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Once you
know how...

Columbus IFRS 16 Solution

For Lease Accounting in Accordance with IFRS 16

Impact on Business after the Entry into Force of IFRS 16

- Under IFRS 16, lessees are required to account for contractual lease liabilities as non-current liabilities when the lease term is longer than twelve months and the lease price exceeds the specified period.

- Long-term liabilities under a lease are calculated and recorded as the net present value of future cash flows, discounted at the contractual discount rate.

- The contractual lease price is divided into two components – value coverage, which consistently reduces the registered long-term liabilities, and interest, which are accounted as expenses.

- Companies are also required to account for the right of use asset or simply assets, which are also calculated as the net present value of future payments and is depreciated over the term of the contract.

- All the listed requirements are implemented in Columbus IFRS 16 solution that covers the accounting management of IFRS 16 contracts, from the signing of the contract, the calculation of long-term liabilities, the right of use asset, to the end of the lease or early termination of the contract.

Challenges

- As accounting regulation grows, companies are forced to ensure that ERP systems comply with reporting standards, including IFRS 16.

- The time required to adapt ERP systems to IFRS 16 is limited.

- Operational efficiency is also a key issue: how to implement new requirements with the same number of staff and in the same ERP system (without using additional sources – calculations in Excel, etc.).

Benefits for the Business

- The implementation of IFRS 16 ensures a more transparent presentation of the company's financial information to shareholders and potential investors.

- The Columbus IFRS 16 solution provides the technical means to implement this standard.

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- The Columbus IFRS 16 solution is implemented using the standard features of the following Microsoft modules:
    - Financial Management – Ledger
    - Fixed Assets
    - Purchases and Amounts Payable

- The functions of the listed modules are supplemented with specific solutions required to meet the requirements of IFRS.

Uniqueness of the Solution:

- Proven in practice: The solution is developed in collaboration with an international company and implemented in affiliates in six countries.

- Dedicated team: The solution has been developed and is being maintained by a dedicated team specializing in the development of lease and financial solutions.

- Microsoft technology: Columbus IFRS 16 is built based on the Microsoft Dynamics NAV platform, making the most of the standard features and the user interface.

- Financial Stability: Columbus' solid financial foundation enables investment in employee training, competency growth, and professional development.

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Rules for Calculating the Lease Schedule

- In the lease schedule, the periodic payment is divided into value coverage and interest expense.

- The solution supports different payment intervals: the schedule can be monthly, quarterly, semi-annual or annual.

- Payment possibility at the beginning of the period.

- Possibility to include an advance as an additional parameter for calculating the schedule.

- Flexible calculation of the first and last lease payment, based on the actual number of days (relevant if the first and/or last payment covers an incomplete period, such as an incomplete month).

- Possibility to apply fixed and variable interest rates.

Asset Management in the System

- Asset management in the system is implemented by making maximum use of the standard Microsoft Dynamics NAV Asset Module (settings, functions, reports).

- For each schedule of the lease, the system automatically creates an asset card, with the option to copy the created asset card to other schedules in the same agreement.

- Periodic depreciation calculation.

- Ability to allocate depreciation and interest expense on a pro rata basis according to dimensions using pre-assigned allocation templates.

Management of Lease Contracts' Accounting Operations

- Long-term liabilities and the acquisition of assets in the contract approval system are recorded in the Ledger and the Fixed Assets module.

- Reductions in non-current liabilities are recorded according to an approved schedule using flow functions.

- Automatic calculation and registration of the contract change effect in the Ledger and Fixed Assets module.

- Automatic calculation and registration of the effect of early termination.

Lease Transaction Data Management

- The ability to describe different lease terms at the level of each lease schedule when those schedules belong to the same contract.

- Possibility to calculate individual lease schedules for individual property units when the lease agreement covers several lease objects (assets).

Contract Change Management

- Possibility to change the main parameters of the lease agreement – the amount of the installment, the lease period, interest (discount) rate.

- Automatic recalculation of the schedule when the contract lease parameters change, saving the historical data of the original contract.

- Registration and accumulation of historical changes.

- Automatic recalculation of the schedule when the variable interest rate changes.

Contract End Process Management

- Automatic termination of contracts and the possibility to register the transfer of assets after covering long-term liabilities and full depreciation of assets.

- Early contract termination management.

Reports and Analytical Tools

- Standard Microsoft Dynamics NAV reports for analysts by dimensions.

- Standard Fixed Assets module reports.

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You can read about ATEA's experience in implementing the IFRS 16 solution in all Baltic companies here:
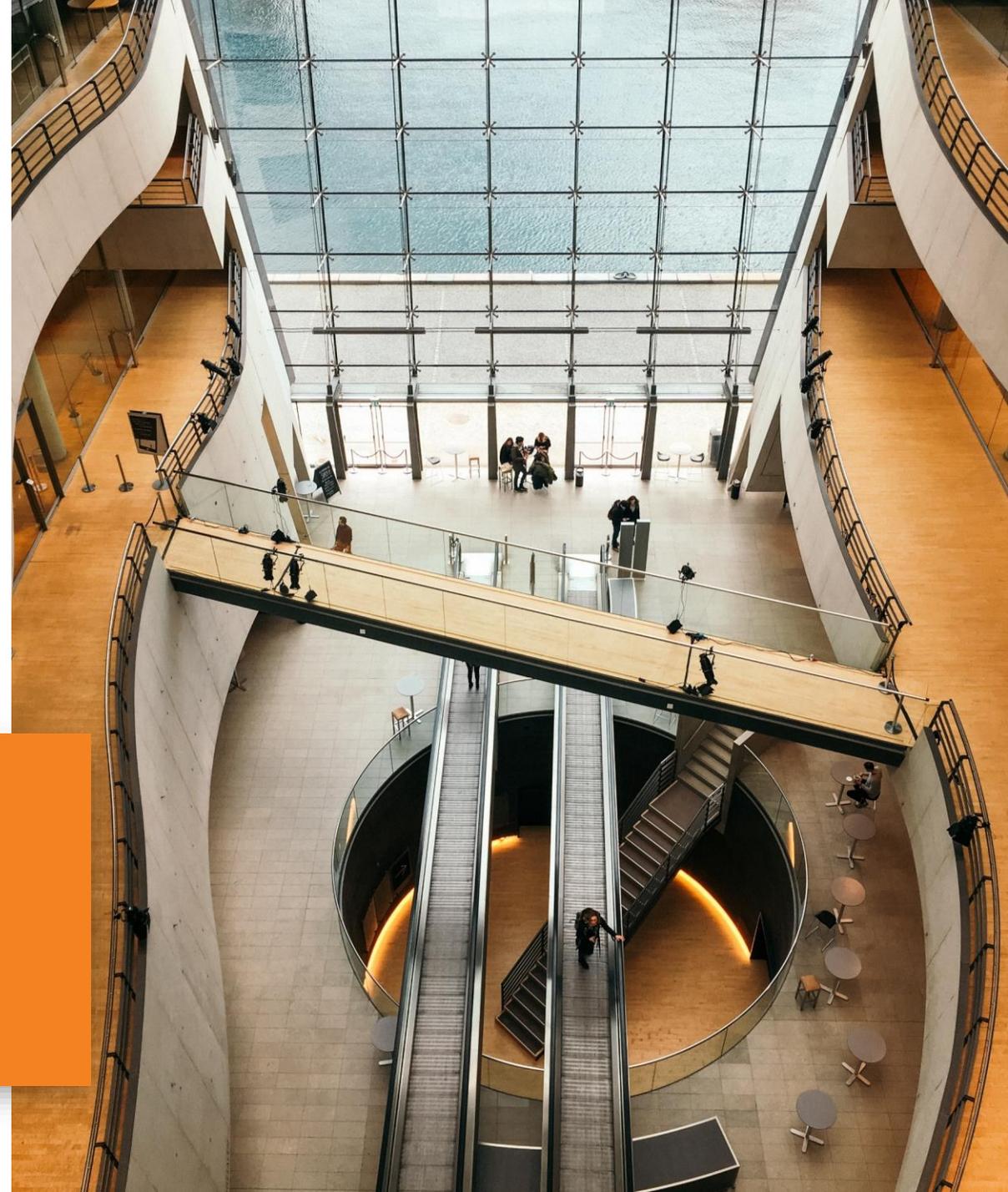
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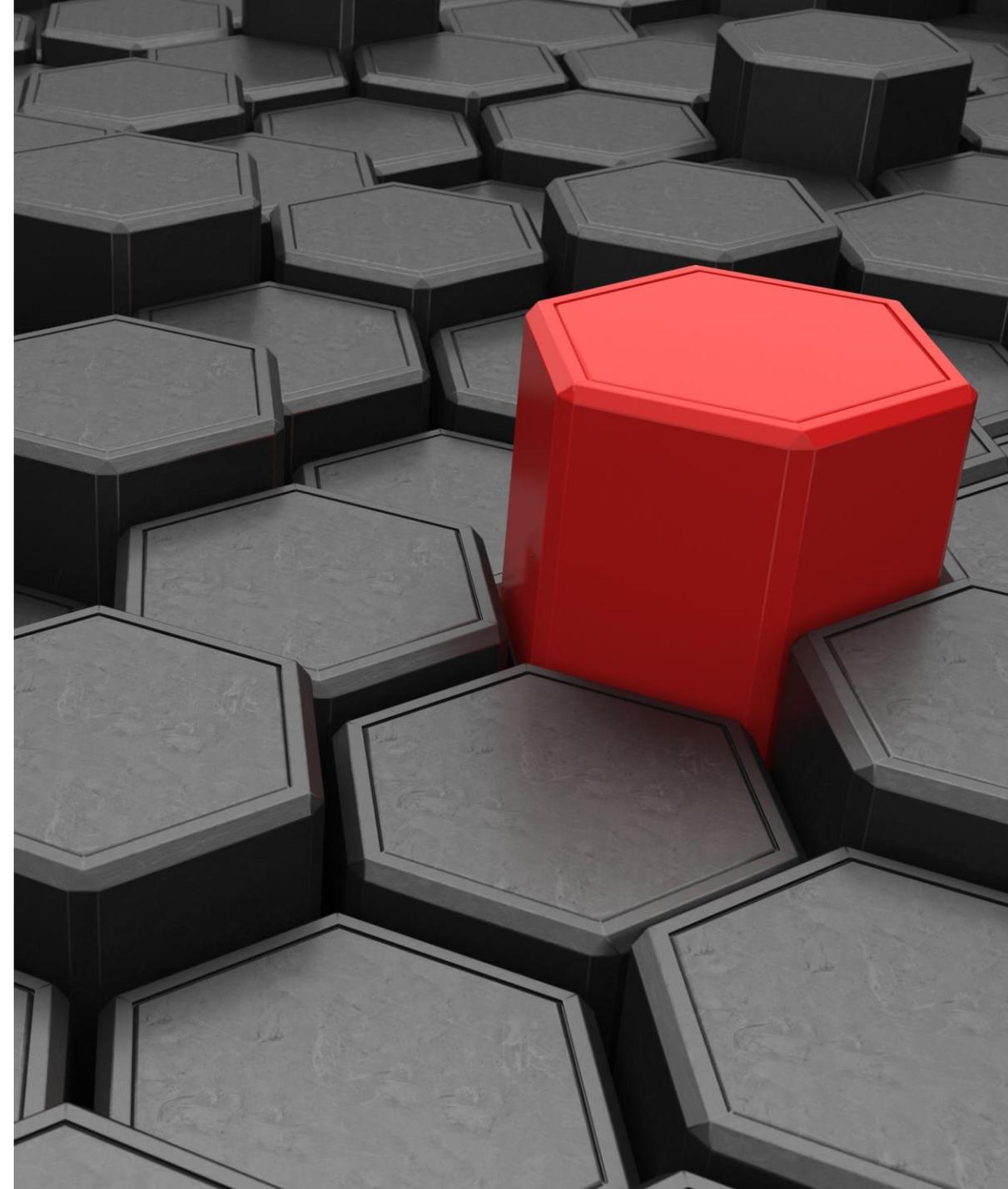
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Want to know more?

Let's talk!

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About Columbus:

Columbus is a global IT services and consulting company with more than 2,000 employees serving 5,000+ customers worldwide. Columbus helps ambitious companies transform, maximize and futureproof their business digitally. We are specialized within the industries retail, distribution, food and manufacturing. We offer a comprehensive solution portfolio with deep industry knowledge, extensive technology expertise and profound customer insight. Columbus has offices and partners all over the world and we can deliver our solutions and services locally—on a global scale. www.columbusglobal.com

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