



Balance Adjustments User Guide

LeaseAccelerator

Version 25.2



Document Information

Notices

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Balance Adjustments

Introduction

LeaseAccelerator supports the import of account balances or adjustments to system-generated balances as a self-service Bulk Import in the UI. It is intended as a true-up to reflect the ERP balance, therefore it is the user's responsibility to obtain and import the correct data. This import is intended to be used one time per schedule for a given standard and account. However, we understand that there may be scenarios where managing the Balance Adjustment is necessary, and in 24R1, we introduced tools to assist in making changes to these adjustments.

Balance Adjustment imports are primarily for clients who did not enter a lease's complete history during implementation and may have unreconciled differences between historical accounting records and LeaseAccelerator.

Clients who implement LeaseAccelerator after adopting the new accounting standards and have existing balances may also find this feature helpful when entering leases on a go-forward basis. With this import feature, users may adjust the LeaseAccelerator calculated balance directly and eliminate General Ledger to Subledger reconciling differences. These differences may arise due to incomplete data or varying practices or configurations used before implementing LeaseAccelerator.

There is currently no guardrail preventing the import of a balance adjustment import that would result in a negative ROU. Again, it is the user's responsibility to provide the correct balance information to prevent negative ROU scenarios.

Important guidelines regarding selected effective dates are covered below. Terms included in this user guide include:

- ROU – Right of Use; The Finance Asset or Operating Asset account balance
- AFUD – Available for Use Date for a specific asset.
- SPTA – Reference to the Accumulated depreciation: Step payment timing adjustment - Operating Lease account.
- Mid-term Balance Adjustment – Balance adjustment recorded for any date other than the lease start date or transition date.
- Absolute Balance Adjustment – The stated amount will become the new account balance as of the date the balance adjustment is applied (see Importing: Guidelines and Behaviors below).
- Delta Balance Adjustment – The amount to be added/subtracted from the account balance as of the date the balance adjustment is applied (see Importing: Guidelines and Behaviors below).



Caution: Adjusting balances can significantly affect journal entries. Users should review resulting journal entries immediately after applying a balance adjustment to confirm the intended results.



Note: Alternatively, clients may adjust their General Ledger balance to match the LeaseAccelerator balance which would not require this feature.

Importing: Guidelines and Behaviors

The import feature allows the following:

- Adjustments can now be applied at lease inception, transition, or on the first day of a fiscal month.
 - If occurring in the first month of the lease, the lease start date should be used as the Effective Date on the import file.
 - For schedules with AFUD either prior to or after lease start date, Asset and Accumulated Depreciation balance adjustments representing beginning lease balances should be entered on the import file with the lease start date as the Effective Date. The system will automatically adjust the ledger date to equal the AFUD capitalization entry date.
 - Balance adjustments on schedules with multiple assets with different AFUD dates are not permitted with lease start date as the Effective Date on the import. These scenarios are supported with a mid-term balance adjustment.
 - No guardrail exists currently to block this scenario.
 - Selected fiscal month for Effective Date on the balance adjustment import cannot coincide with the same fiscal month in which another remeasurement event is included. (EX: renewal, recurring payment adjustment, impairment, etc.)
 - Imports for schedules that are fully terminated, disposed, or bought out will be blocked.
 - Balance adjustments should not be imported for any schedule with one or more assets fully impaired.
 - Impairment should be rolled back, the balance adjustment applied, and then the impairment readdressed if needed.
 - No guardrail exists currently to block this scenario.
- The following accounts can be selected on the import file:
 - Accumulated depreciation - Finance Lease
 - Accumulated depreciation - Operating Lease
 - Accumulated depreciation: Step payment timing adjustment - Operating Lease
 - Allowance for Leased Asset Impairment-Finance Lease
 - Allowance for Leased Asset Impairment-Operating Lease
 - Deferred rent
 - Finance Lease asset

- Operating Lease asset



Note:

Account Specific Notes:

- Balance adjustments to Accumulated Depreciation – Finance/Operating Lease accounts must be accompanied by an adjustment to the associated Finance/Operating Lease Asset account. An adjustment as small as \$1 can be used for the Asset account.
 - Balance adjustments to SPTA on lease start date are not permitted as the account is not established until the end of the first month of the lease. This type of adjustment is supported with a mid-term balance adjustment.
 - Balance adjustments to the Allowance for Leased Asset Impairment – Finance/Operating Lease accounts cannot be processed for dates prior to the fiscal month of impairment since the account would not have been established. In situations where user wants to reflect a legacy impairment prior to cutover date in Lease Accounting Manager, a small impairment like \$1 could be recorded to seed the impairment event and subsequently the Allowance for Lease Asset Impairment could be adjusted to recognize the impairment prior to cutover without a corresponding P&L impact.
 - Mid-term balance adjustments are not supported for the Deferred Rent account at this time.
- Adjustments can be made as either a Starting Balance (Absolute) or an Adjustment to the Calculated Balance (Delta).
 - The following scenarios explain the feature's current behavior:
 - Balance adjustments recorded prior to a renewal or remeasuring payment adjustment will maintain the net difference between the liability and asset net book value after the remeasurement event.
 - Balance adjustments recorded prior to a modification will maintain the net difference between the liability and asset net book value after the modification.
 - For partial returns or buyouts on leases with a balance adjustment, an equivalent portion of the adjustment is closed out with the terminating entries. For leases with previously recorded partial returns or buyouts, newly recorded balance adjustments are allocated across the surviving assets.
 - Balance adjustments imported for schedules in Evergreen status will import successfully but have no effect on the accounting as the net book value would already be zero. The adjustment will not be considered for subsequent renewals. A new balance adjustment should be processed.

- Reports such as the Maturity Analysis Report and Quantitative Analysis Report that include the "IBR Type" column will continue to show "External Balance Adjustment" as the current "IBR Type" however the IBR will not change.
- The template to import adjustments is available in the Success Center and in Ask Alex.

Import Template Fields

Field Name	Definition	Form at	Required	Other Notes
Schedule #	The client-defined unique identifier for a schedule.	Alphanumeric (132)	Yes	It must be an exact match to an existing deal number within the system.
Accounting Standard	Standard to which the adjustment applies.	Drop-down	Yes	Specified in drop-down. Clients should carefully review each of the records in the submitted file for the appropriate linkage to an Accounting Standard.
Account Description	LeaseAccelerator Account Name	Drop-down	Yes	Specified in drop-down. Must be an Account that is part of the accounting.
Adjustment Type	Use as Starting Balance: Replaces the existing system-generated balance. Apply as Adjustment to Calculated Balance: Adjusts the existing system balance by the amount of change specified.	Drop-down	Yes	Specified in drop-down.
DR or CR	Indicator for the direction of the adjustment. DR = Debit to Account CR = Credit to Account	Drop-down	Yes	Specified in drop-down.
Amount	Amount in Transactional Currency	Numeric	Yes	It must be a positive number greater than 0.
Effective Date	Effective date that the adjustment should be posted.	MM/DD/YYYY	Yes	Dates entered in closed periods will be adjusted forward into the first day of the open period. If multiple Account Descriptions are specified, only 1 date should be used.

User Interface

With the release of 24R1, we added the ability to manage and view Balance Adjustments.

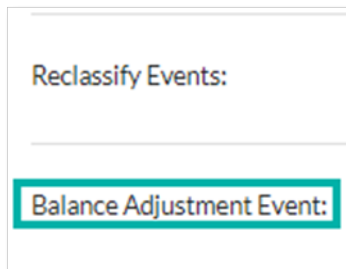
Deal History

The Balance Adjustment now appears on the Deal History, History tile in the audit trail table. This event, labeled Balance Adjustment, has the date of import, the Responsible Party, and the Comment "Performed Balance Adjustment import."

Time/Date	Event	Affected Document	Responsible Party	Comments
12/20/2023 08:05 AM	Balance Adjustment	Balance Adjustment 388279	usera	Performed Balance Adjustment Import

Deal Summary

A New Feature related to a Balance Adjustment appears in this release. When a Balance Adjustment exists for a deal, users will see a new section below the Reclassify Events and above the Mid-Term/EOT Events section. If there is no adjustment, the section will not be present.



The format for the event is as follows:

"Calculated Balance for [[ACCOUNT_DESCRIPTION]] on [[ACCOUNTING_STANDARD]] adjusted {by/to} \$1234.56; effective MM/DD/YYYY (will appear on reports run on as at dates on or after MM/DD/YYYY)"

- Where **by** represents a DELTA and **to** represents an ABSOLUTE.

Balance Adjustment Event: Calculated Balance for Accumulated depreciation - Operating Lease on ASC 840 adjusted **by** \$500; effective 11/01/2023 (not applicable; has no impact on accounting)

Balance Adjustment Event: Calculated Balance for Accumulated depreciation: Step payment timing adjustment - Operating Lease on ASC 842 adjusted **to** \$500; effective 12/01/2023 (will appear on reports run on as at dates on or after 12/01/2023)

- Multiple Account Descriptions and Adjustment Types in the same Balance Adjustment import for the same schedule will each show as a separate line in the new section with the corresponding Amount, Account Description, and Accounting Standard.

Balance Adjustment Event: Calculated Balance for Accumulated depreciation - Finance Lease on ASC 842 adjusted by \$1000; effective 01/01/2023 (will appear on reports run on as at dates on or after 01/01/2023)
Calculated Balance for Finance Lease asset on ASC 842 adjusted by \$2200; effective 01/01/2023 (will appear on reports run on as at dates on or after 01/01/2023)

- Only one Balance Adjustment Event per schedule is allowed. If another Balance Adjustment is done, then it overwrites the existing one.

Removing a Balance Adjustment

To completely remove and rollback an existing Balance Adjustment, use the kebab icon to the right of the adjustment event in Deal Summary.

Balance Adjustment Event: Calculated Balance for Operating Lease asset on ASC 842 adjusted to \$1200; effective 06/01/2023 (will appear on reports run on as at dates on or after 06/01/2023)
Calculated Balance for Accumulated depreciation - Operating Lease on ASC 842 adjusted by \$800; effective 06/01/2023 (will appear on reports run on as at dates on or after 06/01/2023)



Note: Performing another Balance Adjustment import for a schedule that already has one overwrites the existing adjustment and is considered a rollback.

The Deal History Event, previously mentioned, will appear with a strikethrough when another Balance Adjustment is imported for the deal.

- The Responsible Party and an Annotation line with the Comment "Rolled back Balance Adjustment" appear.

Time/Date	Event	Affected Document	Responsible Party	Comments
12/18/2023 01:00 PM	Annotation	Rolled back Balance Adjustment 386091	usera	Rolled back Balance Adjustment.
12/18/2023 12:38 PM	Balance Adjustment	Rolled back Balance Adjustment 386091	usera	Performed Balance Adjustment Import

The Deal History Document for the Balance Adjustment (formerly named Accounting adjustment) document will be marked with "Rolled back Balance Adjustment."

- With the new Comment regarding the deletion, "Balance Adjustment Rolled back on ||dd-MON-yyyy|| and cannot be edited. File retained for audit purposes."

Document	Document Date	Value	Status	Comments
Rolled back Balance Adjustment 386091	12/18/2023			Balance Adjustment Rolled back on 18-Dec-2023 and cannot be edited. File retained for audit purposes.

The System Operations Console will show the events on the Booking tile.

- When an adjustment exists on a deal, and another import is done, only one booking event shows here because the deal only needs to be recalculated once as part of the entire process. Adjustments made before 24R1 are still named Accounting adjustment.

System Operations Console

Report
Import
Booking
Sweeping
API
Engines

☒ Date Range:

Dec 18 2023
to
Dec 19 2023

☐ Date Relative:

Hours

Maximum number of records to retrieve: 25
Status: All
Submit

Refresh Results
Last refreshed time: Thu Dec 28 09:41:50 EST 2023

Booking Job Group Id	Number Of Jobs In Group	User Name	Context	Received Time	Start Time	End Time	Status
61750	1	usera	Rollback Balance Adjustment	12/19/2023 11:00 AM	12/19/2023 11:00 AM	12/19/2023 11:00 AM	Completed (1 deals)
61749	1	userb	Balance Adjustment Import: 38192	12/19/2023 10:21 AM	12/19/2023 10:21 AM	12/19/2023 10:21 AM	Completed (1 deals)

Note: An Asset Detail Import replaces assets on a deal. Users will see a warning during the Validation step informing them to reassess the balance after import.

Save	Schedule Number	Status	# Assets	Amount	Category
<input type="checkbox"/>	LA-11206-1	A Balance Adjustment exists for LA-11206-1. The adjustment may need to be reassessed. Performing another Balance Adjustment after the Asset Import may be required.	1	100000	Agriculture and Forestry

Modifications with Balance Adjustment

There can only be one (1) Balance Adjustment in an entire modification chain when modifications include M00# deals. When only A00# deals are part of the modification chain, Balance Adjustments are not blocked.

- Balance adjustments are blocked on the original parent deal in a modification relationship, regardless of whether or not the parent has an existing balance adjustment. Imports on parent deals, in general, cause issues with the related accounting.
- Balance adjustments are blocked on the child deal in a modification relationship when an adjustment exists for the parent deal.

Examples:

- Deal #123 has an adjustment recorded and was modified with Deal #123-M001. The M001 is not allowed to have an adjustment imported and will be blocked with an error at the Validation step. If you need to replace a Balance Adjustment on a modification chain, rollback the modification(s) to the primary deal in the chain.
- Deal #123 has no adjustment recorded and was modified with Deal #123-M001. The M001 is allowed to have an adjustment imported and will not be blocked. However, if the M001 is modified to M002, then M002 will be blocked with an error at the Validation step.



Note: There will not be a Balance Adjustment event on the Deal Summary of the modification. In other words, the Balance Adjustment event only appears on the Deal Summary where the import was done.

Additional Guardrails

Impairment Related Events

A Balance Adjustment will be blocked from import if the effective date of an adjustment is in the same fiscal period as an existing impairment or impairment loss reversal.

Save	Schedule Number	Status
	VL-LA-11568-1	An Impairment or Impairment Loss Reversal exists for this fiscal period. A Balance Adjustment is not allowed in the same fiscal period.

An impairment or impairment loss reversal will not be allowed if the effective date is in the same fiscal period as an existing adjustment.

Asset Event:*	Impairment
Impairment Date:	Jun 1 2023
Ledger Date:*	June 2023 or later

The Impairment effective date conflicts with the Balance Adjustment effective date for this deal.

Fiscal period in which the event occurs is closed. Adjusting entries will be created in the first open period, February 2024 (01-Feb-2024).

A Balance Adjustment will be blocked from import if, in any period, any asset on the deal is Fully Impaired.

Save	Schedule Number	Status
	Lease 44728	One or more of the assets is fully impaired, and a Balance Adjustment is not allowed. The impairment must be rolled back before the Balance Adjustment can be imported.

Net Book Value (NBV) Protection

A Balance Adjustment will be blocked from import if any combination of Account Description, Adjustment Type, Amount, and Effective Date causes a negative NBV.

Error Message: [##Schedule Number##]: This Balance Adjustment results in a negative Net Book Value and is not allowed.

A Balance Adjustment will trigger an import warning if any combination of the adjustment values might potentially cause a negative NBV.




Caution: [##Schedule Number##]: This Balance Adjustment may result in a negative Net Book Value, and the account should be reviewed immediately.

Save	Schedule Number	Status
	Lease 44728	Lease 44728: This Balance Adjustment results in a negative Net Book Value and is not allowed.

Save	Schedule Number	Status
<input type="checkbox"/>	Lease 4 45342	Lease 4 45342: This Balance Adjustment may result in a negative Net Book Value, and the account should be reviewed immediately.

Accounting Reclassifications

When a Balance Adjustment exists on a deal, an informational message will be visible on the Accounting Classification workspace. This message tells users they should review the accounting output after reclassifying if the accounting classification changes. Accounting classification changes can change the valid accounts for a deal.

Accounting Classification Analysis		
 A Balance Adjustment exists for this schedule. A classification change may affect the existing Balance Adjustment. Please review this after saving the reclassification.		

Deal Status Behavior

Terminated/Disposed – A Balance Adjustment will be blocked from import if the deal's status is terminated, bought out, or disposed of. If the termination event has not yet occurred, meaning the end date has not passed, and the ledger date of the adjustment is before the termination event ledger date, then the import will be allowed.

Save	Schedule Number	Status
<input type="radio"/>	RG_Terminated1	Schedule RG_Terminated1 has a status of Terminated. A Balance Adjustment is not allowed.

Defunct – A Balance Adjustment will be blocked from import if the deal's status is defunct.

Save	Schedule Number	Status
<input type="radio"/>	RG_DefunctRollbacked	Schedule RG_DefunctRollbacked has a status of Defunct (Rolled Back). Changes cannot be made to leases with this status.

Retired – A Balance Adjustment will be blocked from import if the deal was retired/deleted.

Save	Schedule Number	Status
<input type="radio"/>	Deal 12045	Deal 12045 does not exist.

Un-Booked – A Balance Adjustment will be blocked from import if the deal is not booked. This includes deals with Incomplete or Pending Approval.

Save	Schedule Number	Status
<input type="radio"/>	Lease 45045	Lease 45045 does not exist.

Evergreen – A Balance Adjustment will be allowed for import if the deal is in Evergreen; however, a warning will appear to remind users to review the accounting after import.



Note: This warning is because a deal can be in evergreen and either be off the balance sheet or remain on the balance sheet.

Save	Schedule Number	Status
<input type="checkbox"/>	Acme 101	Acme 101 is in Evergreen status. Review resulting accounting to be sure it reflects desired behavior.

Recorded Asset Events

Renewals

When recording a renewal on a deal and a Balance Adjustment exists on the deal, users will see a warning if the ledger date of the renewal event is before the ledger date of the adjustment or if it is in the same fiscal period as the adjustment.

A Balance Adjustment exists for this fiscal period. Review resulting accounting to ensure it reflects desired behavior.

Ok Cancel

A Balance Adjustment exists with an effective date after this event. Review resulting accounting to ensure it reflects desired behavior.

Ok Cancel

Save	Schedule Number	Status	Option	# Assets
<input type="checkbox"/>	Lease 4 45342/466674/Renewal	A Balance Adjustment exists for this fiscal period. Review resulting accounting to ensure it reflects desired behavior.	Renewal	1

Save	Schedule Number	Status	Option	# Assets
<input type="checkbox"/>	Lease 4 45342/466674/Renewal	A Balance Adjustment exists with an effective date after this event. Review resulting accounting to ensure it reflects desired behavior.	Renewal	1

Partial Termination or Disposal

When recording a backdated partial termination or disposal of assets and an adjustment exists on the deal, users will see a warning if the ledger date of the termination event is before the ledger date of the adjustment or if it is in the same fiscal period as the adjustment.

<p>A Balance Adjustment exists with an effective date of 03/01/2024. Review resulting accounting to ensure it reflects desired behavior.</p> <p>Ok Cancel</p>	<p>A Balance Adjustment exists with an effective date of 03/01/2024. Review resulting accounting to ensure it reflects desired behavior.</p> <p>Ok Cancel</p>
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Payment Adjustments

When recording a remeasuring payment adjustment and a Balance Adjustment exists on the deal, users will see a warning if the ledger date of the payment adjustment is in the same fiscal period as the adjustment.

Note: Balance adjustments are made by standard, not by ledger.

The following are the conditions that will bring up the warnings:

1. If the deal has a Balance Adjustment for IFRS 16 only, the payment adjustment is recurring, and the Reason For Change is Underlying index rate change.
2. If the deal has a Balance Adjustment for ASC 842 and IFRS 16, the payment adjustment is recurring, and the Reason For Change is Contingent rent resolved.

A Balance Adjustment exists for this fiscal period. Review resulting accounting to ensure it reflects desired behavior.

Ok Cancel

<input type="checkbox"/>	LA-11588_2	A Balance Adjustment exists for this fiscal period. Review resulting accounting to ensure it reflects desired behavior.	03/01/2024	1800	Contingent Rent Resolved
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Effective Date

The Effective Date of each Account Description and Adjustment Type for the same Schedule Number must be the same date when included on the same Balance Adjustment import.

Save	Schedule Number	Status
●	RG-LA-11692-SU2	Effective Date must be the same for all Account Descriptions for RG-LA-11692-SU2

Account Description

The chosen account must exist for the specified Schedule Number and the deal must be booked to the Standard specified in the Balance Adjustment import. Additionally, the deal must be classified before doing a Balance Adjustment import.

Save	Schedule Number	Status
●	VL-LA-11693-3	Operating Lease asset does not exist for this deal.
		Accumulated depreciation - Operating Lease does not exist for this deal.
		Accumulated depreciation - Finance Lease does not exist for this deal.
		Allowance for Leased Asset Impairment-Operating Lease does not exist for this deal.
		Finance Lease asset does not exist for this deal.
		Allowance for Leased Asset Impairment-Finance Lease does not exist for this deal.
		Accumulated depreciation: Step payment timing adjustment - Operating Lease does not exist for this deal.

Save	Schedule Number	Status
●	VL-LA-11693-3	This deal is not booked into the ASC 842 Accounting Standard.
		This deal is not booked into the IAS 17 Accounting Standard.
		This deal is not booked into the ASC 840 Accounting Standard.

Save	Schedule Number	Status
●	VL-LA-11693-8	VL-LA-11693-8 is not classified. A Balance Adjustment not allowed.

Version Summary

Version	Changes/ Updates	Date
24R1	Creation of Version Summary table Changed from a Product Advisory to a Guide Addition of User Interface heading and all subheadings	01/03/2024
24R2	Added kebab icon with Rollback Added Additional Guardrails section Redid the Information and Import sections	03/28/2024
24R2.1	Added Additional Guardrails and screenshots	04/16/2024
24R2.2	Added Additional Guardrails for Effective Date and Account Descriptions, and screenshots.	06/25/2024