasonably certain (Y/N)** field on the contract option to set the termination option from 'reasonably certain' to 'not reasonably certain' (default setting of this field is **No**). If you set the **Switch to reasonably certain (Y/N)** field to **Yes**, this means that the termination option is reasonably certain to be executed. There can only be one reasonably certain option at the same time for one contract. If you set an option to 'reasonably certain' while there is already another 'reasonably certain' option, Planon will automatically set this last option to 'not reasonably certain' (this only applies to termination options).

 You can prepare multiple options with the **Switch to reasonably certain** set to **Yes**. As long as you do not have active options, they will not be reasonably certain. You can have

multiple renewal, termination and purchase options. If you make them active, the following applies:

Option type	Comment
Renewal	You can have multiple options. You cannot combine renewal options with a reasonably certain termination option or purchase option.
Termination	You can only have one option. You cannot combine this termination option with a reasonably certain renewal option or purchase option.
Purchase	You can only have one option. You cannot combine this purchase option with a reasonably certain renewal option or termination option.

If the option is **not** reasonably certain, these rules do not apply.

If a termination option is set to 'reasonably certain', Planon:

- recalculates the commitments
- will automatically perform a remeasurement

If a termination option is set to 'not reasonably certain' to be executed, Planon:

- recalculates the commitments
- will automatically perform a remeasurement

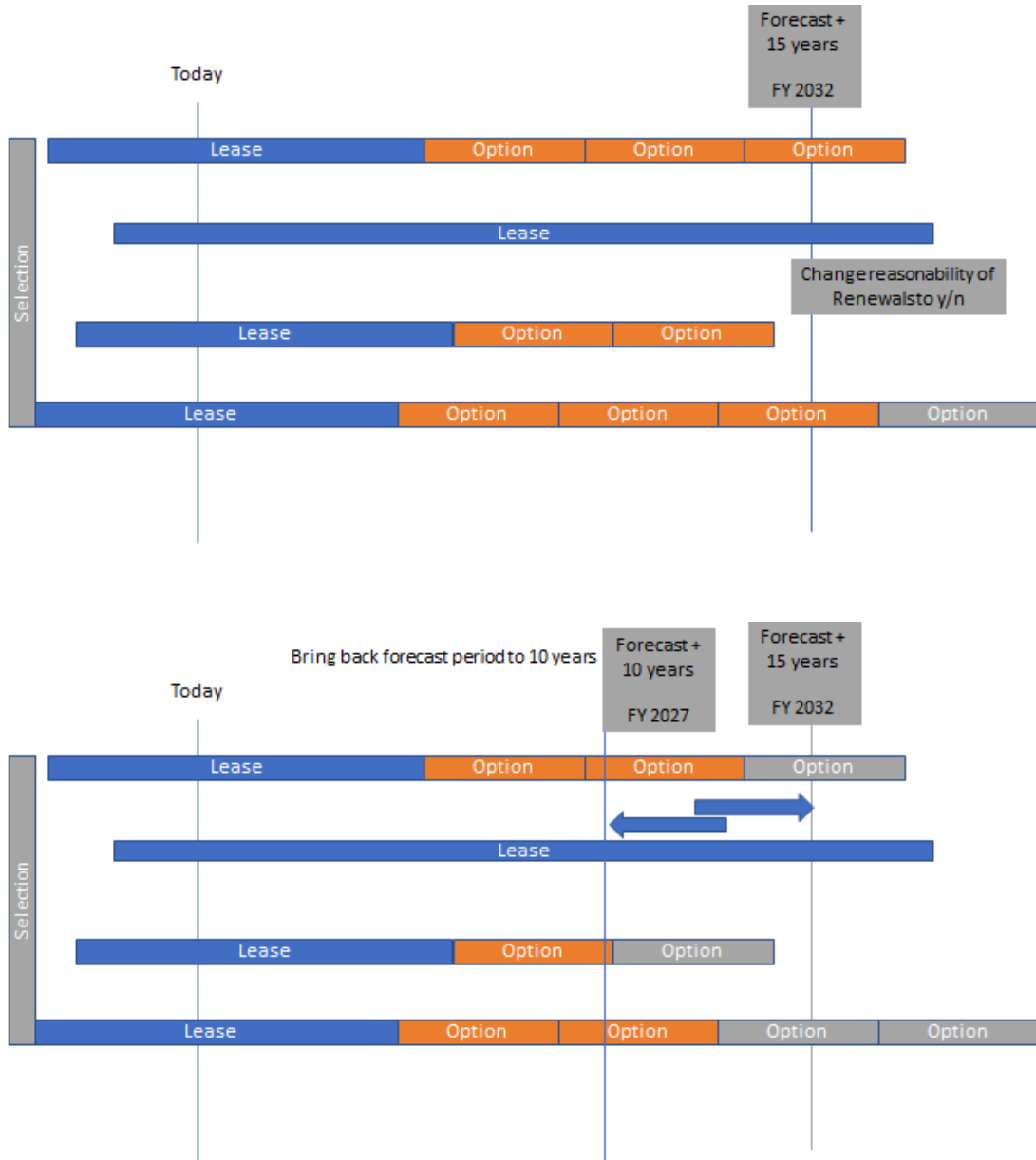
## Rolling renewals

As a contract manager, you may want to view your contracts in a time scope of several years, for any moment in time. Based on your existing renewal options and a horizon date, the time scope of the contract and all its related options can be varied. Any financial calculations will change accordingly.

Multiple renewal options can exist for a (running) contract. These renewal options are defined as being either *reasonably certain* or as *not reasonably certain*. As a rule, reasonably certain renewal options will be exercised. You can manually turn a 'reasonably certain' renewal option into 'not reasonably certain' and back. See [Renewal options on lease contracts](#) for more information.

If you want to 'automate' the consecutive application of renewal options on a contract line, you must set a **Horizon date** on the lease contract.

Based on the **Horizon date** entered on the contract, the system checks whether the certainty of your renewal options should be changed.



This is the concept of 'rolling renewals', which can have the following consequences:

- If the horizon date on the contract is set after the end date of the contract, renewal options with start dates before on the horizon start date, are switched to 'reasonably certain'. Existing 'reasonably certain' renewal options with start dates after the horizon start date, are switched to 'not reasonably certain'.
- If the horizon date of the contract is set before the end date of the contract, renewal options that are 'reasonably certain' are switched to 'not reasonably certain'. These options are no longer added to the lease.

- Making the horizon date empty will not have any effect on 'reasonably certain' renewal options.

# Migration of contracts based on lease accounting

If a contract based on lease accounting was registered in a different system than Planon or in a previous Planon release (before Planon Software Suite 2015 release ), it is possible to register the contract as a lease accounting contract in Planon Software Suite 2015 or later, starting from a given date and with the correct accounting commitments. The contract must be entered in Planon Software Suite 2015 release as it was originally signed (this means the original contract, as it was signed at the start and without any additional changes). After activating the contract, the amount can be changed to the current value, because Planon doesn't need the historical contract changes, it is only necessary to register future changes.

Note: In this topic about Planon contract migration, the term 'former system' applies both to *financial systems other than Planon ProCenter* and to *previous Planon releases* that did not support lease accounting.

## Migration starting from the Planon start date

The Planon start date on the contract can be used to make sure that calculations start from this given date. Although the contract might be running for a long time, the financial calculation starts from the Planon start date. Depending on the moment of closing an amount (at the start of the commitment period or at the end), all financial commitments with a closure date on or after the Planon start date will be registered in Planon. Commitments with a closure date before this date will be left out, because Planon considers these to be registered in the former system. The same applies to the accounting commitments; the main difference being that the closure date will always be the end date of the accounting period. Another difference is that an accounting period will be registered partially in the new system.

The following field can be used for the initial calculations: **Offset - initial accounting commitment**, for operating lease and for finance lease.

In case of an operating lease, the **Offset remainder for transition** represents the lease accrual / deferred rent. The total lease accrual of the contract line can be set to zero with this offset.

In case of finance lease, the **Offset - initial accounting commitment** represents the open lease liability / lease receivable on the Planon start date. You cannot set this amount yourself, it is automatically calculated by Planon.

It is important to check the commitments before activating the contract line, the user can run the **Contract line commitments** system report to do so. If the result is not as expected, the offsets or amount can be changed. After activating the contract line, the offsets or amount can no longer be changed to correct the initial commitments.

Although this is a very simple way to migrate older contracts to Planon, it may be quite complex to find out what the correct offset is. Planon recommends planning the migration at the start of the accounting period.

As soon as the financial commitments and accounting commitments are found to be correct, the contract line status can be changed to 'active', after which the initial accounting commitments will be generated and frozen. The offset fields needed for the calculations are only useful in the period before the contract line is activated. After activation, these fields will no longer be available to the user.



If a lease is registered late in Planon - the start date of the contract line is *before* the Planon start date - Planon creates an initial accounting commitment based on the given offset values.

## Operating lease

In case of operating lease, the new contract in Planon needs to be activated and based on an **Offset - Transition ROU**. The correct set of operating lease commitments will be calculated. Based on the given Planon start date it is possible to calculate the difference between the total registered financial commitments and the total registered accounting commitments. The difference can be expressed as an accrual, which can be compensated by an offset. There are different causes for this accrual, but in all cases it is important to know what payments and what accounting commitments are registered from the Planon start date.

If no lease accrual is registered in the original contract, the lease accrual should be set to: **Offset - Transition ROU** = 0 (see case 1). The financial commitments and accounting commitments are balanced out.

If the lease accrual is registered in the original contract, the open lease accrual should be entered as the **Offset - Transition ROU** (see case 2, 3 and 4). Due to straight-lining or due to financial commitments registered in the previous system and accounting commitments (partially) being registered in Planon, the offset is needed to compensate the mismatch.

### **Case 1: No lease accrual / deferred income in combination with Planon start date**

In this case, the financial commitments and accounting commitments are in balance. If split at the start of the year, the Offset - initial accounting commitment = 0 (explicitly).

Original Contract line in former system:

- 1-1-2015 – 31-12-2019
- 100 euro each year
- Payments each year
- Accounting period each year
- Payments at start of commitment period



Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2015	100	100/0
2016	100	100/0
2017	100	100/0
2018	100	100/0
2019	100	100/0

Contract introduced in Planon with Planon start date = 1-1-2017

- Contract line: 1-1-2015 – 31-12-2019
- 100 euro each year
- Payments each year
- Accounting period each year
- Payments at start of commitment period
- **Offset - Transition ROU = 0**

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2017	100	100/0
2018	100	100/0
2019	100	100/0

**Case 2: Lease accrual / deferred income in combination with Planon start date**

In this case, the financial commitments and accounting commitments are not in balance. If split at the start of the year, the **Offset - Transition ROU**  $\neq 0$ .

Original Contract line in former system:

- 1-1-2015 – 31-12-2019
- 100 euro each year, first year rent free
- Payments each year
- Accounting period each year
- Payments at start commitment period

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2015	100	80/-80
2016	100	80/20
2017	100	80/20
2018	100	80/20
2019	100	80/20

Contract introduced in Planon with Planon start date = 1-1-2017

- Contract line: 1-1-2015 – 31-12-2019
- 100 euro each year
- Payments each year
- Accounting period each year
- Payments at start commitment period
- **Offset - Transition ROU** = -60, reason: the remaining years add up to an accrual / deferred income = 20 + 20 + 20 euro.

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2017	100	80/20
2018	100	80/20
2019	100	80/20

**Case 3: Lease accrual / deferred income combined with a Planon start date that is not the start of the accounting period.**

In this case the financial commitments and accounting commitments are not in balance. If split in the middle of the year, the **Offset - Transition ROU**  $\neq$  0.

Original Contract line in former system:

- 1-1-2015 – 31-12-2019
- 100 euro each year
- First year rent free
- Payments each year

- Accounting period each year
- Payments at start commitment period

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/ Lease accrual)
2015	100	80/-80
2016	100	80/20
2017	100	80/20
2018	100	80/20
2019	100	80/20

Contract introduced in Planon with Planon start date = 1-7-2017

Contract line:

- 1-1-2015 – 31-12-2019
- 100 euro each year
- Payments each year
- Accounting period each year
- Payments at start commitment period
- **Offset - Transition ROU** = 0 (remainder: 10 – 50 (half year) + 20 + 20)

In this case the 100 Euros have been paid in the former system. Half of the year 2017 has been registered in the former system. Still to register:

- 40 Euros in 2017 and 10 remainder, because of the original entry.
- 0/-50 Euros because the payment was fully registered in the former system but partially registered in Planon.

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2017	-	40/-40
2018	100	80/20
2019	100	80/20

**Case 4: Same as previous, but this time with payments afterwards: Lease accrual / deferred income combined with a Planon start date that is not the beginning of the period.**

Original Contract line in former system:

- 1-1-2015 – 31-12-2019
- 100 euro each year
- First year rent free
- Payments each year
- Accounting period each year
- Payments at end commitment period

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2015	100	80/-80
2016	100	80/20
2017	100	80/20
2018	100	80/20
2019	100	80/20

Contract introduced in Planon with Planon start date = 1-7-2017

Contract line:

- 1-1-2015 – 31-12-2019
- 100 euro each year
- Payments each year
- Accounting period each year
- Payments at end commitment period
- **Offset - Transition ROU** = -100 (10 + 50 + 20 + 20)

In this case the 100 Euros has to be paid in Planon. Half of the year 2017 has been registered in the former system. So still to register:

- 40 Euros in 2017 and 10 euro remainder because of the original entry.
- 0/50 Euros because of the payment registered fully in the former system, but partially registered in Planon.

Year	Payments (Financial commitments)	Accounting commitments (Lease amount/Lease accrual)
2017	100	40/60
2018	100	80/20
2019	100	80/20


## Onboarding procedure

1. Add the fields Offset liability and Offset transition ROU to your contract line layout.
2. Go to Lease accounting transition.
3. On the action panel, click Add.
4. Fill in the required details and click Save.



• In the **Transition type** field, click  and select **ONB - Onboarding contract line**. •

In the **Effective transition year** field, click  and select **CON\_LINE - Contract line specified**.


5. At the Contracts selection level, select the contract for which you want to perform onboarding.
6. Go to Contract details > Amounts.
7. Select the required lease contract line(s) and then click Transition and offset.
8. In the Lease accounting transition field, click .
9. The Lease accounting transition window appears.
10. Select the code that corresponds to onboarding and click OK.

# Volume license in Lease Accounting

Planon counts the number of leases based on lease accounting and verifies if this number exceeds the maximum volume as defined in the license.

For both operating leases and finance leases, the number of counted leases is increased if a lease accounting line is moved to the **Active** or **Precalculate** status. The number is decreased if a lease accounting line is moved to either the **Terminated** or **Expired** status.


Whenever the limit is reached, the license should be increased before a new lease line can be activated. The maximum volume is registered via product E00860.

 Before upgrading to the current release, please check that your maximum volume of leases is still sufficient. Also, make sure that E00860 is included in your license.

You can check this as follows...

## Procedure

1. Go to the Contracts TSI (make sure that no filters are applied: authorization, selection step filters, user filters, step methods, etc.).
2. On the Properties level, select the top node.
3. Go to the Contracts level and set the reference date to Inactive.
4. Navigate to Contract details > Contract lines and create the following filter (also see the screenshot below):
  - **Contract type - Contains a value**
  - AND
  - **System status - in - (1 (Active), 5 (Precalculate))**

 Make sure to add all respective statuses. You may need to add **System status** to the quick filter in Field definer (Base contract line > System status > Simple selection= **Yes**). Also make sure that the **System status** field is added to the contract lines base layout

## Select filter criteria



Filter name: volume license

Group AND Group OR Ungroup

<input type="checkbox"/>	AND	<input type="checkbox"/>	Contract type	Contains a value		<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>		<input type="checkbox"/>	System status	In	Multiple values selected	<input type="checkbox"/>	<input type="checkbox"/>



When filtering, write down the number of the filter results.

- When using multiple property sets, repeat the filtering of step 4.
- Add up all the filter results and check whether this number does not exceed the maximum value in your license.
  - The license count is also done for headleases and subleases.
  - Contract lines with multiple accounting standards (multi GAAP) are counted as one lease line. The same goes for contract lines with multiple currencies.
  - Transitioned contract lines: once the newly transitioned line is activated, this is counted as two lease lines, unless the old lease line IAS17 is set to either the **Terminated** or **Expired** status.

# Index

## Numerics

- 4-4-5 calendar 13
- 4-4-5 lease accounting 102

## A

- Accounting commitment: fields 151
- Accounting commitments 83
  - reopen 51
- Accounting commitments: report 114, 115
- Accounting commitments: types 48
- Accounting period 13
- Accounting standard 13, 14, 14, 14, 14
- Amount changes 44, 44
- Amount changes in closed period 42
- Approvals 20
- Asset movement schedule 15
- Asset return 73
- Audit trail 15
- average rate 82
- Average rate 15

## B

- Background action
  - run 90

## C

- Calculations based on lease accounting 173
- Capital lease 12
- Classification criteria 129
- Close amounts 36, 38
- Close financial period 40
- Closed financial period
  - reopen 41
- Closure date overview 39
- Closure date overview - accounting commitments: fields 160
- Commitments inactive contract lines 47
- Comparison
  - FASB 105
  - GASB 105
- Contract
  - fields 138

- remeasurement 63
  - Service Provider info 138
- Contract currency 16, 83
- Contract lines: delete closed data 88
- Contract management 12
- Contract options: fields 168
- Contract portfolio accounting period report 126
  - generating 126
- Contract portfolio accounting period: report 127
- Contract portfolio overview report 124
  - generating 124
- Contract portfolio overview: report 125
- Contract: Life cycle 25
- Contracts based on lease accounting: migrate 183
- Contracts based on lease accounting: migrate form Planon start date 183
- Contracts based on operating lease 184
- Contracts list
  - adjust view 33
  - toggle buttons 33
- Contracts: options 17
- Contracts: shortening options 86
- Correction 53
- COVID-19 lease concession 93
- currencies: use case 83
- Currency 85
  - currency conversion 83
  - Currency conversion 83
  - Currency pair 17
- custom ledger codes: link 69

## D

- Decimal places 85
- Deferred inflow 107
- Disclosure overview: edit report settings 117
- Disclosure overview: report 117, 118
- Discount rate search priority 68
- Discount rate wizard 66
- Discount rates
  - register 65

## E



End of year 18  
 End of year: last 171  
 End of year: nearest 171  
 exchange rate 82  
 Exchange rate gains and losses 21

**F**

FASB 12, 14, 14, 55  
 Financial lease: case 173  
 Finance lease 12, 20, 129, 129  
 Finance lease: case with payment period 175  
 Finance lease: predefined changes 174  
 Financial calendar settings 102, 171  
 Financial commitments: calculate 46  
 Financial commitments: fields 158  
 Financial commitments: report 114, 115  
 Financial commitments: view 46  
 Financial event  
   REMEAS 98  
 Financial event registration 94  
 Financial events in closed period 98  
 Financial income  
   Accrued 108  
 Financial year 20  
 Financial year: fields 171  
 Financial years 103  
 first payment date, postpone 72  
 Fixed amounts 44  
 Foreign currency gains and losses 21  
 Four eyes principle 20  
 Functional currency 21, 83  
 functional currency: liability 84  
 Functional currency: ROU 84  
 FX gain/loss 21

**G**

GAAP 13, 14, 14, 14  
 GASB 14, 14, 106, 107, 108, 109, 124, 124  
   scope 106  
   supported topics 109  
   unsupported topics 109

**H**

Headlease 22  
 Horizon date 54

**I**

IASB 12  
 IFRS 12, 13, 13, 14, 55  
 Impairment 61  
 Impairment, perform 60  
 Indexation 44, 44  
 Indexation method 106  
 Indexed amounts  
   register manually 70  
 Interest 84  
   Accrued 108

**J**

Journal entries 26, 83

**L**

lease 109  
 Lease accounting 12  
   GASB 105  
 Lease accounting commitments:  
   calculate 46, 47  
 Lease accounting commitments: display 47  
 Lease accounting commitments: view 46  
 Lease accounting contract  
   complete removal 89  
   earmark for destruction  
     Advance delete 89  
 Lease accounting contracts  
   add 32  
 Lease accounting event overview:  
   purpose 111  
 Lease accounting standard: transition 30, 31, 35  
 Lease accounting standards 30  
 Lease accounting: accrued expense 15  
 Lease accounting: amortization 17  
 Lease accounting: capitalization 16  
 Lease accounting: concepts 13  
 Lease accounting: deferred income 17  
 Lease accounting: depreciation 17  
 Lease accounting: disclosure 17

Lease accounting: discount rate 18  
 Lease accounting: economic life span 18  
 Lease accounting: fair value 19  
 Lease accounting: field descriptions 138  
 Lease accounting: guaranteed residual value 28  
 Lease accounting: impairment 22  
 Lease accounting: initial direct costs 22  
 Lease accounting: lease 22  
 Lease accounting: lease receivable 23  
 Lease accounting: lessee 23  
 Lease accounting: lessor 23  
 Lease accounting: liability 23  
 Lease accounting: minimum lease payments 25  
 Lease accounting: operational expense 25  
 Lease accounting: report 114, 115, 117, 118, 120, 123, 125, 127  
 Lease accounting: reporting entity 20  
 Lease accounting: reports 113  
 Lease accounting: residual value 27  
 Lease accounting: right-of-use 28  
 Lease accounting: straight-lining 30  
 Lease accounting: system reports 119, 123, 123, 124, 124, 126, 126  
 Lease accounting: unguaranteed residual value 28  
 Lease classification 129, 129  
 Lease contract 103  
 Lease contract lines  
   add 32  
 Lease contracts: reduce scope 58  
 Lease contracts: shorten duration 56  
 Lease incentive  
   postings 23  
 Lease incentive, register 74  
 Lease liability: calculation 49  
 Lease overview: edit report settings 120  
 Lease overview: report 119, 120  
 Lease payments: straight-line 70  
 Lease schedule overview report 123  
   generating 123

Lease schedule overview: report 123  
 lessor 107, 108

## M

Multi-GAAP 55, 55, 56  
 Multiple accounting standards 55, 55, 56  
 multiple currencies 81

## N

negative right-of-use 63

## O

Onboarding 26  
 operating company & 4-4-5 103  
 Operating lease 129, 129  
 Operating lease: case 176  
 Operating lease: lease accrual based on rent free period 176  
 Operating lease: lease accrual straightened 177  
 Operating leases 56  
 Operational lease 25

## P

Planon calculation start date 91  
 Posting 26  
 Postings: generate 51  
 precalculate commitments 47  
 Price levels 44, 44  
 Pro rata 50  
 Purchase option 26

## R

reasonably certain option 108  
 Recalculate commitments 53  
 Recalculate required? 53  
 RECO 28  
 Reference date 27  
 Reference date: active 27  
 Renewal option  
   not reasonably certain 178  
   reasonably certain 178  
   setting a priority 178  
 Renewal option(Termination option  
   reasonably certain 178, 178  
 Renewal options 106

Rent-free period 27  
    register 71  
reporting entity: define 68  
reporting groups  
    link to contract line 113  
Residual values  
    guaranteed 177  
    unguaranteed 177  
Restoration costs 28  
Restrictions 55, 102  
Rolling renewal(lease standard IFRS16  
    horizon date 180  
    lease standard ASC842 180  
    switch certainty 180

## S

sale and leaseback 29  
Sale and leaseback  
    register 77  
Short-term 109  
spot rate 82  
Spot rate 29  
Strict 52 171  
Sublease  
    derecognition of asset 22  
Sublease: register 75

## T

Terminating lease contract 88  
Termination option  
    reasonably certain 179  
Transfer to new standard 36  
Transition 30  
Transition definition: define 35  
Transition definition: link to contract line  
35  
Transition: from ASC 840 to ASC 842  
31  
Transition: from IAS17 to IFRS16 30

## V

Volume licensing 190

## W

Working with 4-4-5 lease accounting  
102