

Video Storyboard: Lease Accounting Basics

Audience	<input checked="" type="checkbox"/> Administrator <input checked="" type="checkbox"/> Non-Administrator User	Author	Bill Harter						
Delivery Method	<input checked="" type="checkbox"/> Online Course <input type="checkbox"/> In-Person Course	Date of Last Update	11/6/2020						
Expected Duration	30 Minutes	Version of Platform	20.5 <small>See User Settings of VL Platform</small>						
Course Objectives <small>What will the audience get out of it?</small>	<ul style="list-style-type: none"> • Understand the data required to create schedules • Entering data using the platform wizard • Entering data using the import template 	Related PowerPoint(s) <small>Include file name</small>	Lease Accounting Basics Course						
Key Sections <small>Correlate with the Course Outline if appropriate</small>	<ul style="list-style-type: none"> • Introduction • Objectives • Prerequisites • Lease Accounting Tab • Navigate the Module Sections • Lease information • New Vs Transitions • Create New Calculation • Accounting Wizard • Initial Accounting Values • Discount Rates • Explicit Rates • Financial Entries • Lease Type Test • Fair Market Value and Useful Life • Lease Type Override • Calculations • Lease Schedule • Journal Entry Summary • Conclusion 	Related Content <small>Include File Names or references</small>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Takeaway Document</td> <td>Lease Accounting Basic – Takeaway Document</td> </tr> <tr> <td>Pop Quiz & Key</td> <td>Lease Accounting Basics – Pop Quiz</td> </tr> <tr> <td>User Manual pages</td> <td></td> </tr> </table>	Takeaway Document	Lease Accounting Basic – Takeaway Document	Pop Quiz & Key	Lease Accounting Basics – Pop Quiz	User Manual pages	
Takeaway Document	Lease Accounting Basic – Takeaway Document								
Pop Quiz & Key	Lease Accounting Basics – Pop Quiz								
User Manual pages									

Key Sections	Script	Training Action
Topic 1: Introduction		
Introduction	<p>Welcome to training with VLU. This course is designed to cover the basics behind creating new calculations in Visual Lease’s lease accounting module. Our goal is to ensure you have what you need to gain compliance with the newest Accounting standards published by FASB, IASB and GASB.</p>	Ppt Slide 1

<p style="text-align: center;">Objectives</p>	<p>By the end of this course, you will learn:</p> <ul style="list-style-type: none"> • the various inputs of a lease accounting calculation • and how to create a Lease Schedule and journal entries from these inputs 	<p style="text-align: center;">Ppt Slide 2</p>
<p style="text-align: center;">Agenda</p>	<p>Please take a moment to review the agenda. If you are looking for a specific topic, feel free to navigate to the corresponding timestamp.</p>	
<p>Topic 2: Lease Accounting Inputs</p>		
	<p>To get accurate information out of Visual Lease, we have to ensure we put complete and accurate data into it. That is especially true for lease accounting calculations, which pulls inputs from various fields within your lease record. The integrity of those inputs is critical to producing accurate calculations. Let's review some together.</p>	<p style="text-align: center;">Start within a lease record (no dashboard)</p>
<p style="text-align: center;">Prerequisites</p>	<p>Before we get started it is important to note that the options shown on this screen may be different based on your configuration.</p> <p>First, let's visit the General Tab. In particular, the Record Type, Commencement and</p>	<p>General Tab > Key Information > Call outs, then navigate to dates > Call out dates</p>

Expiration Dates are key inputs.

The Record type will establish whether this is treated as a Lessor or Lessee record, and may also affect other treatments depending on your configuration.

The Commencement and Expiration Dates will serve as the default start and end dates to your lease accounting calculations.

Make sure to review and confirm these fields before building your calculations.

Now, let's take a brief look at your financial entries. Let's click on the Financials Tab. Underneath that, you'll see a series of sub-tabs, you'll look for Entries.

Financial entries are a key input into your accounting calculation. At a minimum, this could include base rent, but may include other items, including but not limited to end of lease costs.

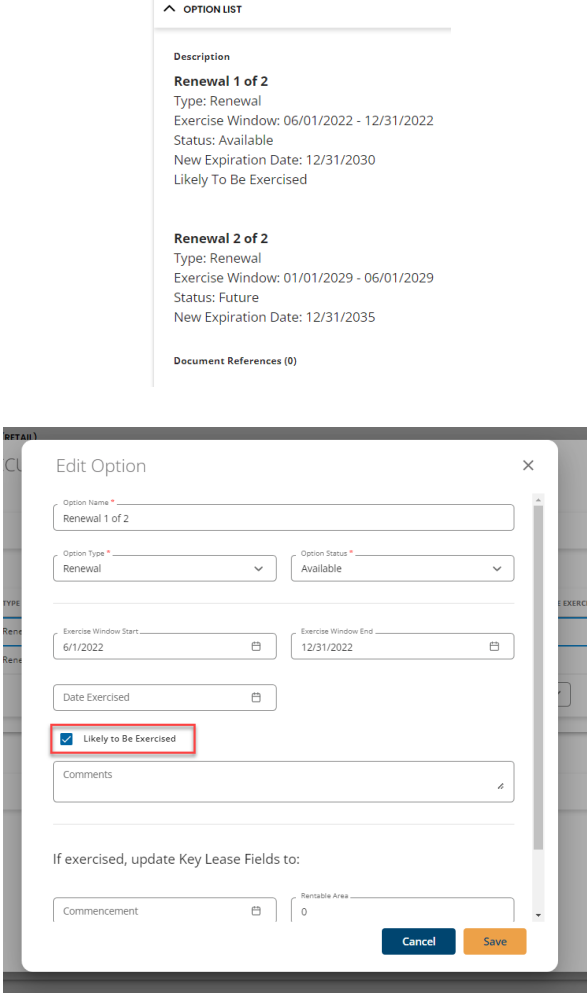
Click on Financials > Call out sub-tabs > spotlight zoom to entries > click

Finally, let's take a look at your lease options. You can find these in the Clauses tab.

To navigate here, select Edit from the Options List, open the Option Details, and select Edit from the action menu here

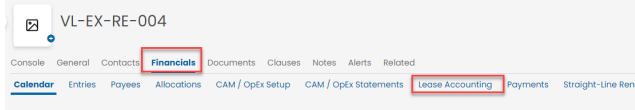
If they are marked as "likely to be Exercised", they will impact the term of your lease accounting calculations. Remember, though, we are

Clauses > Options > open terms, use & occupancy > open option list > edit a specific option > Call out the checkbox "Likely to be exercised"

	<p>entering new calculations in this example. The threshold for “Likely to be Exercised” is fairly high, so it is unlikely to be met at inception unless the original lease term is quite short.</p>	
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Topic 3: Creating a FASB Calculation

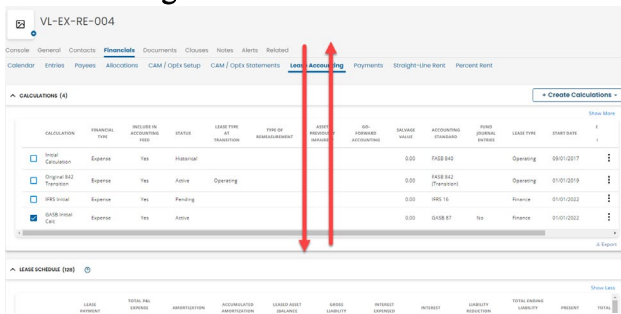
	<p>Now that we reviewed key information throughout the lease record, let’s look at how to generate a lease accounting calculation from the Lease Accounting Module.</p>	
<p style="text-align: center;">Lease Accounting Tab</p>	<p>It can be found under the Financials tab, if you click on Lease Accounting. This is</p>	<p style="text-align: center;">Lease Record > Lease Accounting</p>



where all of your lease accounting calculations will be created and stored.

You can find all of your created and stored calculations by selecting the Financials tab and then selecting lease accounting

Navigate the Module Sections



Let me show you around. All lease accounting actions can be completed by using the **Create Calculations** button on the top-right of the screen, and the **Kebab** in each row of a calculation. **OR BY CLICKING here to edit, remeasure, and perform other actions for existing calculations.**

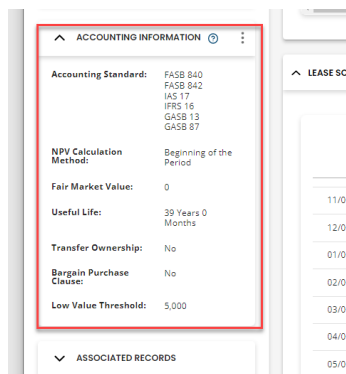
But before we explore that further, let me show you the other areas of this module.

Beneath that, the screen breaks into various sections such as the lease schedule and journal entries summary for the selected calculation. Additionally, in the left sidebar, the **Accounting Information** section contains **basic lease information**, that will impact all calculations on the lease,

Once you create lease accounting calculations, additional actions will become available. First, though we need to create a calculation.

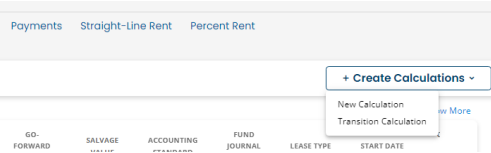
Scroll from top to bottom: Lease Information

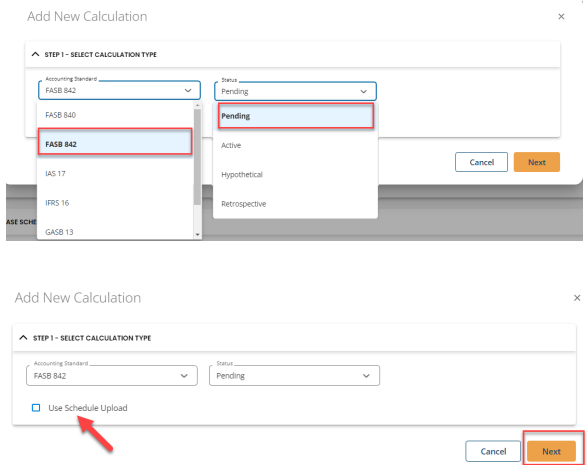
Accounting Information



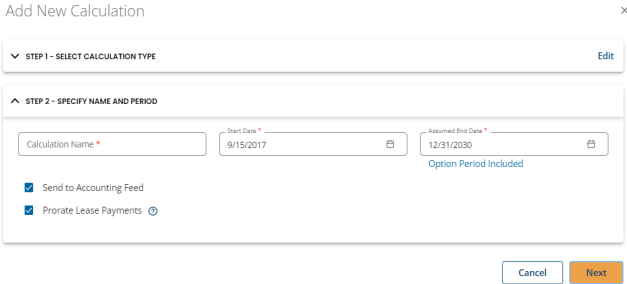
The Accounting Information section on the side bar, reflects standard data based on the lease record type. For

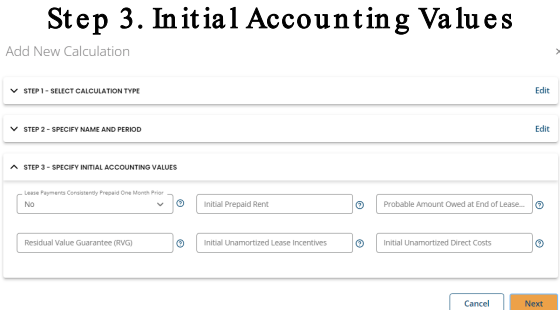
Sidebar > Click Kebob (in app version currently) >

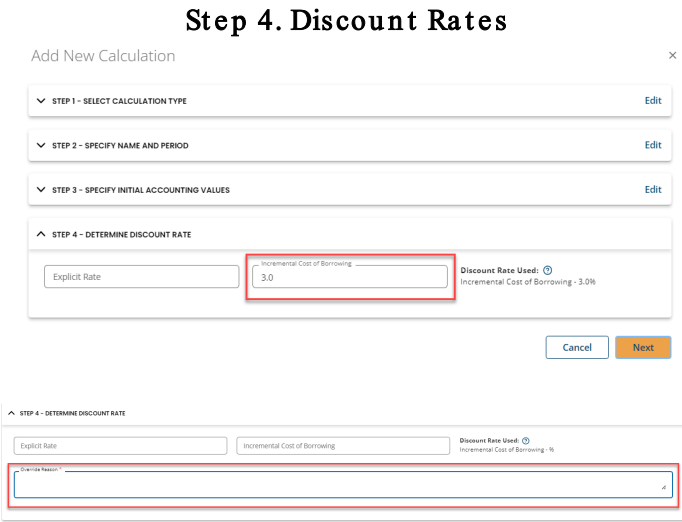
	<p>example, the Short-Term Lease classification applies to the record type, not the individual lease, and so it cannot be changed here. Low Value lease status, as well as the accounting standards, may be changed individually.</p> <p>The values in the middle are initially set by Record Type, but can be adjusted to reflect the specifics of this individual asset. Note that this information is not date specific, though. Enter the initial values here. Later, when we create a calculation, you will see where this data is updated to reflect conditions at that time.</p>	<p>Edit Lease Information</p>
<p style="text-align: center;">Create Calculation</p> 	<p>Now, let's walk through how to create a FASB 842 lease accounting calculation. Once you understand how this works, you will easily be able to explore more complex scenarios and calculations in this module.</p> <p>To get started, click Create Calculations.</p>	<p>Click Create Calculation</p>
<p style="text-align: center;">New vs. Transition</p>	<p>As you can see, you can create a new calculation, or you can create a transition calculation. A new calculation runs from the commencement date of the lease. A transition calculation is what you'll create when the lease already exists on your books under the former accounting standard. In this course, we</p>	

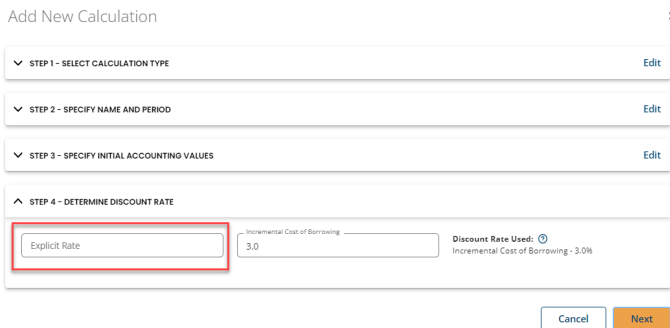
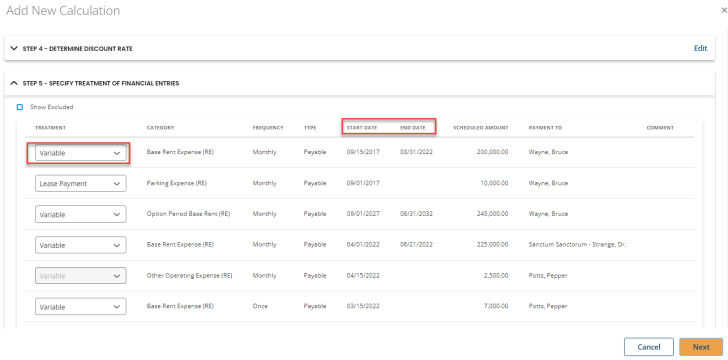
	<p>will focus on creating a new calculation from commencement.</p>	
<p style="text-align: center;">Add New Calculation</p>	<p>For now, let's select New Calculation. You will see the Calculation Wizard appear which will walk you through each step of creating a calculation.</p>	<p style="text-align: center;">Select Create New Calculation</p>
<p style="text-align: center;">Calculation Wizard: Step 1: Standard and Status</p> 	<p>You will see the Add New Calculation window open. The first step is to specify the accounting standard I wish to apply. In my configuration, I can apply either the old or new standards for all three major standards boards. For this example, we'll use the FASB 842 standard.</p> <p>Then, you will specify the calculation status.</p> <p>Pending status is typically what I recommend using at first, because that gives you the ability to review the lease schedules and journal entries before you activate the calculation. As a pending calculation, data will not flow through to your Accounting Feed, so you can feel confident that your calculation is set up correctly. You can then easily make it active.</p> <p>Active is used to identify live calculations, which will enable them to flow through to your ERP system.</p> <p>We also have the ability here to create hypothetical</p>	<p style="text-align: center;">Select FASB 842 > Pending > Next</p>

	<p>calculations. If you're looking at various scenarios and want to do some “what if” analyses, but don't have any intention of those ever being live calculations, hypothetical is a good way to segregate those calculations.</p> <p>There is also an option to choose a retrospective period calculation, but with the FASB’s updated guidance that opened up modified retrospective to virtually all companies, the platform’s functionality on this is effectively disabled.</p> <p>Use the Schedule Upload checkbox to enable you to upload precalculated schedules (using a provided template) pertaining to rare scenarios that Visual Lease currently does not calculate, so they can be compared to Visual Lease-calculated schedules. You also have the option to upload the corresponding journal entries in the same template or have journal entries generated from the provided schedule. The uploaded schedule and journal entries will flow to the appropriate GL feeds.</p> <p>When selecting this option, you will have the opportunity to upload the template in step 6 of the wizard.</p> <p>Once you make your selections, hit next to arrive</p>	
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	<p>at the next step of the wizard.</p>	
<p style="text-align: center;">Step 2: Specify Name and Period</p> 	<p>Step 2 will allow you to specify a calculation name and period. We recommend that you name your calculation to make it easily distinguishable. In this case, we're just using the default name. For this example, I will simply name the calculation after the standard itself.</p> <p>The platform will use the commencement date and the expiration date as the start and end default values. The commencement date on the General Tab is the LEGAL commencement date, though. Please note that the accounting commencement date is the date of possession, which is likely could possibly be different than the legal commencement date. If this is the case, you will need to override that default value with the possession date.</p> <p>Always use the appropriate date for your schedules depending on the circumstances of the lease. The assumed end date is going to default to the expiration date of the lease, which is stored on the General tab.</p> <p>Check “send to accounting feed” if you want the information sent to the ERP system when the status is moved to Active. Prorate</p>	<p style="text-align: center;">Enter a calculation name> and dates (if needed)> click Next</p>

	<p>Lease Payments typically will not have an impact on your numbers, but it applies in the rare event of the cash payment and accounting schedule prorating a period over different durations. Unchecking this box would prevent a double proration.</p>	
	<p>Step 3 of the wizard is where we get the opportunity to input various values that are not housed in other areas of the lease record, that will have an impact on your calculation.</p> <p>For example, here you can bring in an initial prepaid rent. Initial Prepaid Rent entered here will be applied to the first period's payment and thereafter until the entire prepaid amount is reached.</p> <p>You only enter a Probable amount Owed at the end of the lease if you have some reasonable expectation of that amount. You might have some expectations at commencement, but it is much more likely you will not have any level of certainty until you get closer to the end of the term.</p> <p>Remember that Residual Value Guarantees are handled differently under the new standards. If the guarantee exists, enter it in the RVG box.</p>	<p>Call out each</p>
	<p>In addition, note that you have the ability to indicate whether or not lease</p>	<p>Call out each</p>

	<p>payments are consistently prepaid one month prior. If you're in a situation where you're sending paper checks, and you mail them before the end of the prior month to ensure that it reaches the landlord by the first, you can go ahead and select Yes.</p> <p>Any unamortized lease incentives and initial direct costs are also entered here. Everything in these new accounting schedules standards is based off of the time value of money. If you're accelerating those payments by one or even a few months that's going to have an impact on those assets and liability values; go ahead and take advantage of that.</p>	
 <p>Step 4. Discount Rates</p> <p>Add New Calculation x</p> <ul style="list-style-type: none"> ▼ STEP 1 - SELECT CALCULATION TYPE Edit ▼ STEP 2 - SPECIFY NAME AND PERIOD Edit ▼ STEP 3 - SPECIFY INITIAL ACCOUNTING VALUES Edit ▲ STEP 4 - DETERMINE DISCOUNT RATE <p>Explicit Rate <input type="text"/> Incremental Cost of Borrowing <input type="text" value="3.0"/> Discount Rate Used: <input type="radio"/> Incremental Cost of Borrowing - 3.0%</p> <p>Cancel Next</p> <p>Reason <input type="text"/></p>	<p>Let's go ahead to step 4, where you enter the discount rate. Your platform can hold a schedule table of discount rates based upon organization, country, currency, lease term, etcetera. The platform will automatically look at all of that information and then select from the table the appropriate rate. But, you don't have to use the number that the platform has come up with, you could select something different. If you do override the populated default rate, the platform will ask you for an override reason. We're always building an audit trail for any time that you're making</p>	<p>Change discount rate, restore > show Reason box</p>

	<p>a variation from the standard or default treatment. I'm going to just take us back to our default rate.</p>	
<p style="text-align: center;">Step 4. Explicit Rate</p> 	<p>Sometimes, a lease may explicitly state a discount rate. This is rare, but you may see this happen with vehicles or equipment. If so, you must enter that defined rate here.</p>	<p>Callout then click Next</p>
<p style="text-align: center;">Step 5 Financial Entries</p> 	<p>In step 5, we select which financial entries are going to be included—and how they are going to be included—in the calculation.</p> <p>Each entry listed here will be ones that exist on this lease within the start and end date of this calculation (specified in Step 2). Those flagged as Lease Payment will obviously be treated as lease payments, the basis for the schedule; at least one such entry is required. I also have a payment that's being treated as a variable expense. It will flow through to my disclosure statements, but it is not part of the basis of calculating the asset and liability schedules.</p>	<p>Call out Start/End Date & Variable</p>

Add New Calculation

STEP 4 - DETERMINE DISCOUNT RATE

STEP 5 - SPECIFY TREATMENT OF FINANCIAL ENTRIES

Show Excluded

TREATMENT	CATEGORY	FREQUENCY	TYPE	START DATE	END DATE	SCHEDULED AMOUNT	PAYMENT TO	COMMENT
Variable	Base Rent Expense (RE)	Monthly	Payable	09/15/2017	03/31/2022	200,000.00	Wayne, Bruce	
Lease Payment	Parking Expense (RE)	Monthly	Payable	09/01/2017		10,000.00	Wayne, Bruce	
Variable	Option Period Base Rent (RE)	Monthly	Payable	09/01/2027	08/31/2032	245,000.00	Wayne, Bruce	
Variable	Base Rent Expense (RE)	Monthly	Payable	04/01/2022	06/21/2022	225,000.00	Sanctum Sanctorum - Strange, Dr.	
Variable	Other Operating Expense (RE)	Monthly	Payable	04/15/2022		2,500.00	Potts, Pepper	
Variable	Base Rent Expense (RE)	Once	Payable	03/15/2022		7,000.00	Potts, Pepper	

Cancel Next

By default the system will only show those financial entries that factor into accounting schedules or reporting, but I can check the Show Excluded box to see all the other payments for this lease, which are set to be excluded from this calculation as a default.

Call out checkbox > Check box click Next

While I can override the default by changing the selection, I'm just going to keep the payments entries and treatment types consist with my defaults. So, I accept this and move on to the final step.

Step 6. Lease Type Test

STEP 6 - PERFORM LEASE TYPE TEST

NPV of Payments: 1,010,915.50

Fair Market Value: _____ Useful Life (Years): 39 Useful Life (Months): 0

1. Does ownership transfer at end of lease? Yes No

2. Is there a Bargain Purchase clause in the lease? Yes No

3. Does the assumed lease term encompass 75% or more of the useful life? Yes No

4. Is the NPV of all payments >= 90% of the Fair Market Value? Yes No

5. Is the underlying asset of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term? Yes No

Computed Lease Type: Operating

Override Computed Lease Type

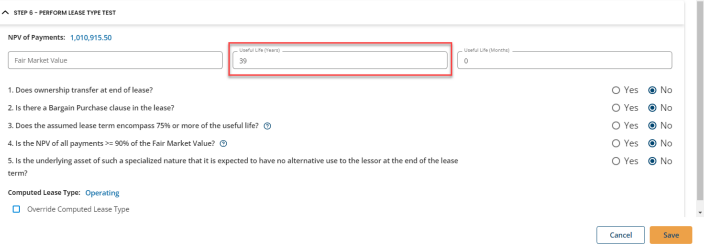
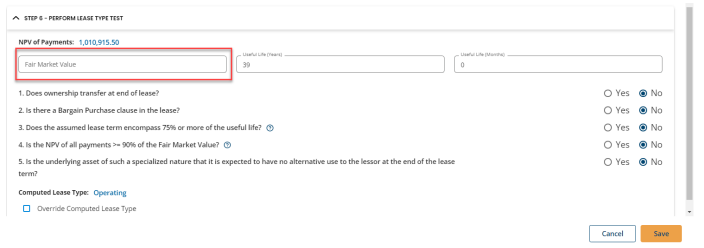
Cancel Save

Step 6 is the lease type test. Here's where, in the FASB 842 world, we apply the lease type test to determine whether it's an operating or a finance lease. Questions one, two, and five are subjective. You must make the determination whether it's a yes or no and provide a reason why you selected yes.

Call out 1,2,5 then 3,4

Questions three and four are objective value questions: 75% of the useful life or NPV more than 90% of the fair market value. These are automatic calculations. These values are adjustable, consistent with the revised guidance under ASC 842.

Please note, for IFRS16 and GASB87 there will be fewer questions to answer, since all such calculations are considered Finance, unless

	<p>you take certain practical expedients. You can learn more about this in our VLU course on Short Term/Low Value leases.</p>	
<p style="text-align: center;">Step 6. Fair Market Value and Useful Life</p> 	<p>We should spend a minute here talking about fair market value and useful life. The useful life for this lease is 39 years because this is a real estate lease. We use 39 years because that's the amortization period for real estate in the US Tax code. You may have set up other default values for other Record Types. Regardless of the default value, you should enter the life specific to the asset. It's important for the Lease Type Test, and also used for determining amortization of assets purchased at the end of the lease.</p>	<p>Call out useful life years & month</p>
	<p>In a real estate transaction, you're often going to leave the Fair Market Value field blank. The rule is if it's difficult to ascertain the fair market value of the distinct asset, you don't have to fill that in. For example, if this were an office lease, say it's for the 50th floor of the Empire State Building, you can't just buy the 50th floor. You would have to buy the whole building. I can't determine what the value of that single floor of the building is, so I would just leave this fair market value here as a blank or 0.</p>	

Step 6. Lease Type Override

STEP 6 - PERFORM LEASE TYPE TEST

NPV of Payments: 1,010,915.50

Fair Market Value: 39

1. Does ownership transfer at end of lease? Yes No

2. Is there a Bargain Purchase clause in the lease? Yes No

3. Does the assumed lease term encompass 75% or more of the useful life? Yes No

4. Is the NPV of all payments >= 90% of the Fair Market Value? Yes No

5. Is the underlying asset of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term? Yes No

Computed Lease Type: Operating

Override Computed Lease Type

Computed Lease Type: **Operating**

Override Computed Lease Type

Override Lease Type: **Finance**

Override Reason *

If any of the five questions answer YES, the lease is determined to be a Finance Lease, or a Capital Lease under one of the older standards. It is possible to override the calculated value for these questions, and also possible to just override the type. For audit trail purposes, any time you do so, you will be asked for an Override Reason.

Check box - Override Lease Type > Show box for override reason > Uncheck the box > Save

Calculations

VL-EX-RE-004

Console General Contacts **Financials** Documents Clauses Notes

Calendar Entries Payees Allocations CAM / OpEx Setup CAM / OpEx

^ CALCULATIONS (5)

CALCULATION	FINANCIAL TYPE	INCLUDE IN ACCOUNTING FEE
<input type="checkbox"/> Initial Calculation	Expense	Yes
<input type="checkbox"/> Original 842 Transition	Expense	Yes
<input type="checkbox"/> IFRS Initial	Expense	Yes
<input type="checkbox"/> GASB Initial Calc	Expense	Yes
<input checked="" type="checkbox"/> Step Calculation	Expense	Yes

Calculations (2)

Show More

Calculation	Financial Type	Include in Accounting Feed	Status
<input type="checkbox"/> Initial Calculation	Expense	Yes	Active
<input checked="" type="checkbox"/> Original 842 Transition	Expense	Yes	Active

Once this is saved, you will see the rest of the sections on the Lease Accounting Page appear. The details of this calculation appear in the Calculations section.

Call out calculations section

If I select “Show More” I’ll see all the inputs that went into creating this individual schedule. <video change...show more location changed>

Call out “show more” > click and scroll to the right and back

You can also change the view by clicking on the pivot icon, here. This will switch the columns and rows giving you a list-type view that will not require as much horizontal scrolling.

Call out pivot icon > Click to switch > Call out rows/columns

In this view, the action menu will be located here, and is where you will be able to perform actions such as create a remeasurement calculation.

Call out action drop-down & open. Close and move on.

+ Create Calculations ▾

Calculations (2) **+ Create Calculations** ▾

Initial Calculation Original 842 Transition

Financial Type	Initial Calculation	Original 842 Transition
Include in Accounting Feed	Expense	Expense
Status	Yes	Yes
Lease Type at Transition	Active	Active
Type of Remeasurement		Operating
Asset Previously Impaired?		
Go-Forward Accounting		
Salvage Value	0.00	0.00
Accounting Standard	FASB 840	FASB 842 (Transition)
Fund Journal Entries		
Lease Type	Operating	Operating
Start Date	03/01/2018	01/01/2019
Cease Use Date		
End Date	02/28/2028	02/28/2028

Initial Calculation Original 842 Transition

Actions ▾

- View Included Financial Entries
- Change Calc Status
- Delete / Restore
- Purchase Asset
- Create Remeasurement Calc
- Make Correction
- End Calc
- Remove from Accounting Feed
- Update Capital Lease Test

Note: The calculations section will default to the list type view.

Lease Schedule

VL-EX-RE-004

Console General Contacts **Financials** Documents Clauses Notes Alerts Related

Calendar Entries Payees Allocations CAM / OpEx Setup CAM / OpEx Statements **Lease Accounting** Payments Str

▼ CALCULATIONS (9)

▲ LEASE SCHEDULE (160)

	LEASE PAYMENT (CASH BASIS)	STRAIGHT-LINE RENT (EXPENSE)	AMORTIZATION OF USE ASSET (CALCULATION)	ACCUMULATED AMORTIZATION (CALCULATION)	RIGHT OF USE ASSET (BALANCE SHEET)	GROSS LIABILITY (CASH BASIS)	INTEREST EXPENSED OVER TERM
Starting Balance					1,010,915.50	1,195,333.33	
09/15/2017	5,333.33	3,996.10	2,431.86	2,431.86	1,008,483.64	1,190,000.00	184,419.37
10/01/2017	10,000.00	7,492.69	4,584.35	7,016.21	1,003,899.29	1,180,000.00	182,855.13
11/01/2017	10,000.00	7,492.69	4,605.03	11,621.24	999,294.26	1,170,000.00	179,846.79
12/01/2017	10,000.00	7,492.69	4,625.77	16,247.01	994,668.49	1,160,000.00	177,059.13
01/01/2018	10,000.00	7,492.69	4,646.58	20,893.59	990,021.91	1,150,000.00	174,102.21

The lease schedule created will contain all the necessary detail including the lease payments, straight line rent, right of use asset, amortization, interest, and liabilities.

Scroll through the sections

Journal Entry Summary

The schedule is then the basis of creating the Journal Entry Summary at the bottom of the page. The Journal Entries provide the

	<p>linkage to feed these details to your ERP system.</p> <p>Please note, though, that the Description given here is NOT the GL account where the value will be posted, it is merely a system description. During your platform configuration, mappings were created which consider the description, the record type, the accounting standard and lease type, and direct the values to the appropriate accounts in your General Ledger.</p> <p>You can filter your journal entries by year by clicking here and selecting a year, or multiple years, or by entering a date range.</p>	<p>Open Journal Panel > call out descriptions</p> <p>Call out Filter Icon > call out date icons</p>
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Topic 4: Creating a GASB 87 Calculation

<p>Introduction</p>	<p>GASB 87 calculations are similar to FASB 842 and IFRS16 with a few caveats in the calculation wizard. This video will demonstrate how to create a new GASB 87 calculation in the Visual Lease platform.</p>	
<p>Lease Accounting Tab</p>	<p>You can find all of your created and stored calculations by selecting the Financials tab and then selecting lease accounting</p>	<p>Lease Record > Lease Accounting</p>

Navigate the Module Sections

Let me show you around. All lease accounting actions can be completed by using the **Create Calculations** button on the top-right of the screen, ~~and the Kebab in each row of a calculation~~ **OR BY CLICKING here to edit, remeasure, and perform other actions for existing calculations.** But before we explore that further, let me show you the other areas of this module.

The screen breaks into various sections such as the lease schedule and journal entries summary for the selected calculation.

Additionally, in the left sidebar, the Accounting Information section contains basic lease information, that will impact all calculations on the lease

Once you create lease accounting calculations, additional actions will become available. First, though we need to create a calculation.

Scroll from top to bottom:
Lease Information

<p align="center">Create Calculation</p>	<p>As you can see In General, you can create a new calculation, or you can create a transition calculation.</p> <p>However, It is important to note, all GASB 87 calculations must be a NEW CALCULATION. If you happen to select Transition, the option to select GASB 87 as an accounting standard will be unavailable.</p>	<p>Call out and Click Create Calculation</p> <p>Possible Door callout</p>
<p align="center">Calculation Wizard: Step 1: Standard and Status</p>	<p>You will see the Add New Calculation window open. The first step is to specify the accounting standard you wish to apply. For this example, we'll use the GASB 87 standard.</p> <p>Then, you will specify the calculation status.</p> <p>Pending status is typically what I recommend using at first, because that gives you the ability to review the lease schedules and journal entries before you activate the calculation. As a pending calculation,</p>	<p>Call out each</p>

data will not flow through to your Accounting Feed, so you can feel confident that your calculation is set up correctly. You can then easily make it active.

Active is used to identify live calculations, which will enable them to flow through to your ERP system.

We also have the ability here to create **hypothetical** calculations. If you're looking at various scenarios and want to do some "what if" analyses, but don't have any intention of those ever being live calculations, hypothetical is a good way to segregate those calculations.

There is also an option to choose a **retrospective** period calculation, **but this has no function for GASB.**

Once you make your selections, click next to arrive at the next step of the wizard.

<p>Step 2: Specify Name and Period</p>	<p>Step 2 will allow you to specify a calculation name and period. We recommend that you name your calculation to make it easily distinguishable. In this case, we're just using the default name. For this example, I will simply name this after the standard.</p> <p>For the GASB 87 accounting standard, it is important to note that if the lease commenced prior to your GASB 87 adoption date, you will should override the Start Date field with the GASB 87 adoption date. For leases that commenced after the adoption date, leave the Start Date as is.</p> <p>Check “send to accounting feed” if you want the information sent to the ERP system when the status is moved to Active. Prorate Lease Payments typically will not have an impact on your numbers, but it applies in the rare event of the cash</p>	<p>Call out fields.</p> <p>Possible Door placement for bold callout in script</p>
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	<p>payment and accounting schedule prorating a period over different durations. Unchecking this box would prevent a double proration.</p>	
<p>Step 3. Initial Accounting Values</p>	<p>Step 3 of the wizard is where we get the opportunity to input various values that are not housed in other areas of the lease record, that will have an impact on your calculation.</p> <p>For the GASB 87 accounting standard, it is important to note, that in this step, IF your lease commenced prior to your GASB 87 adoption date, select Yes from the Transition Drop-down. If it commenced after the adoption date, leave the Transition field as NO.</p> <p>Please note: If the transition drop-down is selected as YES then Initial Pre-paid Rent, Initial Unamortized Lease Incentives, and Initial Unamortized Direct Costs will become INACTIVE, and the</p>	<p>Door callout</p> <p>Call out inactive sections & remaining sections</p>

	<p>corresponding fields labeled “at transition” will be editable.</p> <p>These fields include:</p> <p>Prepaid Rent at Transition which is the amount pre-paid as of the transition date and will be applied to the first due rent under the lease and thereafter until the entire prepaid amount is reached</p> <p>Unamortized Lease Incentives at Transition and Unamortized Direct Costs at Transition are amounts paid or received before the start of the schedule. Values entered in these fields should be the unamortized portion as of the transition date, not the full amount.</p> <p>Deferred Rent Balance at Transition is an existing balance brought in from the straight-line rent schedule. This field is critical to establishing the proper straight-line rent amount.</p>	
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I'm now going to set the Transition field option back to "No"

You only enter a **Probable amount Owed** at the end of the lease if you have some reasonable expectation of that amount. You might have some expectations at commencement, but it is much more likely you will not have any level of certainty until you get closer to the end of the term.

Remember that **Residual Value Guarantees** are handled differently under the new standards. If the guarantee exists, enter it in the RVG box.

In addition, note that you have the ability to indicate whether or not **lease payments are consistently prepaid one month prior**. If you're in a situation where you're sending paper checks, and you mail them before the end of the prior month to ensure that it reaches the landlord by the first, you can go ahead and select **Yes**

Everything in these new accounting schedules standards is based off of the time value of money. If you're accelerating those payments by one or even a few months that's going to have an impact on those assets and liability values; go ahead and take advantage of that.

Please note that if the Transition dropdown is selected as "No," these corresponding transition fields we just discussed will be unavailable

Step 4. Discount Rates

The screenshot shows a multi-step form for adding a new calculation. The steps are:

- STEP 1 - SELECT CALCULATION TYPE
- STEP 2 - SPECIFY NAME AND PERIOD
- STEP 3 - SPECIFY INITIAL ACCOUNTING VALUES
- STEP 4 - DETERMINE DISCOUNT RATE

In Step 4, the following fields are visible:

- Explicit Rate
- Incremental Cost of Borrowing: 3.0
- Discount Rate Used: Incremental Cost of Borrowing - 3.0%
- Override Reason: [Dropdown menu]

Buttons for 'Cancel' and 'Next' are located at the bottom of the form.

Let's go ahead to step 4, where you enter the discount rate. Your platform can hold a schedule table of discount rates based upon organization, country, currency, lease term, etcetera. The platform will automatically look at all of that information and then select from the table the appropriate rate. But, you don't have to use the number that the platform has come up with, you could select

something different. If you do override the populated default rate, the platform will ask you for an override reason. We're always building an audit trail for any time that you're making a variation from the standard or default treatment. I'm going to just take us back to our default rate.

Step 4. Explicit Rate

Add New Calculation

STEP 1 - SELECT CALCULATION TYPE Edit

STEP 2 - SPECIFY NAME AND PERIOD Edit

STEP 3 - SPECIFY INITIAL ACCOUNTING VALUES Edit

STEP 4 - DETERMINE DISCOUNT RATE

Explicit Rate: Incremental Cost of Borrowing: Discount Rate Used: Incremental Cost of Borrowing - 3.0%

Cancel Next

It's rare, but a lease may explicitly state a discount rate. You may see this happen with vehicles or equipment. If so, you must use that defined rate and enter the information here.

Step 5 Financial Entries

Add New Calculation

STEP 4 - DETERMINE DISCOUNT RATE Edit

STEP 5 - SPECIFY TREATMENT OF FINANCIAL ENTRIES

Show Excluded

TREATMENT	CATEGORY	FREQUENCY	TYPE	START DATE	END DATE	SCHEDULED AMOUNT	PAYMENT TO	COMMENT
Variable	Base Rent Expense (RE)	Monthly	Payable	09/15/2017	09/31/2022	205,000.00	Wayne, Bruce	
Lease Payment	Parking Expense (RE)	Monthly	Payable	09/01/2017		10,000.00	Wayne, Bruce	
Variable	Option Period Base Rent (RE)	Monthly	Payable	09/01/2027	09/31/2032	245,000.00	Wayne, Bruce	
Variable	Base Rent Expense (RE)	Monthly	Payable	04/01/2022	09/31/2022	225,000.00	Sanctum Sanctorum - Strange, Dr.	
Variable	Other Operating Expense (RE)	Monthly	Payable	04/15/2022		2,500.00	Potts, Papper	
Variable	Base Rent Expense (RE)	Once	Payable	03/15/2022		7,000.00	Potts, Papper	

Cancel Next

In step 5, we select which financial entries are going to be included—and **how** they are going to be included—in the calculation.

Each entry listed here will be ones that exist on this lease within the start and end date of this calculation (specified in Step 2). Those flagged as Lease Payment will obviously be treated as lease payments, the basis for the

schedule; at least one such entry is required. I also have a payment that's being treated as a variable expense. It will flow through to my disclosure statements, but it is not part of the basis of calculating the asset and liability schedules.

By default the system will only show those calculations that factor into accounting schedules or reporting, but I can check the Show Excluded box to see all the other payments set to be excluded from this calculation as a default.

While I can override the default by changing the selection, I'm just going to keep the payments entries and treatment types consist with my defaults. So I accept this and move on to the final step.

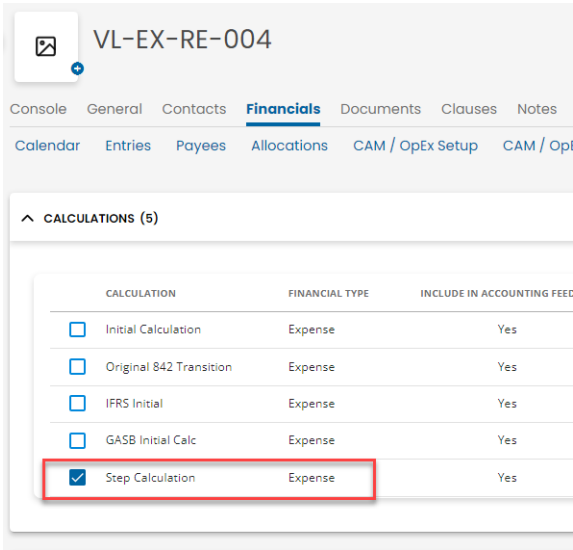
TREATMENT	CATEGORY	FREQUENCY	TYPE	START DATE	END DATE	SCHEDULED AMOUNT	PAYMENT TO	COMMENT
Variable	Base Rent Expense (RE)	Monthly	Payable	09/15/2017	03/31/2022	200,000.00	Wayne, Bruce	
Lease Payment	Parking Expense (RE)	Monthly	Payable	09/01/2017		10,000.00	Wayne, Bruce	
Variable	Option Period Base Rent (RE)	Monthly	Payable	09/01/2027	08/31/2032	240,000.00	Wayne, Bruce	
Variable	Base Rent Expense (RE)	Monthly	Payable	04/01/2022	06/21/2022	225,000.00	Sanctum Sanctorum - Strange, Dr.	
Variable	Other Operating Expense (RE)	Monthly	Payable	04/15/2022		2,500.00	Potts, Pepper	
Variable	Base Rent Expense (RE)	Once	Payable	03/15/2022		7,000.00	Potts, Pepper	

Step 6. Lease Type Test

In step 6, for GASB 87 standards, enter a useful life in years or months (if applicable). We default useful life to 39 years as that is the current

Call out useful life years & months, point to months

	<p>depreciation period for commercial real estate under US tax law. You should select whatever is appropriate for your asset. If it is exactly 39 years and 0 months, enter 0 in the Useful Life (Months) field.</p> <p>Answer if there is a Bargain Clause on the lease, which is defaulted to no. If Yes is selected, then the leased asset is amortized over the useful life of the asset and the lease term is not used for amortization purposes.</p>	
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<p style="text-align: center;">Calculations</p>  <p>The screenshot shows a web interface for 'VL-EX-RE-004' with a navigation menu including Console, General, Contacts, Financials, Documents, Clauses, and Notes. Below the menu is a sub-menu with Calendar, Entries, Payees, Allocations, CAM / OpEx Setup, and CAM / Opt. The main content area is titled 'CALCULATIONS (5)' and contains a table with the following data:</p> <table border="1"> <thead> <tr> <th>CALCULATION</th> <th>FINANCIAL TYPE</th> <th>INCLUDE IN ACCOUNTING FEE</th> </tr> </thead> <tbody> <tr> <td><input type="checkbox"/> Initial Calculation</td> <td>Expense</td> <td>Yes</td> </tr> <tr> <td><input type="checkbox"/> Original 842 Transition</td> <td>Expense</td> <td>Yes</td> </tr> <tr> <td><input type="checkbox"/> IFRS Initial</td> <td>Expense</td> <td>Yes</td> </tr> <tr> <td><input type="checkbox"/> GASB Initial Calc</td> <td>Expense</td> <td>Yes</td> </tr> <tr> <td><input checked="" type="checkbox"/> Step Calculation</td> <td>Expense</td> <td>Yes</td> </tr> </tbody> </table>	CALCULATION	FINANCIAL TYPE	INCLUDE IN ACCOUNTING FEE	<input type="checkbox"/> Initial Calculation	Expense	Yes	<input type="checkbox"/> Original 842 Transition	Expense	Yes	<input type="checkbox"/> IFRS Initial	Expense	Yes	<input type="checkbox"/> GASB Initial Calc	Expense	Yes	<input checked="" type="checkbox"/> Step Calculation	Expense	Yes	<p>Once this is saved, you will see the rest of the sections on the Lease Accounting Page appear. The details of this calculation appear in the Calculations section.</p> <p>Click Show More to see the rest of the parameters as you scroll across. <video change...show more location changed></p>	<p>Call out calculations section</p> <p>Call out “show more” > click and scroll to the right and back</p> <p>Call out pivot icon > Click to show list view > Call out column and</p>
CALCULATION	FINANCIAL TYPE	INCLUDE IN ACCOUNTING FEE																		
<input type="checkbox"/> Initial Calculation	Expense	Yes																		
<input type="checkbox"/> Original 842 Transition	Expense	Yes																		
<input type="checkbox"/> IFRS Initial	Expense	Yes																		
<input type="checkbox"/> GASB Initial Calc	Expense	Yes																		
<input checked="" type="checkbox"/> Step Calculation	Expense	Yes																		

Calculations (2)

Show More

Calculation	Financial Type	Include in Accounting Feed	Status
<input type="checkbox"/> Initial Calculation	Expense	Yes	Active
<input checked="" type="checkbox"/> Original 842 Transition	Expense	Yes	Active

+ Create Calculations

Cease Use Date: 02/28/2028

Calculations (2)

Show More

Calculation	Financial Type	Include in Accounting Feed	Status
<input type="checkbox"/> Initial Calculation	Expense	Yes	Active
<input checked="" type="checkbox"/> Original 842 Transition	Expense	Yes	Active

Financial Type: Expense

Include in Accounting Feed: Yes

Status: Active

Lease Type at Transition: Operating

Type of Remeasurement: Operating

Asset Previously Impaired?:

Go-Forward Accounting:

Salvage Value: 0.00

Accounting Standard: FASB 840

Fund Journal Entries:

Lease Type: Operating

Start Date: 03/01/2018

Cease Use Date: 01/01/2019

End Date: 02/28/2028

Actions

- View Included Financial Entries
- Change Calc Status
- Delete / Restore
- Purchase Asset
- Create Remeasurement Calc
- Make Correction
- End Calc
- Remove from Accounting Feed
- Update Capital Lease Test

You can also change the view by clicking on the pivot icon, here. This will switch the columns and rows giving you a list-type view that will not require as much horizontal scrolling.

In this view, the action menu will be located here, and is where you will be able to perform actions such as create a remeasurement calculation.

Note: The calculations section will default to the list type view.

row headers > call out action menu drop down > return to original state and move on

Lease Schedule

If I select “Show More” I’ll see all the inputs that went into creating this individual schedule.

The lease schedule created will contain all the necessary detail including the lease payments, straight line rent, right of use asset,

Scroll through the sections

VL-EX-RE-004

Console General Contacts **Financials** Documents Clauses Notes Alerts Related

Calendar Entries Payees Allocations CAM / OpEx Setup CAM / OpEx Statements **Lease Accounting** Payments Str

▼ CALCULATIONS (5)

▲ LEASE SCHEDULE (160) ⓘ

	LEASE PAYMENT (CASH BASIS)	STRAIGHT-LINE RENT (EXPENSE)	AMORTIZATION OF USE ASSET (CALCULATION)	ACCUMULATED AMORTIZATION (CALCULATION)	RIGHT OF USE ASSET (BALANCE SHEET)	GROSS LIABILITY (CASH BASIS)	INTEREST EXPENSED OVER TERM
Starting Balance					1,010,915.50	1,195,333.33	
09/15/2017	5,333.33	3,996.10	2,431.86	2,431.86	1,008,483.64	1,190,000.00	184,419.37
10/01/2017	10,000.00	7,492.69	4,584.35	7,016.21	1,003,899.29	1,180,000.00	182,855.13
11/01/2017	10,000.00	7,492.69	4,605.03	11,621.24	999,294.26	1,170,000.00	179,946.79
12/01/2017	10,000.00	7,492.69	4,625.77	16,247.01	994,668.49	1,160,000.00	177,059.13
01/01/2018	10,000.00	7,492.69	4,646.58	20,893.59	890,021.91	1,150,000.00	174,192.21

amortization, interest and liabilities.

Journal Entry Summary

VL-EX-RE-004

Console General Contacts **Financials** Documents Clauses Notes Alerts Related

Calendar Entries Payees Allocations CAM / OpEx Setup CAM / OpEx Statements **Lease Accounting**

▼ CALCULATIONS (5)

▼ LEASE SCHEDULE (160) ⓘ

▲ JOURNAL ENTRIES SUMMARY

PERIOD	ORGANIZATION	DESCRIPTION
09/15/2017	Stark International	ROU (SB)
	Stark Enterprises	
	Stark International	Lease Liability - Short Term (SB)
	Stark Enterprises	
	Stark International	Lease Liability - Long Term (SB)
	Stark Enterprises	

Journal Entries Summary ⓘ

Year: 2019 From: 01/2019 To: 02/2028 Reset

The schedule is then the basis of creating the Journal Entry Summary at the bottom of the page. The Journal Entries provide the linkage to feed these details to your ERP system.

Open Journal Panel > call out descriptions

Please note, though, that the Description given here is NOT the GL account where the value will be posted, it is merely a system description. During your platform configuration, mappings were created which consider the description, the record type, the accounting standard and lease type, and direct the values to the appropriate accounts in your General Ledger.

Call out Filter Icon > call out date icons

You can filter your journal entries by

	<p>year by clicking here and selecting a year, or multiple years, or by entering a date range.</p>	
<p>Topic 5: Key Takeaways</p>		
<p>Outro</p>	<p>This concludes our course on the basics behind building a lease accounting calculation. We've reviewed the data required to create your schedules, and how to create a new calculation within the lease accounting module.</p>	<p>Ppt Slide 3</p>
	<p>Thank you for attending this course. Any questions, suggestions, or feedback may be sent to support@visual lease.com.</p>	<p>Ppt Slide 4</p>