

BE COMPLIANT WITH INLUMI

IFRS 16 on Oracle EPM Cloud & HFM Applications

The new accounting standard for leases requires lessees to recognise most of their leases on the balance sheets. This creates significant data collection, data quality and disclosure challenges. All of which can be overcome with inlumi's IFRS 16 accelerators for Oracle EPM Cloud and HFM.

WHAT YOU NEED TO KNOW

Effective January 2019, lessees are required to recognise most leases on the balance sheet by recording a right-of-use asset and a lease liability. The asset should be depreciated using the same method as directly owned assets and the lease liability should in subsequent periods be measured by the effective interest rate method.

This new reporting standard requires a significant amount of lease data to be collected, calculated, reported and disclosed on a company-wide basis. The volume of work involved in collecting, integrating and ensuring good data quality should not be underestimated.

WHAT YOU NEED TO DO

To ensure IFRS 16 compliance, new data collection processes and an IFRS 16 recalculation engine need to be established while ensuring the additional burden placed on your organisation is minimised. Leveraging the appropriate technology to achieve this is critical.

inlumi offers IFRS 16 accelerators for both Oracle EPM Cloud (PBCS) and Hyperion Financial Management (HFM). Your company can use our IFRS 16 accelerators even if you do not currently have Oracle Hyperion products. Our Oracle EPM Cloud solution includes full access to Oracle's market leading Budgeting, Planning and Reporting tool in addition to the IFRS 16 accelerator.

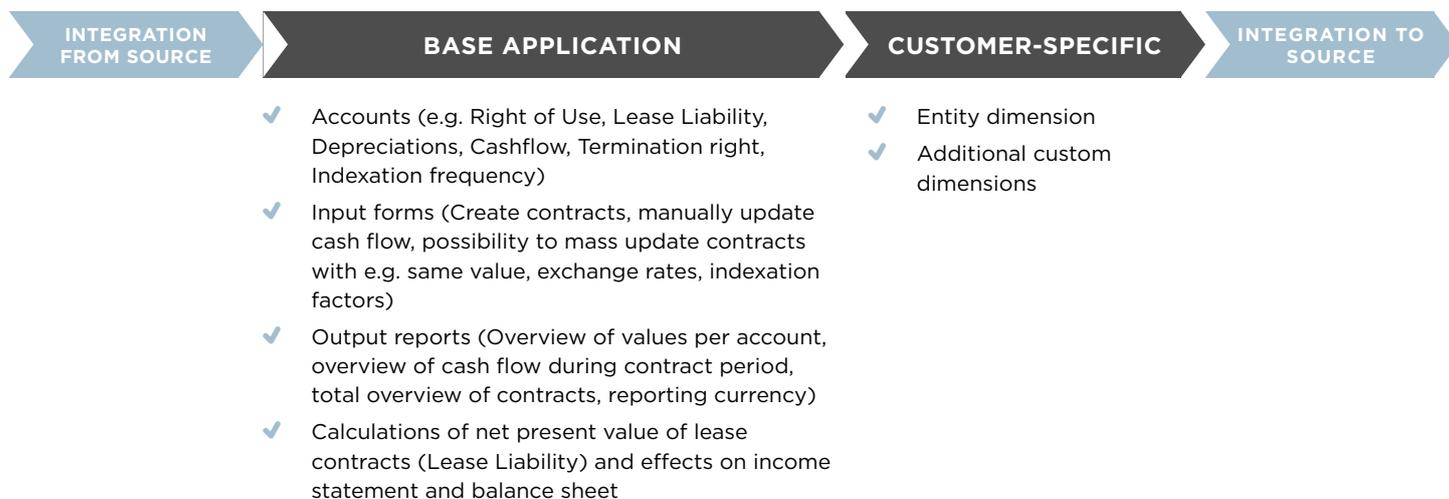
IFRS 16 IN A NUTSHELL

- ✓ In effect from January 2019
- ✓ Most leasing contracts should be recognised by the lessee on the balance sheet by recording a right-of-use asset and a lease liability
- ✓ Lease defined as: a contract that conveys to the customer ('lessee') the right to use an asset for a period of time (minimum of 12 months) in exchange for consideration
- ✓ Replaces earlier leasing standard, IAS17

MAIN CHALLENGES

- ✓ Gathering data for large number of contracts in a structured manner
- ✓ Re-evaluating individual contracts on running basis
- ✓ Establishing an efficient process
- ✓ Calculating across all contracts
- ✓ Posting adjustments
- ✓ Aggregating information across the group

INLUMI'S LEASE APPLICATIONS



BENEFITS

- ✓ Meet the requirements of the new standard
- ✓ Customer-specific adjustments possible
- ✓ Complexity depending on customer requirements
- ✓ Integration based on standard template from inlumi
- ✓ Additional integration to contract systems can be added using FDMEE

WHY ORACLE HFM?

- ✓ Known technical platform
- ✓ Structured way of gathering data
- ✓ Standard aggregations, eliminations and currency translations
- ✓ No additional license fee (providing same number of users as for other financial reporting)
- ✓ Integration with other financial reporting

WHY ORACLE EPM CLOUD?

- ✓ Complete cloud-based solution for lease calculations
- ✓ No up-front investments in hardware or infrastructure
- ✓ Data management for data integration
- ✓ Excel add-in and report-builder included in subscription

ABOUT INLUMI

We enable our customers to make informed decisions to get ahead of the competition.

inlumi provides an end-to-end EPM capability, which helps clients with all aspects of EPM and BI – including advisory, applications and managed services for Financial Close, Budgeting & Forecasting and Management Reporting.

We support clients with our expertise to bring leading practices and predictable outcomes. All our consultants have a finance background and speak the language of Controllers and CFOs.

inlumi's applications for both Oracle EPM Cloud and on-premise allow you to effectively meet the requirements of IFRS 16. Below, we provide an exhaustive overview of parameters that are included in our applications which can fulfill the IFRS 16 requirements.

PARAMETERS	INCLUDED	COMMENTS
Lease ID / Contract code	✓	Used for identification of contracts.
Lease reference	✓	Related to Lease ID - can be used to specify contract info.
Name of the contract	✓	For easy identification of the contracts.
Asset class/Category	✓	Added for the external reporting where lease contracts shall be categorised based on the underlying assets. Also good to have for internal reporting and lease management.
Lessee/Entity	✓	Entity name (as in statutory application). Hierarchies are possible for consolidation of the Group's leasing portfolio.
Currency translation	✓	The application is multi-currency based on entity currency and covers currency translations.
Lessor company/Name of the vendor	✓	Can be added as one of the free dimensions of the application.
Cost Center	✓	Not a specific requirement for IFRS 16 but could be included for posting back to source and for internal purposes.
Discount rate	✓	Implicit rate of contract (if known) or incremental borrowing rate to calculate the present value of the liability.
Pre-lease	✓	This field outlines initial higher payments and prepaid lease payments, which are used to calculate the right-of-use asset.
Purchase price	✓	This will be included when calculating the lease liability if there is a purchase option that the lessee is reasonably certain to exercise.
Basic rate adjustments / indexation	✓	If such indexes/rates are included in the contract, this affects the lease liability every time it changes. This will be a modification that has to be manually or automatically calculated.
Beginning of leases	✓	The start date of this period of installment series, which is equivalent to the start of the lease contract in the first installment.

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PARAMETERS	INCLUDED	COMMENTS
End of leases	✓	The end date of this period of installment series. This is equal to the end date of the lease term if there are no more installment series.
Begin and End of payments	✓	Solution is calculating full payment plan per contract but also an aggregate payment plan for the Group.
Installment / payment series	✓	See above option of extended lease.
Country	✓	Defined through the entity dimension and can be used as part of entity hierarchies.
Purchase price	✓	The purchase price is included in the lease liability calculation if there is a purchase option that the lessee is reasonably certain to exercise. Can be added as a customised item.
Non-lease rate	✓	Not required for IFRS 16, but can be added as a customised item.
Termination option / extension option	✓	Can be updated with alternative end dates of contracts before recalculation. May simplify the process of following up on contracts that have such options.
Contract term	✓	Original term of contract used for documentation purposes.
Short time lease	✓	Short time leases can be added to the database and not included in the calculation of effects. This is not required for IFRS 16 and requires some customisation of business rules in PBCS.
Less value lease	✓	Not required for IFRS 16, but can be added as a customised item.



Do you want to learn more? Contact us!

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