insightsoftware

Entering a Lease User Guide

LeaseAccelerator

Version 25.2

Document Information

Notices

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Contents

Setting Up a Lease in LeaseAccelerator

Once a lease agreement has been signed, it is time to enter the schedule information into LeaseAccelerator.

Entering the Lease Schedule can be accomplished through the Bulk Import functionality or by entering all the key information through the four (4) Action Tiles – Participants, Details, Terms and Expenses within the Enter Schedule workspace in the user interface.

For further details on each field including definitions, please refer to the Client Implementation Guide (CIG).

Participants

The Participants tile identifies the participants in the deal. Fields are customized to match internal process roles and responsibilities. The selections for each field show the list of available people, companies, or addresses for each applicable role.

> **Note:** Any field in red text with an asterisk is required to be populated to save a deal.

Participants selected determine the schedule's proper association for:

- Reporting

- Accounting

- Lease and Asset Management purposes

Details

Use the Details tile to manually enter line items of assets. The Details tile contains the asset details for the schedule. Use the Comments box to capture any details about the deal that you want recorded.

Takedown Against Existing Lease Line

Select this box only if the lease schedule is a sub-ordinate asset lease with previous funding committed on a more "global" perspective. The Lease Line is similar to having a Home Equity Line on your house – you have available funding of a certain amount approved and you are now using a tranche of the overall funding. If the Lease Line checkbox is selected, a new Action Tile is generated, and the user is asked to Select the Lease Line that this specific lease is attached to.

It is also on this tile that you have the ability to attach a PDF or scanned image of the lease schedule by clicking **Choose File** and saving a file to the papering deal.

Input Asset Details by clicking the plus sign. A pop-up will appear where you can enter further details about the assets on the schedule.

Summary by Asset Type:

Total Hard Costs:	Total Soft Costs:
0%	0%

Total Costs:

Asset Details:

	Line #	Description	Quantity	Unit Price	Value	Category	Cost Center	GL Code (Coding Convention)	Project
●									

Total Price:

Please note the required fields in Red with an asterisk. Product Category is necessary for accounting classification as it determines the Economic Life used in the classification analysis. GL Code is critical as it maps to the set of natural account numbers used to create journal entries for an asset. Quantity and Unit Price drive a total cost for the schedule which is also used for lease classification.

Product Category:*	Agriculture and Forestry ▾ ☐ Sale/Leaseback
Product Number:	0
Manufacturer:	
Description:	
Cost Center:*	▾ **GL Code (Coding Convention):*** ▾
Quantity:*	0
Unit Price (USD):*	Total Price (USD): 0.00
Unit Rent (USD):	ⓘ Total Rent (USD): 0.00
Standalone Observable Price (USD):	Total FMV (USD): 0.00
☐ Lease terms are based on utilization ⓘ	

⊕ Project: [   ] ◈

*Required

Add

If entering a utility-based lease, check the box "Lease terms are based on utilization". Specific fields will appear and should be populated accordingly. Note: LeaseAccelerator currently supports Utilization based payment terms for Real Estate only. This includes all Real Estate categories and sub-categories configured in the system.

Terms

The Terms tile contains the schedule terms. You specify:

- Payment amount, frequency, and timing

- Lease type

- Any mid or end-of-term options

Payment Based On Field

When entering the Payment Based On field, choose from four options:

- Fixed Interest Rate

- Floating Interest Rate

- Lease Rate Factor

- Cost Basis Not Available

ⓘ **Note:** The option you choose determines what other fields populate to calculate payment, as show in the table below.

Option Selected	These Fields Appear
Fixed Interest Rate	 - Future Value of Residual - Funder Implicit Interest Rate
Floating Interest Rate	 - Future Value of Residual - Spread Over Index - Index Basis - Benchmark Date for Indexed Rates - Maximum Annual Rent Escalation - Adjustment Frequency

Option Selected	These Fields Appear
Lease Rate Factor	■ Enter LRF by Asset Type ■ Blended LRF
Cost Basis Not Available	■ Payment Amount ■ If selecting this Payment Based On Type, please note that the Accounting Classification Analysis will ignore the PV test and the resulting classification may be incorrect. To avoid this, please select Lease Rate Factor and enter the appropriate LRF instead of Payment Amount.

Defaults

In the Terms tile, if the information has not been transferred from an upstream document (for example, an awarded proposal), LeaseAccelerator populates all required fields with standard terms according to any defaults associated with the selected participants. Update these fields with terms relevant to the deal being entered. The table below provides details about the fields on this tile.

Field	Description
Lease Type	Typical options for lease type include:
	Finance Lease - $1PO/Mandatory Purchase *selecting this lease type will impact accounting classification.
	Finance Lease – Fixed Purchase Option *selecting this lease type will require a Buyout EOT Option with fixed purchase amount.
	First Amendment Lease Full Service Lease Leveraged Lease Debt Leveraged Lease Equity
	Loan/Note & Security Agreement Modified Gross Lease
	Municipal Lease Purchase Other Financial Product Split TRAC Lease Synthetic Lease
	TRAC Lease Triple Net Lease
	True/Operating Lease (FMV)
	Note: For Full Service, Modified Gross or Triple Net you may have Other Related expenses.
	Note: For Split TRAC and TRAC you may have Return Fees (or Residual Value Guarantees).
Periodic Payment Frequency	Defines how often the Lessee makes payments in a calendar year. Available options include: ▪ Monthly ▪ Bi-Monthly ▪ Quarterly ▪ Semi-annual ▪ Annual
Advance or Arrears	Defines when in the payment period a payment will be made. ▪ Advance payments are made at the beginning of each payment period ▪ Arrears payments are made at the end of each payment period

Field	Description
Interim Rent	Identifies the following: ■ Any requirements for interim rent ■ If applicable, whether interim rent ○ is paid up-front or ○ rolled into the cost basis as part of the net amount financed
Mid-Term/ EOT Options	Defines the options offered by the funder for asset disposition at end-of-term and, in some cases, mid-term.

Blended Lease Rate Factor (LRF)

Lease Rate Factor is a simple multiplier typically provided by a funder or vendor. Your lease payment is calculated by multiplying the lease rate factor times the value of what you are leasing.

When you enter the lease rate factor, the payment amount populates.

To have Blended LRF automatically calculated when entering the Lease Rate Factor, check the Enter LRF by Asset Type box. LeaseAccelerator displays fields for you to enter the lease rate factor for each product category referenced on the Details tile. Once you enter these fields, the blended LRF displays when you tab off or click away from any individual LRF field.

Interim Rent

If you are obligated to pay interim rent, you can specify the manner in which interim rent will be calculated, and whether the interim rent Is a) payable up-front or b) will be rolled into the finance amount.

If you select one of the Interim Rent choices, a second field populates for you to specify the interim rent basis as "payment terms that are same as above" by Index Rate or a Floating Rate.

Terms of Lease

Enter information about the terms of the lease.

Step	Action
1	Select the Lease Type from the drop-down list. The most common lease type is True/Operating Lease (FMV). The Funder can depreciate the equipment, which means that they can offer a lower rate.
2	Select the Periodic Payment Frequency from the drop-down list.
3	Enter the number of payments in the term of the lease in the Number of Period Payments field.

Step Payments

While typical leases have a standard, consistent payment schedule, more complex financing structures may require you to enter Step Payments. Common use of step payments includes:

- Skip payment or rent holiday

- Escalator or step schedules

- Balloon payment

- Rent abatement periods

When you click the Payment Schedule Calculator button, LeaseAccelerator opens a new window where you can enter the payment information. See the table below for steps to entering step payments:
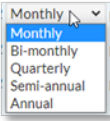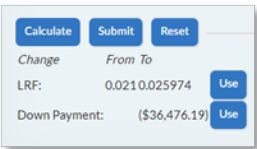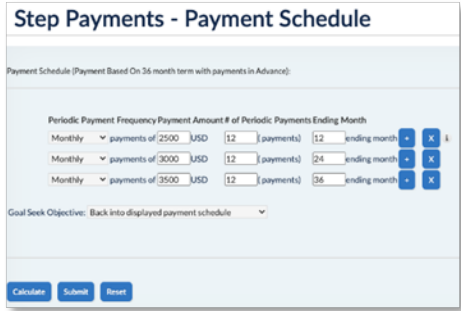
Step	Action
1	Select Goal Seek Objective: Back into displayed payment schedule.
2	 Select the Periodic Payment Frequency from the drop-down.
3	Enter the first step payment amount.
4	Enter the number of periodic payments at that amount.
5	Enter the ending month for this payment amount. (Example: If first 12 months are at $$.$$, then # of Periodic Payments is 12 and Ending Month is 12.)
6	Hit the plus button to add additional steps. Hit the 'X' button to remove steps.
7	You may click **Calculate** if you would like LeaseAccelerator to calculate the blended LRF. Once done, you may click Use and you will be taken back to the Terms tile.

Step	Action
8	When you have completed all information for all steps, click **Submit**.

Mid-Term/End-of-Term Options

Click Mid-Term/End-of-Term Options to enter any mid-term or end-of-term options in accordance with the options and obligations stipulated in the lease. By clicking the plus sign, you may add as many options as necessary. Remember: You should enter ALL options contained in the lease, not just the one that is reasonably certain to be exercised.

The Type field contains the selections for a mid-term option or end-of-term option. The field next to the Type field contains a subset of options that qualify as mid-term or end-of-term.

The available options to choose from for the Types: Early (Mid-Term) and End-of-Term Options are the same, though the options generate different fields based upon the type. For Example:
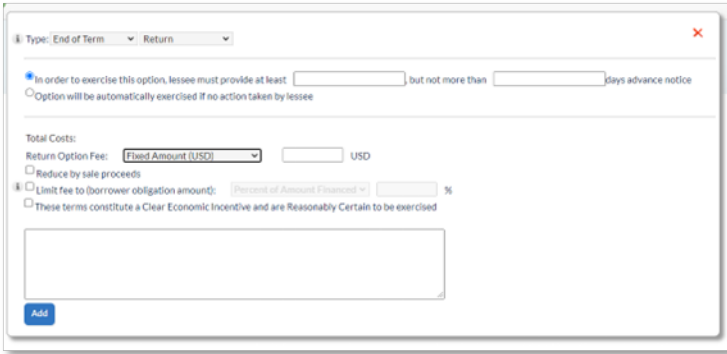
- Selecting Return for an Early (Mid- Term) type generates fields for a month of return and any penalties.

- Selecting Return for an End-of-Term type option only generates a field to specify a return fee if any.
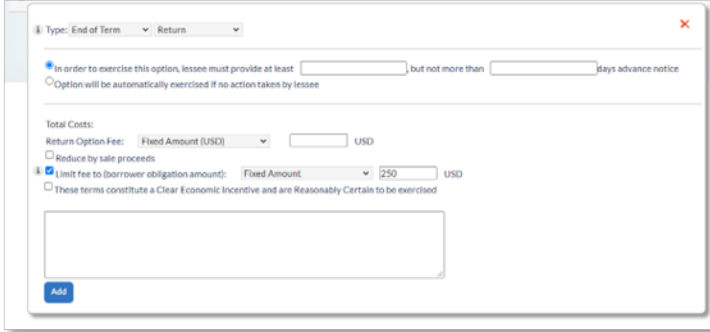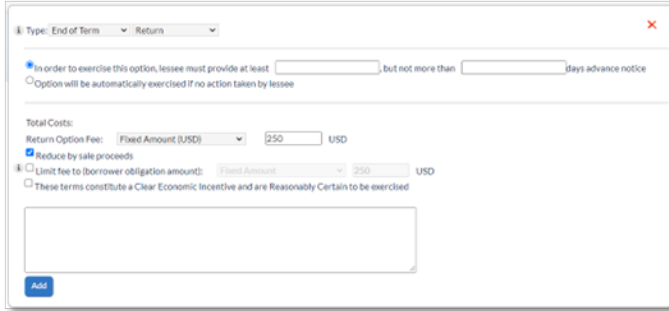
The same options appear in the Type drop down of option selections to offer greater flexibility in defining/capturing both mid-term and EOT options.

When capturing EOT terms for a Schedule, you can also capture FMV caps (or floors) by checking the appropriate box and providing the cap or floor amount. If a Renewal or Buyout at FMV is selected and the floor or cap selection is made, LeaseAccelerator allows you to enter a cap amount in the field next to

the selected drop down. You can enter this cap amount as a fixed amount or as a percentage of the original amount financed.

It's also beneficial to point out that when setting up EOT Options in the User Interface, there are two specific selections to define whether an option is automatic or not. In the PIW, however, the process for defining an automatic option is slightly different. Please refer to the Client Implementation Guide for specific details on how to ensure an option is automatic or not automatic for bulk imported leases.

Field	Description
Type	Indicate if you are recording a mid-term or end-of-term option. The option you select generates different fields based on the type. Unless you have a specific mid-term option to record, enter everything as end-of-term.
FMV Cap	If you check the Not more than either a Percent or Fixed amount box, the percent or amount entered indicates the maximum amount you will pay. Percent is more flexible and gives you more protection. Hard capped is a fixed amount.
Evergreen	Although LeaseAccelerator provides the option to record an Evergreen renewal option, you generally will not need to do so. LeaseAccelerator automatically provides for month-to-month renewal at the current rental amount. However, if the lease contract specifies a different rental amount for month-to-month renewal, you should enter the Evergreen option explicitly to capture the modified payment amount. Please also note that the Default EOT Treatment is based on Product Category and what is configured in the Settings/Asset Types screens. Please refer to the LA User Guide to Configuration and the Client Implementation Guide for further information.
TRAC leases or split TRAC	If you are doing a return and creating a TRAC or split-TRAC lease: ▪ From the Return Fee drop-down, select Percent of Amount Financed and enter the TRAC percentage. ▪ Check the Reduce by sale proceeds box. If you are doing a split-TRAC lease, you should also check the Limit fee to (borrower obligation amount) box and enter the lessee's maximum obligation percentage. The screenshot below shows these fields.

Field	Description
TRAC leases or split TRAC cont.	To capture a Contractual GRV using a Return Fee, you must specify in one of two ways: 1. Specify a Limit Fee (which will be used first, if specified) 2. You can specify a Return Option Fee and check the Reduce by sale proceeds box. Note: Contractual GRV is used for Lease Classification purposes under the new Accounting Standards. Errors in this input may cause incorrect Lease Classification and the related journal entries.

Renewals

The automatic renewal ("evergreening") process looks first for end-of-term options that are tagged as Automatic before presuming a month-to-month renewal. This allows configuration of such scenarios as an automatic 12-month renewal.

If a renewal occurs at the end of term, it starts in the month following. For example, if a renewal occurs at the end of term for a 36-month lease, the renewal starts at month 37.

You can add as many Mid-Term/End-of-Term Options to a deal as are specified by the schedule. After completing the fields in the window, click Add. LeaseAccelerator displays the option as a line item at the top of the window. You can then add another option or click Submit to return to the main page.

Result

LeaseAccelerator summarizes all the Mid-Term and/or End-of-Term options at the bottom of the Terms tile of the Schedule Entry.

Expenses

This tile enables the user to add ancillary expenditures that are required by the lease agreement or that have a direct impact on the accounting for a lease and are incremental to the base rent. The data required in this tile varies based on the category and subcategory of expense.

Expense Type is a general grouping of expenses such as CAMS, Other Rent, Initial Direct Costs (IDC), Lease Incentives, Deposits, or Late Fees. Expense SubType defines the specific type of expense such as for CAMS – Landscaping, Security; IDC – Commissions or Payments to Prior Tenants; Other Rent – Property Tax, Property Insurance, etc. (See the detail validation values).

It should be noted that Scheduled Related Expenses create actual accounting activities for specific Expense Types and accounting may differ based on the Expense SubType (i.e., ARO/End of Life has different treatment depending on the selection). Other Expense Types entered here are for forecasting/reporting purposes only. Actual accounting is only generated when an Invoiced or Paid amount is entered.

Additionally, Lease Incentives may only be added at lease inception and not once a lease has been booked.

For each expense, click plus sign to add a new expense and populate all the relevant fields. Those in red are Required.

Field	Description
Type	Indicate the type of related expense specified in the contract as the responsibility of the Lessee. Payment may be made to the lessor/landlord or directly to the vendor.
Expense SubType	A grouping of expenses within a category by function. Choices vary depending on Type of expense indicated above.

Field	Description
Payee	A company providing services related to the leased asset. Often used for providers of IDCs, Lease Incentives, or other real estate expenses such as Insurance. The drop down will be populated with all eligible Vendors which you have loaded during your configuration process.
Payment Frequency	Recurring timing of expense.
First Payment Date	Date the first payment of expense is due. May not be prior to the lease start date.
Currency	Currency associated with the initial payment amount.
Amount Paid	First payment amount from which escalation caps are applied.
Late Fee Interest Rate	Interest Rate applied to payments to determine Late Fees.
Escalation Cap (%)	Maximum amount of increase in related expense each year.
Based on Benchmark Amount of	Amount, if any, included in the base rent for the Expense Type/SubType.
Maximum Payment	Maximum amount of total expense allowable to be charged.
Applicable To	Indicate whether this is applicable to all assets on a schedule or a specific product category only.
Comments	Add any relevant comments.

After each expense has been entered, click the **Add** button. Once all expenses have been entered, you may hit the **Save** button located at the bottom of each tile.

Booking the Schedule

After you complete and save the schedule, LeaseAccelerator displays the Deal History workspace, which shows a pending action to book the schedule.

> **Note:** Each client may customize the steps in the workflow to determine what roles are to be responsible for different actions. The standard workflow assigns this action to the Order Administrator role.

If you do not see a pending action to book the schedule, users may enqueue this ToDo manually by following these steps:

Step	Action
1	On the Next Steps tile, select Book Deal from the Event Type drop-down.
2	Choose the appropriate Participant Type for the person who will be booking the new deal.

Step	Action
3	If there is a specific person that should be booking the new deal, you may select their name from the Assign To drop-down. This field is not required.
4	Click Save.

Follow the steps below to book the deal:

Step	Action
1	Click **Book** in the Pending Actions. **Result:** The Book Deal workspace opens.
2	A drop-down lists possible source documents you can use for asset-level booking. Asset management documents ("Asset Manifests") can be automatically generated by LeaseAccelerator to convert line item-level equipment details into asset-level details. (Asset Manifests carry the terms and information captured during Schedule Entry.)
3	Enter the Commencement Date for the lease. This is the lease start date. See CIG for further details. Under ASC842 and IFRS16, the actual Accounting commencement is based on a combination of this field and the Asset Available for Use Date.

Step	Action
4	Select the appropriate fiscal period from the Ledger Date drop-down, if applicable. Some Commencement Dates will automatically choose appropriate Ledger Date and drop-down will not appear.
5	Select the Ledgers that you want this lease booked to.
6	Select the Expected Disposition or Reasonably Certain EOT Option from the drop-down.
7	Enter the Expected Holding Period (Reasonably Certain)
8	Enter the appropriate IBR at Inception. If you would like to use the Default IBR, which is the Expected IBR based on loaded rates listed above this field, click the Use Default IBR button and this field will auto-populate.
9	Enter the Estimated Guaranteed Residual Value (GRV)
10	Click **Book**. **Result**: LeaseAccelerator displays the Deal Summary workspace, which displays the results of booking for you to review.

Classifying the Deal

After you book the schedule, LeaseAccelerator displays the Deal Summary workspace, which shows new fields on the Participants tile.

Fields in red with an asterisk are required by the system.

Once all necessary fields have been populated and you've indicated a Make Changes Effective date, navigate to the Summary tile and click **Save** at the bottom of that workspace to save your participants.

Also on the Summary tile, you will see a line for Accounting Classification that indicates that the lease has not yet been classified.

Scroll down until you see the **Save** and **Generate Accounting Classification** buttons. Select **Generate Accounting Classification** to be taken to the Accounting Classification Analysis workspace, where there are three sections, as shown below.

Summary of Tests

The first section is the Summary of Tests used to determine the accounting classification.

This section shows the tests run for each Accounting Standard to determine the classification of a lease.

Next is a section that shows the classification by category.

Analysis by Category

Lease Treatment	Category	Net Cost	Is Major Part of Economic Life?		Purchase Option			PV is Substantially All Value?		
Lease Component	Building	€60,000.00	No ▾	Contractual Term: 359	☐ Bargain ☐ Likely	Lease Terms: Not Set		Yes ▾	Contractual Lease Terms:	4386.84%
				Expected Term: 36		Bargain Purchase Threshold: 10% PV			Expected Lease Terms:	4386.84%
				Economic Life: 480		Reasonable Certainty Threshold: 10% PV			Policy Threshold:	90%
				Contractual % of Economic Life: 74.79%						
				Expected % of Economic Life: 7.5%						
				Policy Threshold: 75%						

Finally, there is a section that displays the characteristics of the deal.

Deal Characteristics

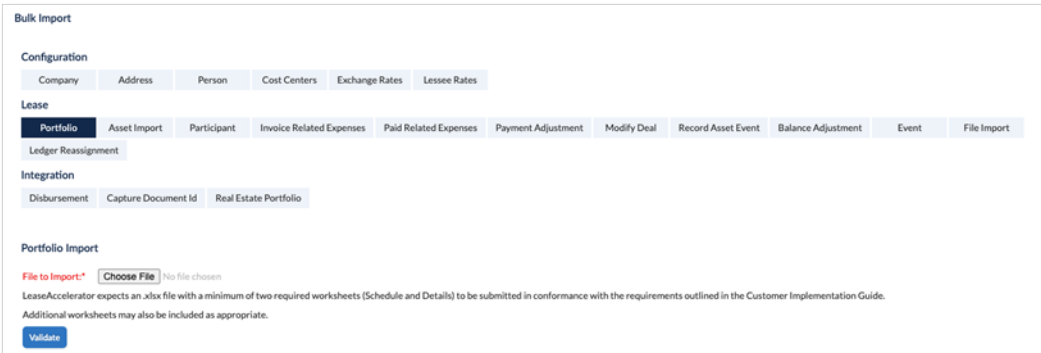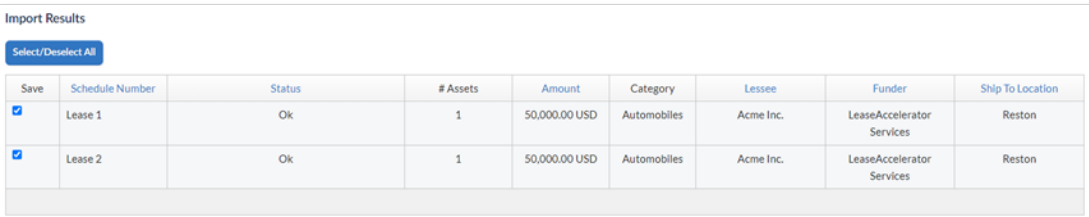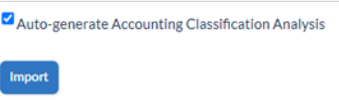|	
Is the lease cancellable before end of term?	No ▾
Is ownership guaranteed to transfer to lessee at end of term?	No ▾
Are the assets specialized for lessee use?	No ▾
Are the assets dependent on or interrelated with other leased assets?	No ▾
Does the commencement date fall at or near the end of the economic life of the underlying asset? :	No ▾
Land Only :	No
PV at Rate:	3.342903 [Use Default IBR]
Expected Holding Period :	36 months
Contractual Guaranteed Residual Value (GRV) :	0 EUR
Comment(s):	

After reviewing the classification, scroll down and select the Save Account Classification button.

Bulk Importing the Schedule

The other method of capturing leases in LeaseAccelerator is through the Bulk Import function. Using this method, you populate a Portfolio Intake Workbook (PIW) with the necessary and relevant lease, asset and accounting information and then import that file into LeaseAccelerator through the UI.

Step	Action
1	Navigate to the Bulk Import workspace of LeaseAccelerator by clicking on **Bulk Import** on the Left NavBar.
2	Ensure you are on the **Portfolio** tile.
3	Choose your appropriate PIW file.
4	Click the **Validate** button. Once the file has been validated, you may see Red errors or Yellow warnings appear, depending on the accuracy of your import file. Red errors must be addressed before leases can be imported into LeaseAccelerator. Yellow warnings alert you to possible issues but will not prevent you from importing.
5	If you would like LeaseAccelerator to automatically classify the leases, you may check the box directly above the Import button.
6	Once you have corrected any Red errors and addressed any Yellow warnings, ensure that the boxes for the leases you want to import are checked, then hit Import. This will start the process of importing your leases into the system. The time this will take varies depending on how many schedules/assets you have in your import file. The more you have, the longer it will take to process.

Step	Action
7	 When the import is complete your results will be listed, and each Schedule Number is a hyperlink to navigate directly to that schedule's Deal History.

Entering a Lease with Approve/Reject Workflows

If you opted to have the approve/reject workflows enabled for Enter Schedule and PIW, then there will be additional required steps after the booking and classification of your leases. These steps may include review and approval, or review, rejection, correction, and review and approval. Please refer to the LA User Guide to Segregation of Duties to learn more about the approve/reject workflows available.

Version Summary

Version	Changes/Updates	Date
21R1	Created Version Summary	12/24/2020
21R1	Updated screenshots for Enter Schedule, Details, Asset Details	01/20/2021
21R4	Updated several screenshots	08/03/2021
21R4	Added the section on approve/reject workflows	08/27/2021
22R3	Updated verbiage for classification, replaced screenshots.	07/15/2022
23R2	Updated screenshots for Step Payment Calculator	04/25/2023