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JD Edwards Lease Accounting Overview

Session 105350 - InFocus 2019

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August 2019

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- Have you implemented Lease Accounting?
- Are you planning to implement?
- ASC842 only? IFRS16 only? Both?
- Are you using Excel currently?

Program Agenda

1. Business Problem
2. Solution Overview
3. Solution Delivery
4. What's Next
5. Resources

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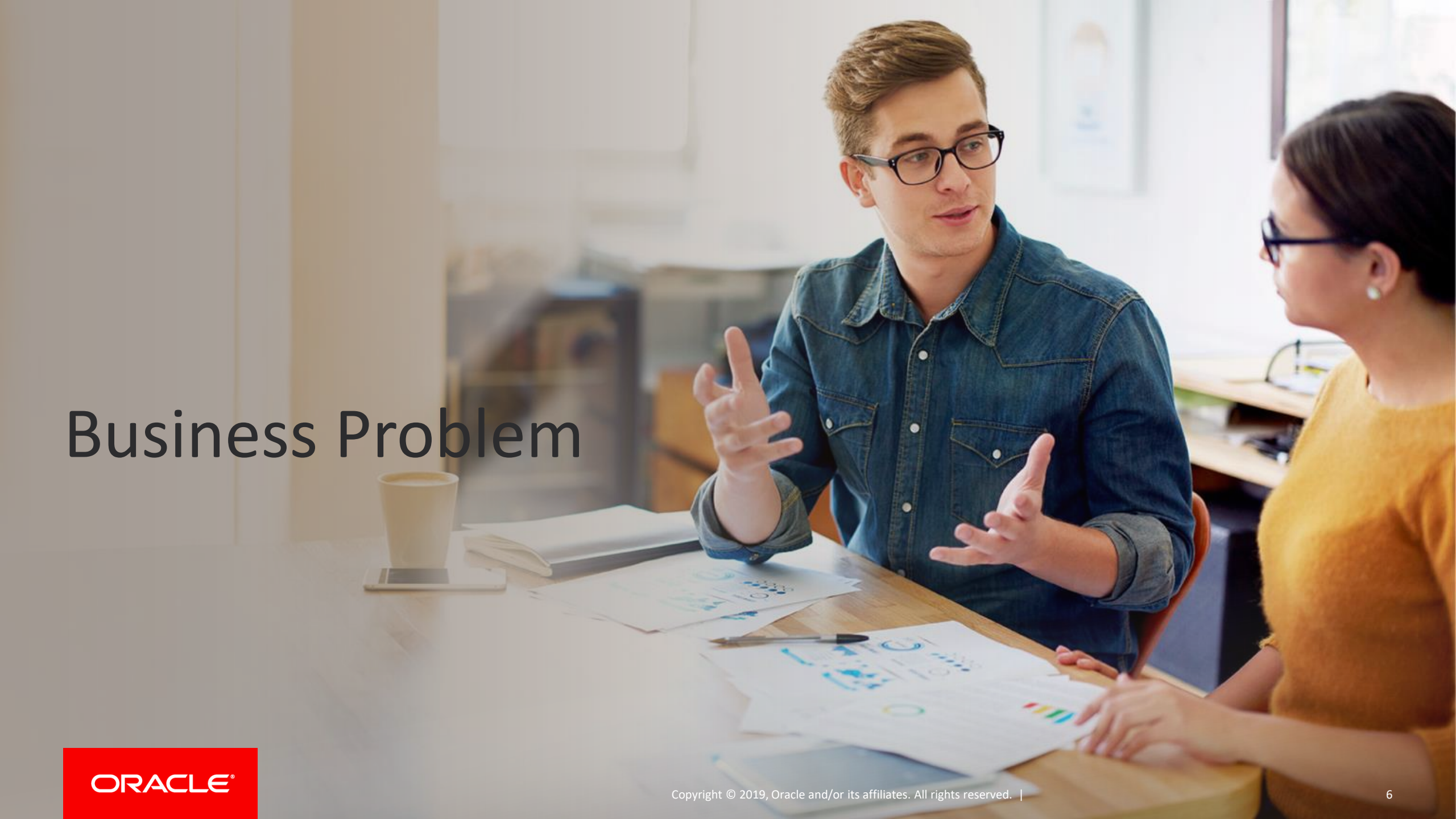
Business Problem



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Lease Accounting Standard

FASB ASC 842 and IFRS 16 Leases

What

- Lessee Accounting for property and non-property leases – on the balance sheet
- Revenue Recognition for lease management companies
- Straight-line rent accounting for lessors

Why

- Regulatory accounting requirement - provide investors and creditors more transparency into long-term leases

When

- January 1, 2019 – public companies
- January 1, 2020 – private companies

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Lease Accounting Standard

All Industries Leasing Property and/or Non-Property Assets

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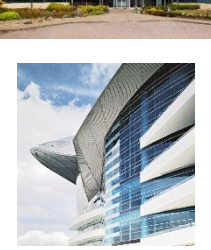
Lease Accounting Standard

Are you affected?

- Lessees of Property and Non-Property Assets
  - Do you have long term leases for:
    - Equipment, vehicles, or other non-property assets?
    - Office or retail space, buildings or land, or other property assets?
  - Are you currently using A/P to manage long term lease payments?
  - If you answered Yes, you will need a solution to manage these leases as assets on the balance sheet



Most JD Edwards customers will need a solution

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Lease Accounting Standard

Are you affected?

- Lessors of Property
  - Are you the lessor of office or retail space, buildings or land, or other property assets?
  - Are you using JD Edwards Real Estate Management (REM)
  - If you answered Yes, you will need enhancements to REM to manage revenue recognition and straight line rent requirements

Most JD Edwards customers will need a solution

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Lessee Lease Accounting Standard

Old Standard:

Rent:
- Equipment
- Office/Retail Space

JD Edwards customers

Use AP:
- Make rent payments
- **Expense** rents

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Lessee Lease Accounting Standard

New Standard:

Lease:
- Equipment Assets
- Property Assets

JD Edwards customers

➔ Requires a leasing system:
- Manage lease terms
- Pay leases
- Account for leased **assets on the balance sheet**

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Lessee Lease Accounting Standard

Assets
- **Current Assets**
  - Cash
  - Accounts Receivable
  - Inventory
- **Current Assets**
- **Fixed Assets**
  - Property and Equipment
  - Right of Use Assets
  - Accumulated Depreciation
  - Accumulated Amortization
- **Fixed Assets**

Assets

Liabilities and Equity
- **Current Liabilities**
  - Accounts Payable
  - Accrued Payroll Liability
- **Current Liabilities**
- **Long Term Liabilities**
  - Long Term Debt
  - Lease Liability
- **Long Term Liabilities**
- **Stock Holder's Equity**
  - Retained Earnings
  - YTD Income (Loss)
- **Stock Holder's Equity**

Liabilities and Equity

New Standard:

Lease:
- Equipment Assets
- Property Assets

JD Edwards customers

➔ Requires a leasing system:
- Manage lease terms
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- Account for leased **assets on the balance sheet**

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Lessor Revenue Recognition Accounting Standard

The core principle as stated from IFRS is to

“Recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services.”

Here are the basic steps outlined related to this new standard:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

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Lessor Straight-line Rent Accounting Standard

From FASB:

Lessors should *continue* to recognize lease income for [operating] leases on a generally straight-line basis over the lease term

From IFRS:

A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis

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Solution Overview

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Solution Overview

Where Lease Accounting Fits in JD Edwards EnterpriseOne

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Solution Overview

Generally Available

- Lessee Accounting available for customers with a license to Financials
- Lessor Accounting available for customers with a license to Real Estate Management
- For EnterpriseOne releases 9.1 and 9.2
- Financials license now comes with a restricted use license of Real Estate Management:
  - Entitled Products and Restricted Use Licenses
    - A license of Financials includes a restricted-use of Oracle JD Edwards EnterpriseOne Real Estate Management, limited to lessee lease management features.
    - Any usage of sales overage, expense participation or lessor lease management requires a full use license of Real Estate Management.

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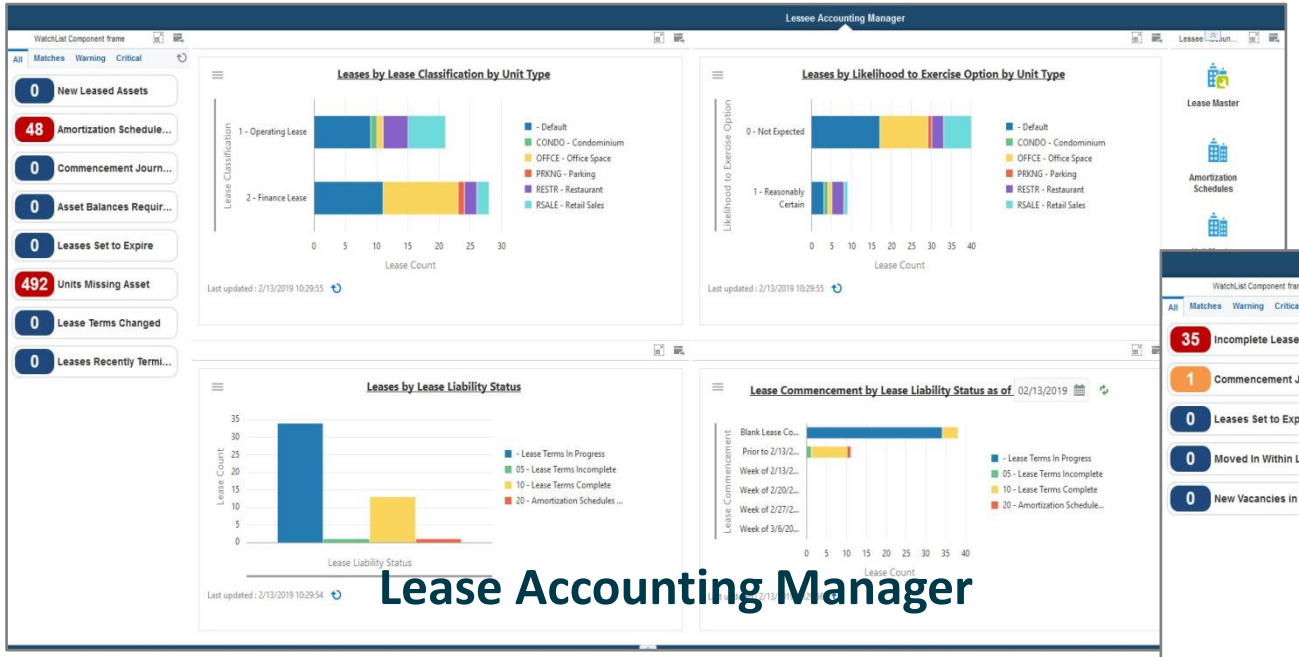
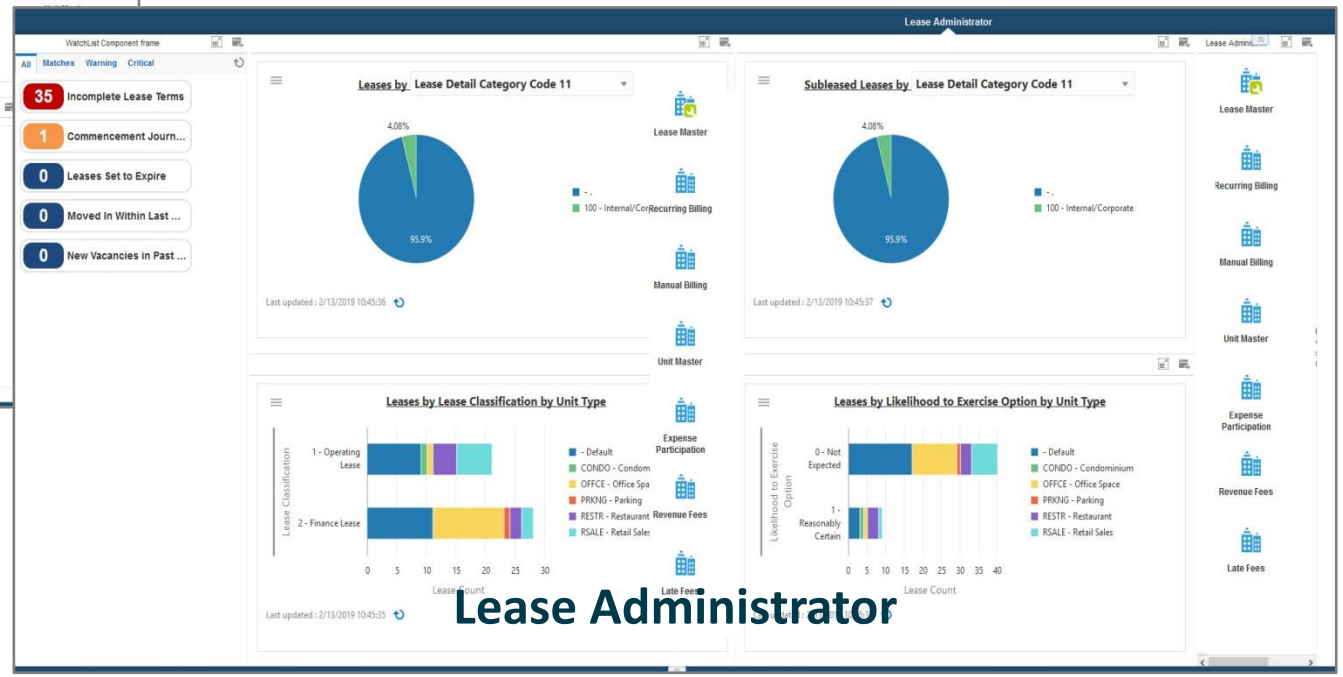
Lessee Accounting Business Process

UX One Roles to execute the process



Lease Accounting Manager



Lease Administrator

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Lessee Accounting Solution

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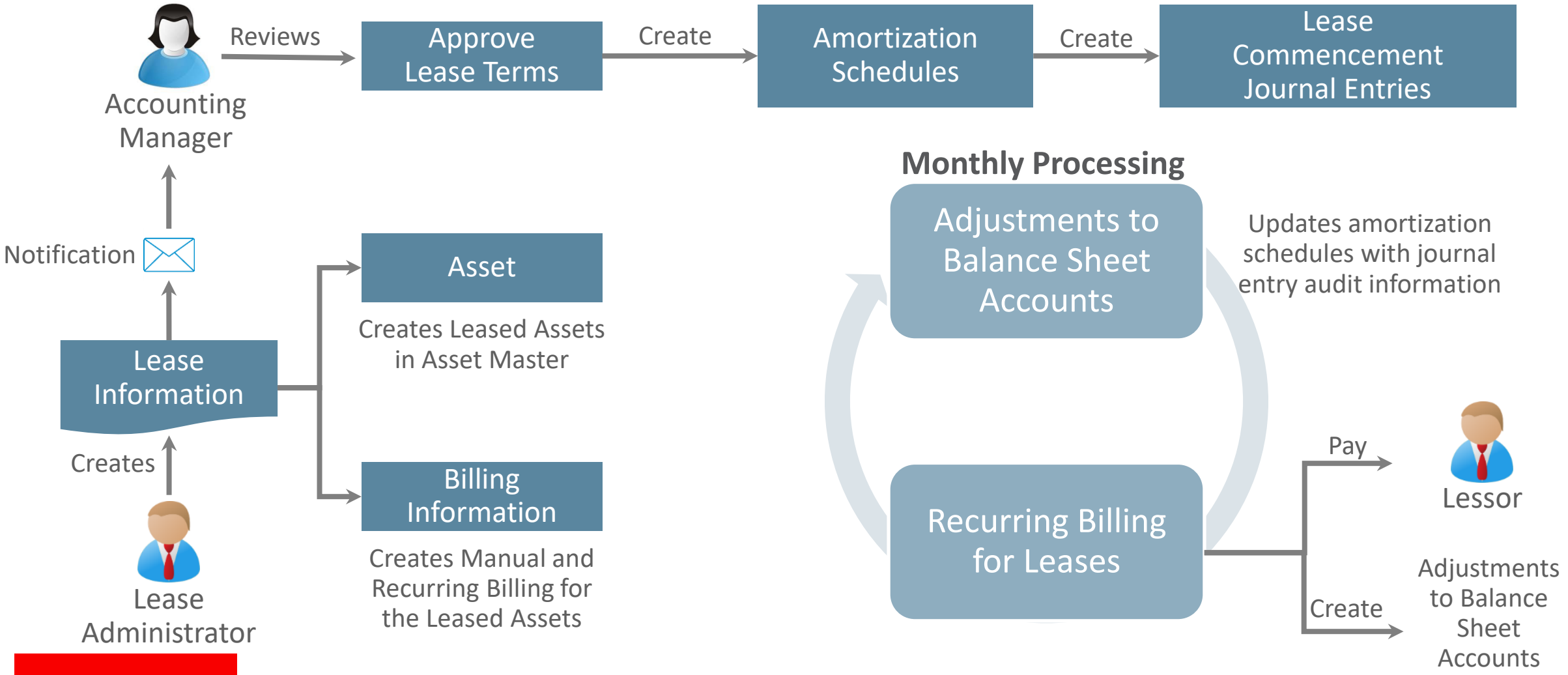
Lessee Accounting Business Process



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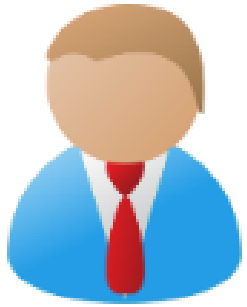
Lease Information



Lease Administrator

Lease Master

Asset Master

Billing Information

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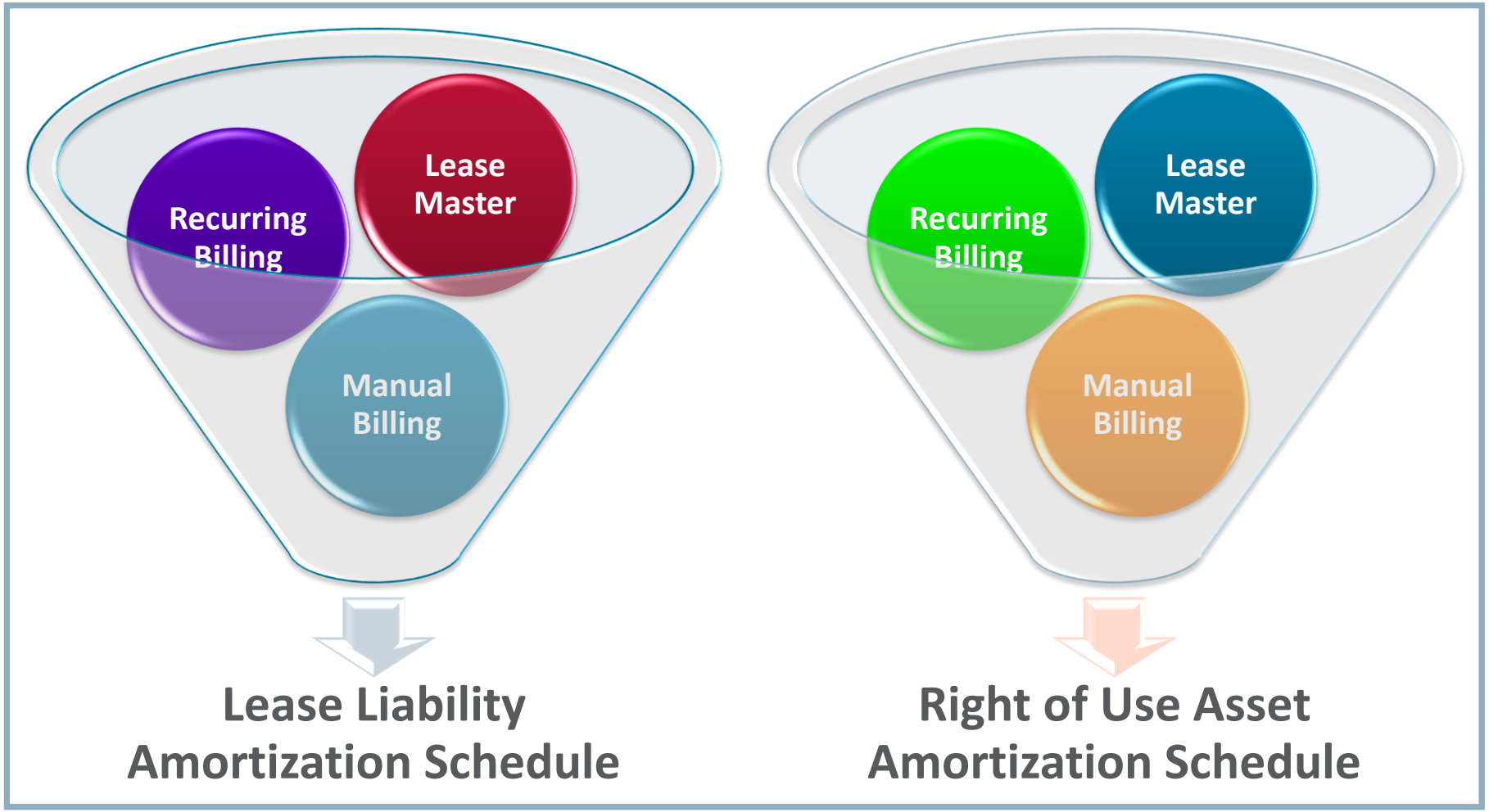
Amortization Schedules

Lease Accounting Manager

Reviews Lease Information

Creates Amortization Schedules



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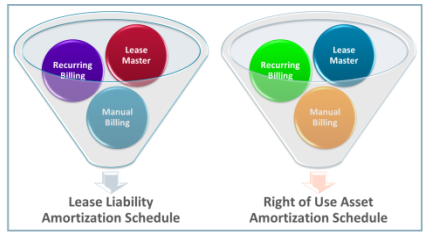
Processing Lease Journal Entries



Monthly Processing

Adjustments to Balance Sheet Accounts

Lease Accounting Manager

Lease Commencement

Recurring Billing for Leases

Payment

Lessor

Create

Adjustments to Balance Sheet Accounts

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Other notable features

- Lease terms changes
- Alternate Ledger for Financial Reporting
- Mass update of lease terms
- Import/Export Lease Information
- Transition to New Lease Accounting Standard

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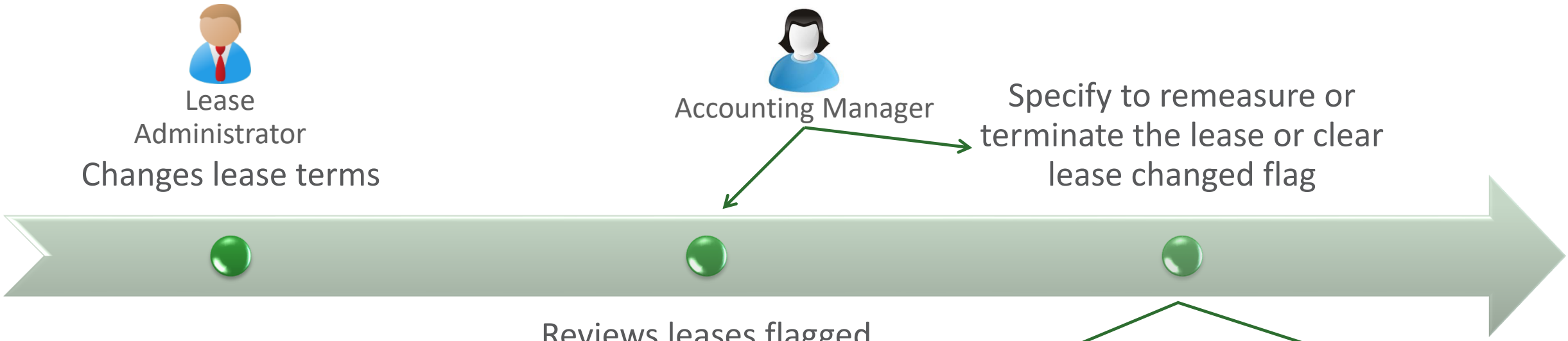
Lease Term Changes



Lease Detail Changes:
- Borrowing Rate
- ROUA End Date

Recurring Billing Changes:
- Lease End Date
- Payment information

For remeasurement:
1. Rebuild amortization schedules from the effective date of lease change
2. Create journal entries to adjust lease liability and ROUA balances

For early termination:
1. Mark amortization schedules with effective termination date
2. Clear lease liability and ROUA balances at terminate date

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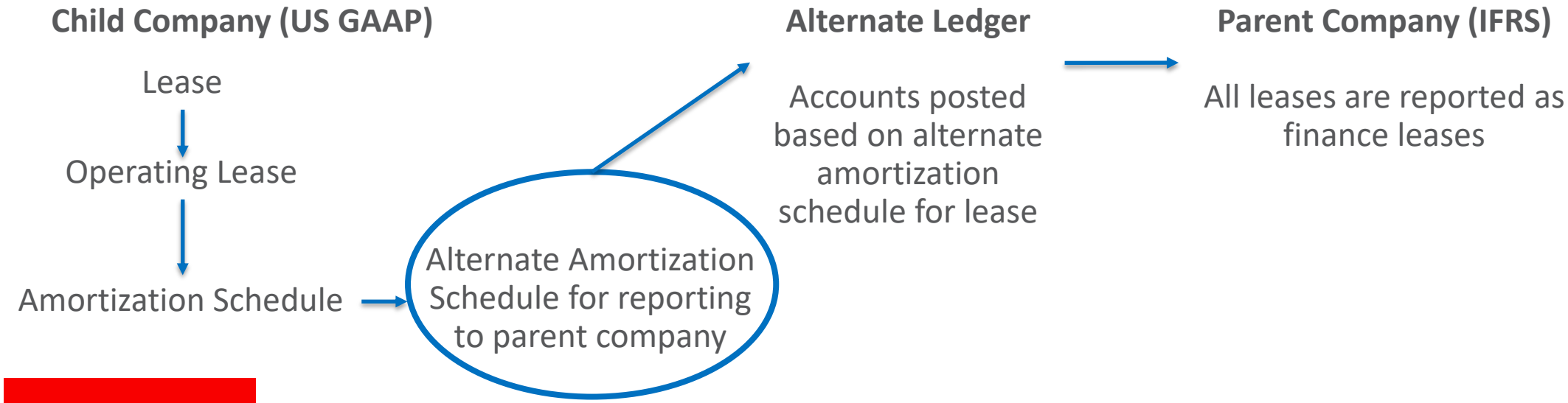
Alternate Schedules and Ledger for Financial Reporting

- Typically used when parent company reports under one accounting standard and child company reports under a different accounting standard
- Example: Child company (US GAAP) and parent company (IFRS). Child company has operating leases (US GAAP) that need to be reported to parent as finance leases (IFRS).



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Mass Update Capabilities

Batch Process to update Lease information:

- Extend the length of the lease for one or more bill codes
- Change the amount in the middle of a lease starting at a specific date for one or more bill codes
- Specify changes across assets on a lease (e.g., changing terms to a master lease agreement)

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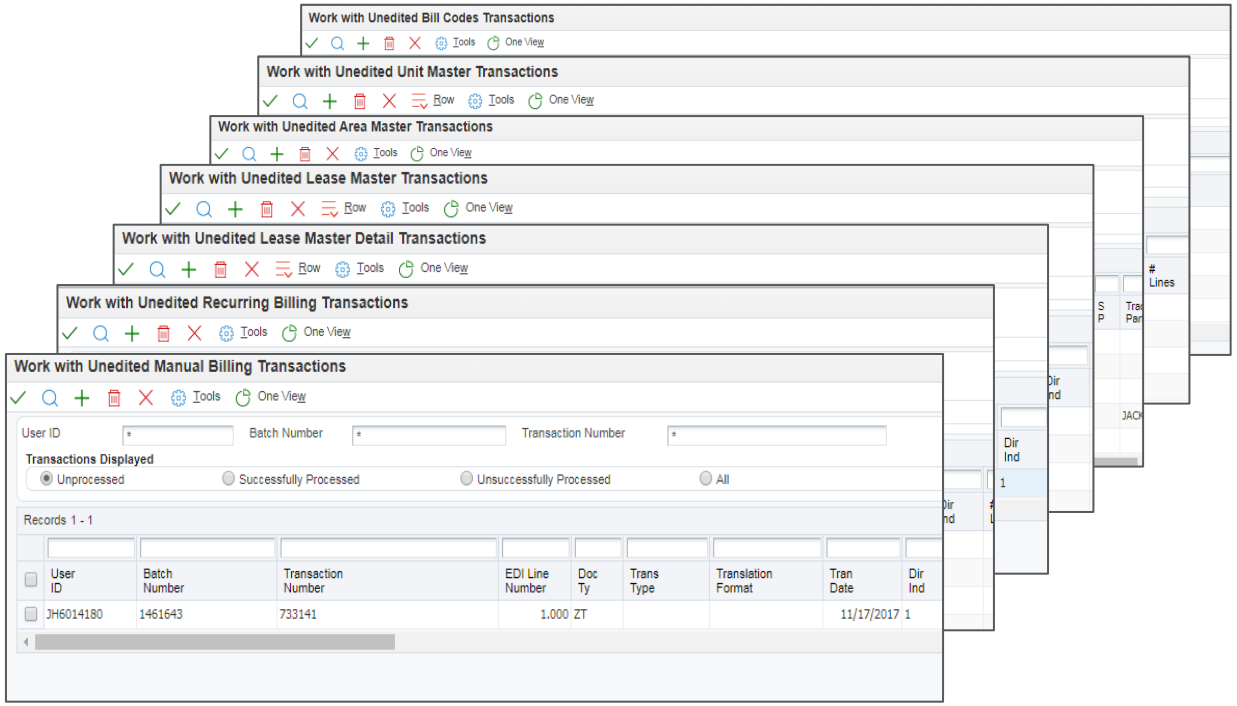
Import/Export of Lease Information

- Data import/export includes:
  - Bill Codes
  - Unit Master
  - Area Master
  - Lease Header
  - Lease Detail
  - Recurring Billing
  - Manual Billing
- Add or update lease information
- Standard JD Edwards Z Table processing



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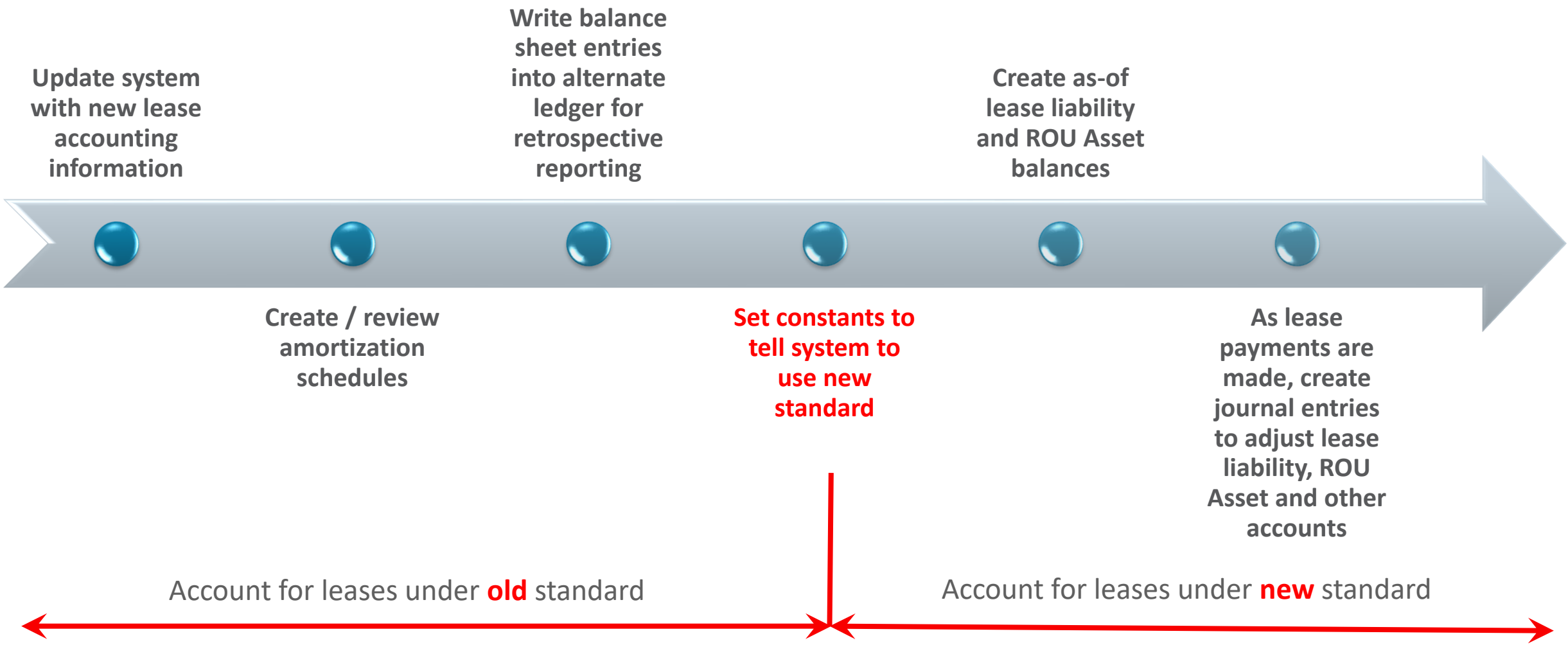
Transition To The New Lease Accounting Standard



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Lessor Accounting Solution

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Revenue Recognition for Real Estate

- Enhanced current Revenue Recognition Process to include Real Estate
- Added Real Estate invoices to the all processes
  - Batch process to recognize revenue
  - Workbench to manage exceptions
- Provided specific trigger configuration for Real Estate invoices
- Added ability to create a schedule for the recognition of amounts
  - Available for all invoice types with the exception of Sales Order Invoices.

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Straight-line Rent - Improvements

- Prior to enhancement
  - Max of 10 bill codes specified in processing options for R15130
  - Max of 10 conversion bill codes specified in processing options for R15130
- After enhancement
  - Choose to continue to use the PO to specify bill codes
  - Setup default values of Straightline Rent Generation flag in Bill Code Master (P1512)
  - Manage Straightline Rent Generation in Recurring Billing (P1502) application by bill code
  - Unlimited number of bill codes and conversion codes per lease for Straightline Rent processing

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Solution Delivery

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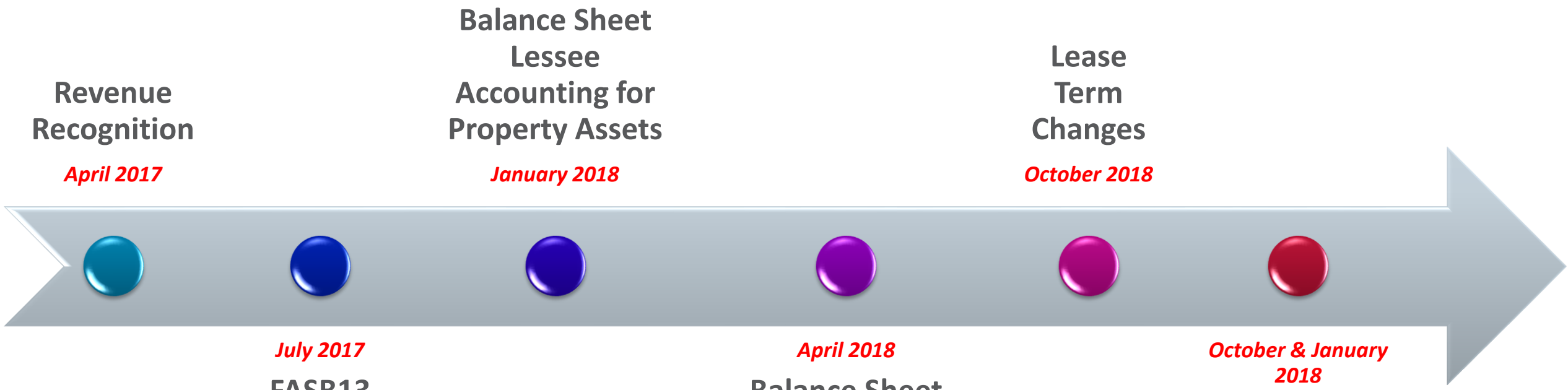
Release 9.2

Solution Delivery



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Release 9.1

Solution Delivery

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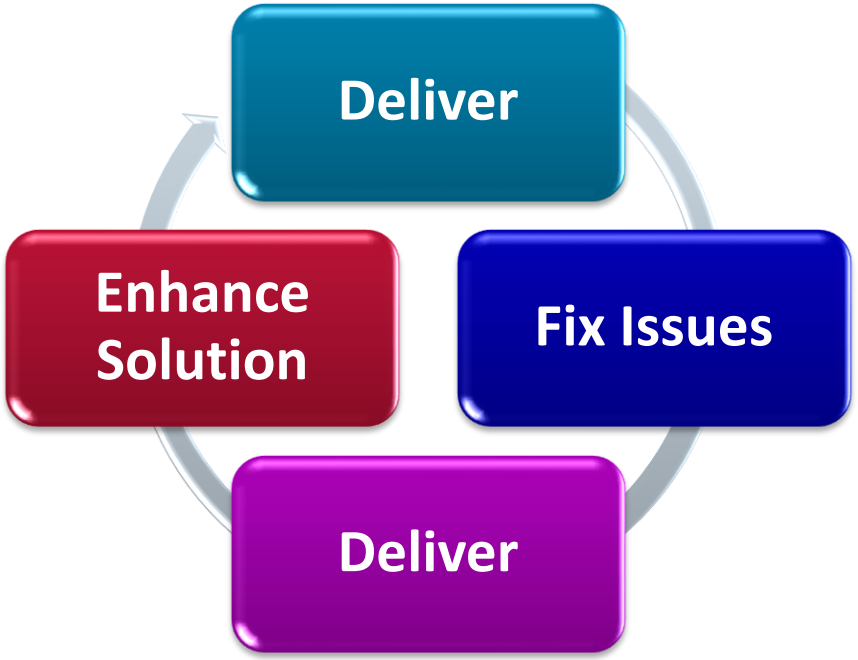
Solution Delivery

Many improvements have been made to the solution thanks to all of the customers and partners that have been implementing the solution.



Be sure to keep an eye out for the latest ESUs for your release to remain current with everything we are doing.

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What’s Next

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Planned

What's Next

- Continued support for our customers and partners implementing the solution
- Multi-Currency Lease Support
  - Lease Liability Gains & Losses
  - Right of Use Asset Revaluation
- Oracle by Example (OBEs) for Lease Accounting

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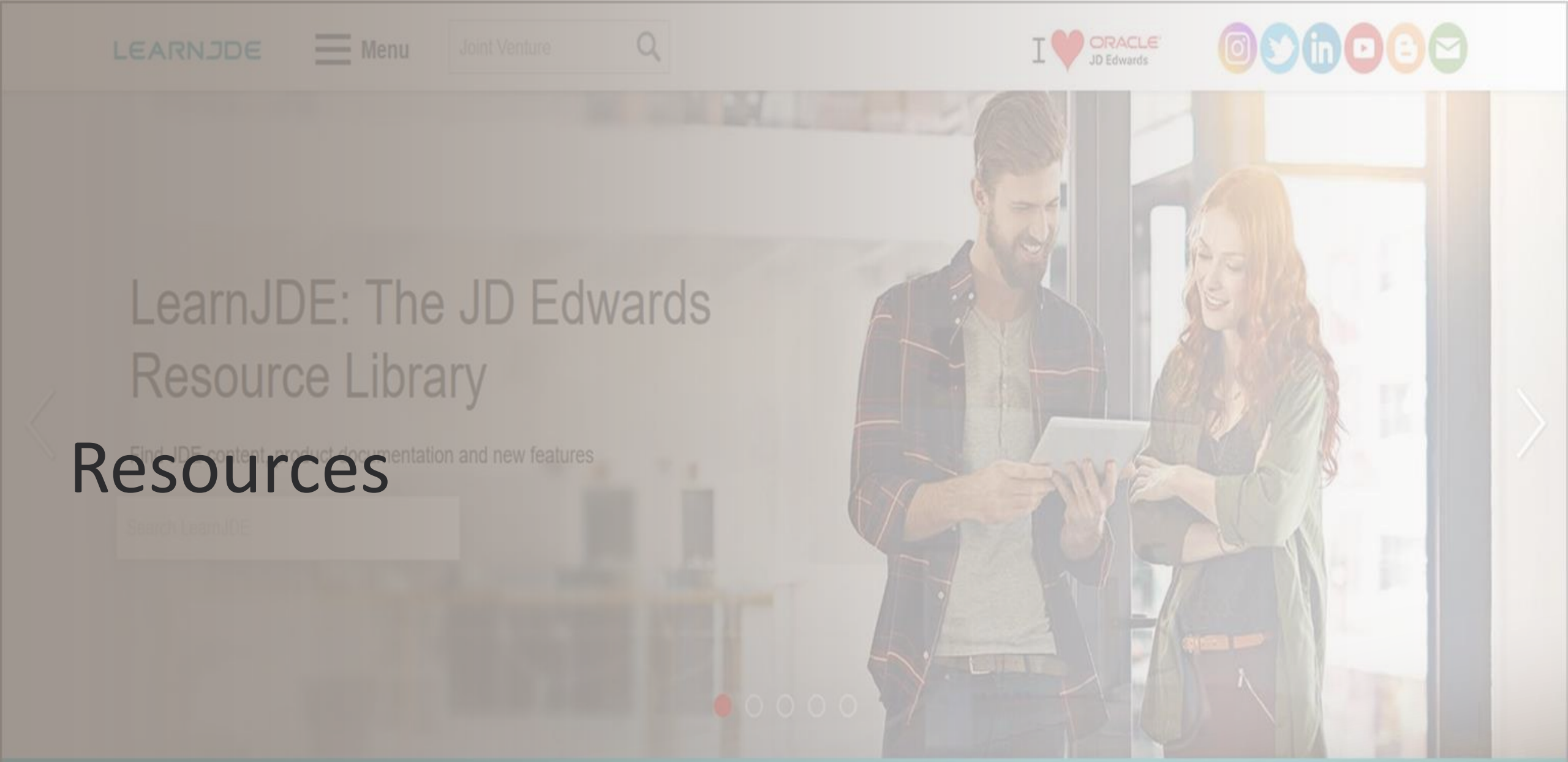
Resources



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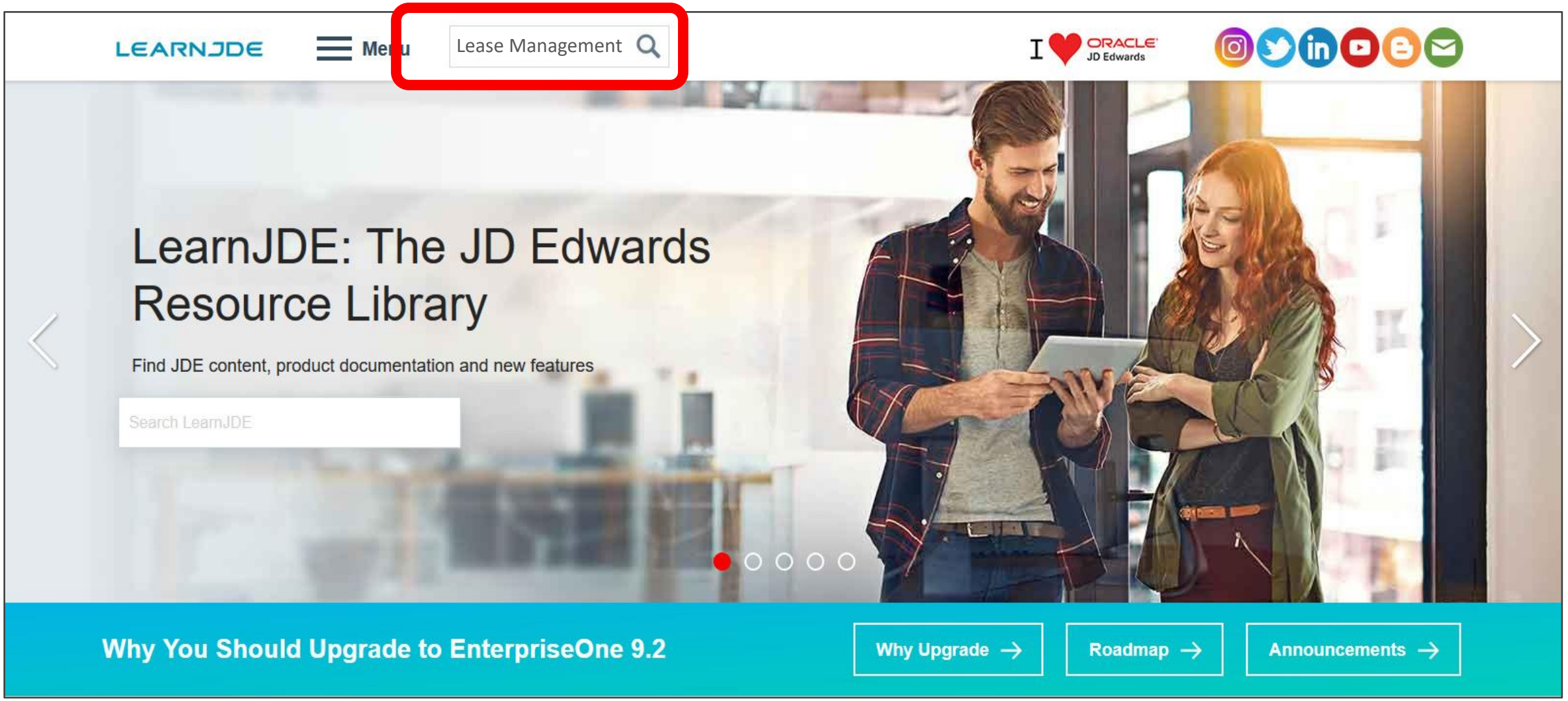
Search using ‘Lease Management’ on LearnJDE.com to Learn More



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Lease Management

The JD Edwards EnterpriseOne Lease Management solution provides programs and processes that enable lessees and lessors of property and non-property assets to accurately and efficiently account for those leases on their financial statements.

Description and Quick Tour

Efficiently and Accurately Account for Leased Property and Non-Property Assets

Balance Sheet Lessee Accounting

The EnterpriseOne Lease Management solution leverages existing and enhanced capabilities across the ERP footprint. This includes using G/L, A/P, and A/R features available in Financial Management systems, defining lease terms and conditions in the Real Estate Management system, and asset tracking in the Fixed Assets system - together providing a single solution for managing your leases under the new ASC 842 and IFRS 16 accounting standards.

Revenue Recognition

Accurately recognize revenue. Business processes and financial standards outline when you can recognize revenue for the amounts you bill to custo
system has been update
related invoices that are
Management system in t
Accounts Receivable sys
recognizes revenue at th

Straight-Line Rent Reporting

Accurately report revenue from rental properties in accordance with FASB 842 and IFRS 16, which states that the revenue from rent (recurring billings) must be recognized evenly (as a straight line) over the life of the lease. The difference between the straight-line rent that the system calculates for the accounting standard and the actual rent that you bill the tenant must be reflected in the general ledger.

Automation and U

Several lease-related pro
you with uploading, enter
the course of the entire le
notifications, UX One role
been provided to help yo
and non-property assets.

Key Benefits

Content Organized by Role: Decision Maker, Implementer, User

Get Started

- Data Sheet: Real Estate Management
- Data Sheet: Fixed Asset Management
- FAQ: The New Lease Accounting Standards
- FAQ: The Impact of Revenue from Contracts with Customers
- Balance Sheet Lessee Accounting Quick Tour
- JD Edwards EnterpriseOne Revenue Recognition Functional Overview
- JD Edwards EnterpriseOne Financials FASB - Revenue Recognition in Real Estate Management
- The New Lease Accounting Standard – What This Means to JD Edwards EnterpriseOne for Lessees of Property and Non-Property
- Licensing for Lease Management Functionality
- MOS Document: FAQ for Lessee Balance Sheet Accounting NEW!

Implement

- Processing Lessee Accounting for Property and Non-Property Assets in JD Edwards EnterpriseOne
- Setting Up Balance Sheet Lessee Accounting
- Understanding Performance Liability Accounting
- FASB/IASB Lease Management Functionality for JD Edwards Real Estate Management
- Balance Sheet Lessee Accounting
- Revenue Recognition for Real Estate Management
- Straight-Line Rent
- Real Estate Management Implementation Guide
- Accounts Receivable Implementation Guide
- Business Interfaces for Lease
- MOS Document: Lease Management Sample Files for Z-File Processing NEW!
- MOS Document: User Defined Objects for 9.1 Lessee Accounting NEW!

Less

Use

- Setting Up a Lessee Lease
- Running Lease Commencement for Balance Sheet Lessee Accounting NEW!
- Running Monthly Processes for Balance Sheet Lessee Accounting NEW!
- Using Blind Revenue Recognition and Guided Revenue Recognition
- Recognizing All, Less, or More Revenue
- Real Estate Management Implementation Guide
- Accounts Receivable Implementation Guide
- UX One Role: Lessee Accounting Manager
- UX One Role: Lease Administrator

Less

Be aware of the MORE/LESS Option

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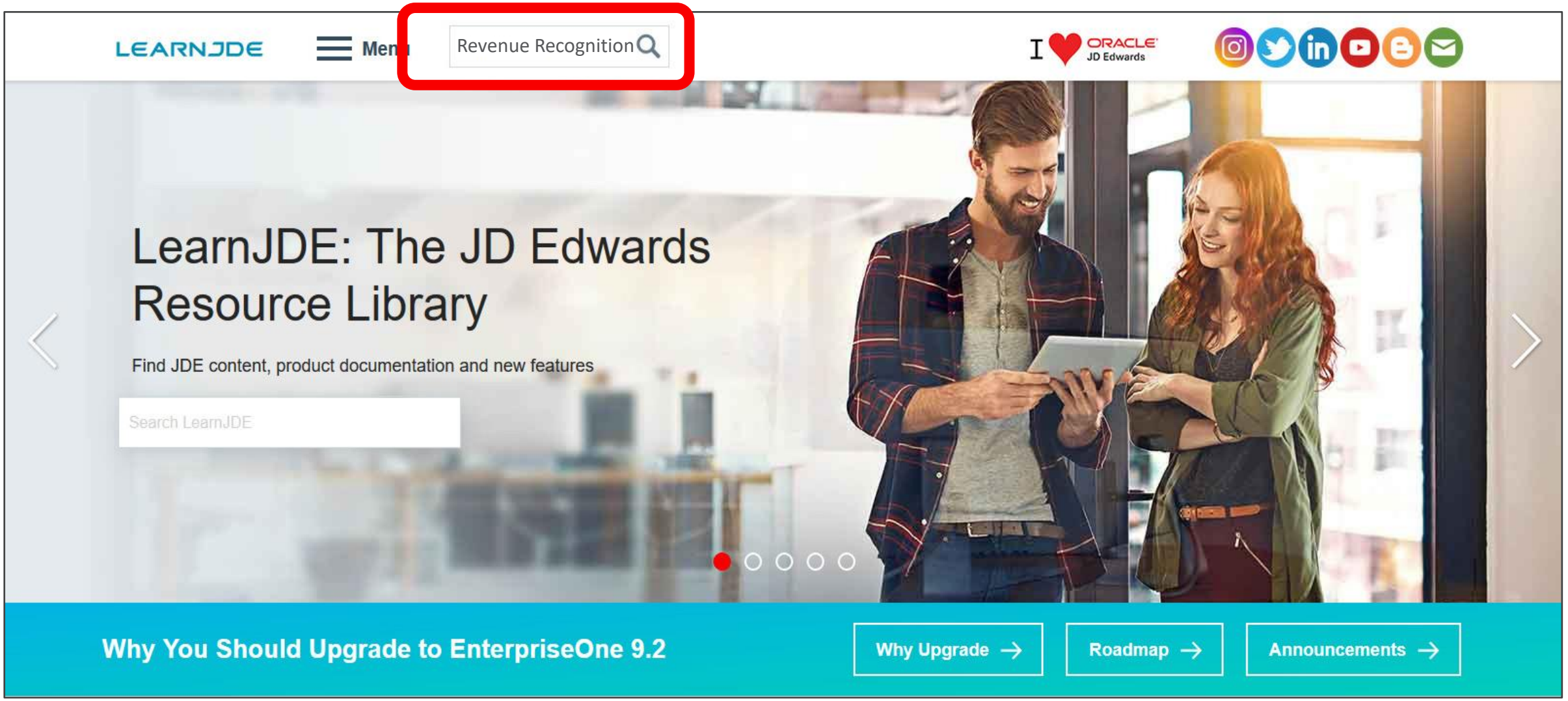
Search using ‘Revenue Recognition’ on LearnJDE.com to Learn More



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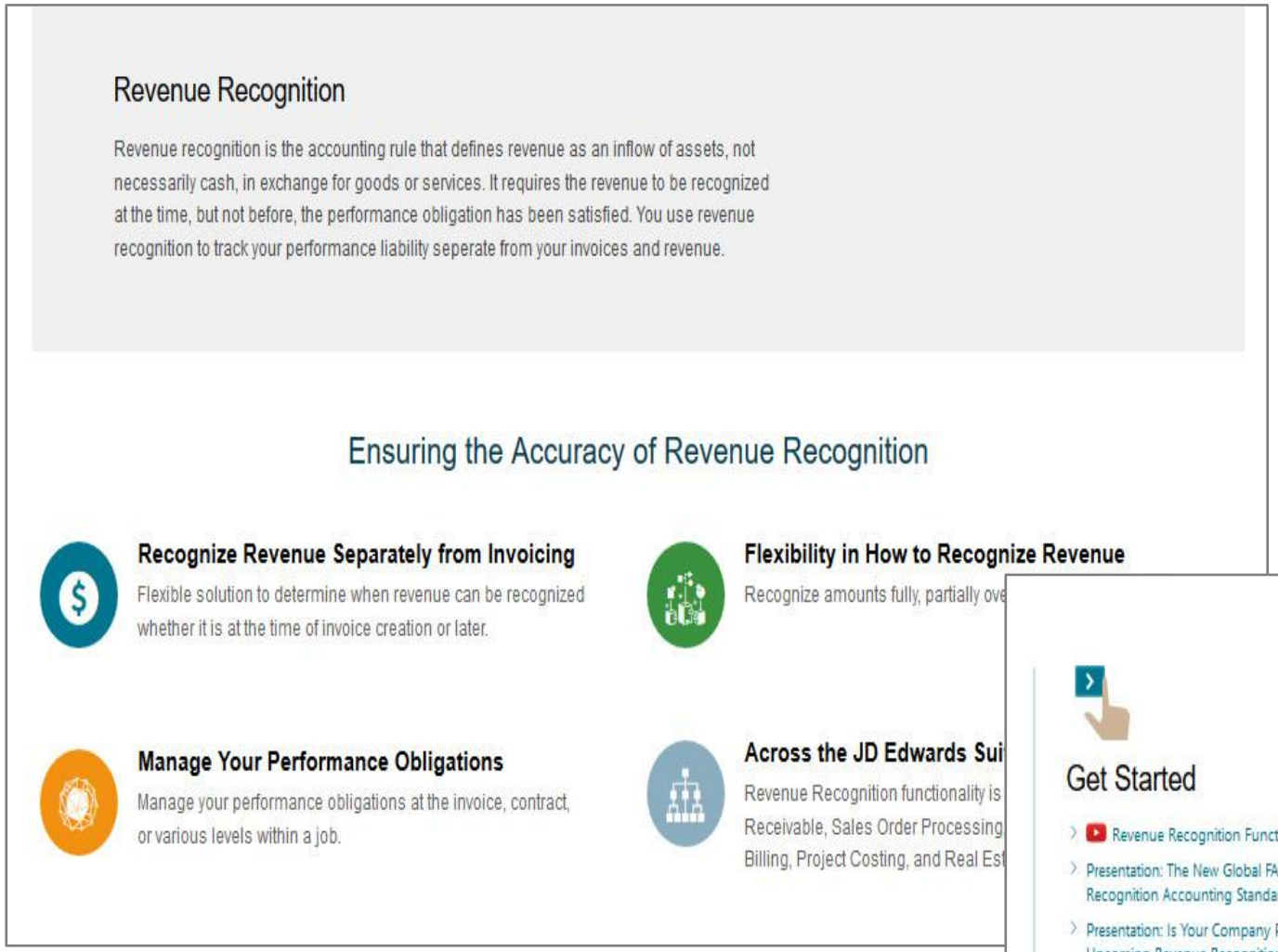
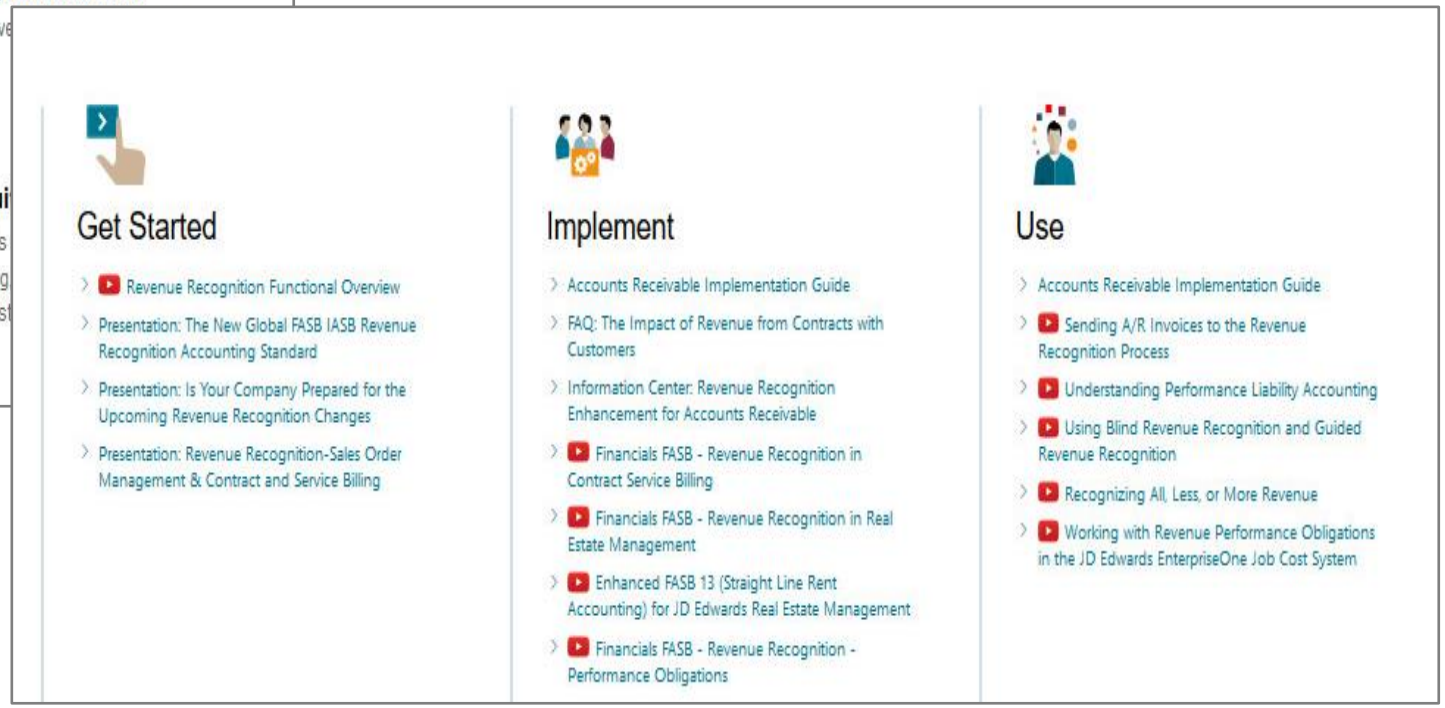


Description and Quick Tour

Content Organized by Role: Decision Maker, Implementer, User



Key Benefits

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Resources

Real Estate Management – Implementation Guide

https://docs.oracle.com/cd/E64610_01/EOARM/toc.htm

Lease Management on LearnJDE.com

https://docs.oracle.com/cd/E84502_01/learnjde/financial_management.html#lease-management

Revenue Recognition on LearnJDE.com

https://docs.oracle.com/cd/E84502_01/learnjde/financial_management.html#revenue-recognition

Standards boards

- FASB.org
- IASB.org

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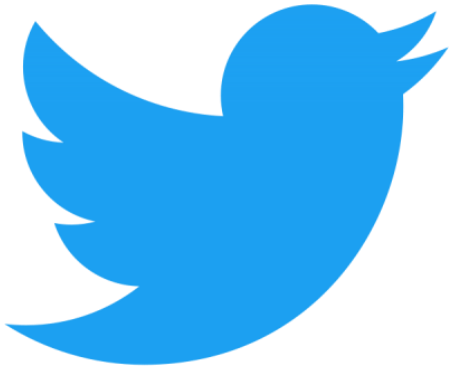
Be Informed, Get Connected, and Share!



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JD Edwards Professionals

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Integrated Cloud

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