

Aptitude
**Lease
Accounting
Engine (ALAE)**

SOLUTION BRIEF

A standalone SaaS solution
purpose-built to support
IFRS 16 and ASC 842
compliance

Aptitude™
SOFTWARE

Aptitude's Lease Accounting Engine (ALAE) is flexible, highly configurable and integrates seamlessly with existing systems, finance workflows, and surrounding architecture. It handles a wide range of complex lease accounting scenarios for both lessees and lessors, providing consistent, consolidated reporting, full visibility and control over lease accounting, for the entire lifecycle of leases.



Centralized control

Configure policy elections for different asset classes up front and apply them automatically for consistency, while gaining simple and transparent version control



Operational efficiencies

Efficiently automate and manage complexities like non-traditional calendars, complex legal entity structures, embedded leases, multi-GAAP accounting, and more



Strategic foresight

Use granular lease data to understand the financial impact of individual leases and model the impacts of decisions like exercising options and lease vs. buy



Smart compliance

Out-of-the-box support for US and International standards with prepackaged accounting templates, configurable accounting schemas, and disclosures to reduce risk and accelerate implementation



Business Agility

Gain flexibility with an out-of-the-box, highly configurable, automatically updated, cloud solution that can scale with growth

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Finding a long-term lease **accounting solution**

By now, public companies have adopted the new lease accounting standards, IFRS 16 and ASC 842, as required on January 1, 2019. However, given the rush toward compliance – at the end of 2018 only 4% of public companies had reported completing their leasing implementations – more than a few public companies likely went into first quarter of 2019 reporting with a solution that used plenty of workarounds.

With a year of reporting under the new standard behind them, these organizations are now evaluating if their existing lease accounting solution can meet current and future needs – including driving business benefits beyond compliance. With the proportion of assets and liabilities associated with leases predicted to grow significantly over the next 5 years, it's important to get this right. Private companies, who were just granted an additional year to comply with ASC 842, will continue to watch and learn.

“ *Disappointment around initial lease accounting software solution selections was widespread. Executives noted that starting the vendor selection process earlier would have afforded them the opportunity to better tailor the lease accounting systems to their business needs and budget.”*

PwC

Source: <https://www.pwc.com/us/en/industries/private-company-services/business-perspectives/lease-accounting-lessons-public-companies.html>

Challenges to overcome

Data disparity

Leases are scattered throughout the organization in various entities, departments, regions, and systems and may differ in the level at which they hold key lease information or lack the level of granularity required.

Integrating into existing systems

Lease accounting systems will need to easily integrate with existing finance workflows, processes, and systems including revenue recognition and accounts payable solutions.

Addressing complex lease types

Lease portfolios vary widely in their complexity and companies may have both lessee and lessor obligations. Leases with multiple asset classes, payment types, currencies etc. will need to be accurately accounted for.

Handling high lease and data volumes

Whether an organization has a high volume of leases or highly complex leases with thousands of data points, systems will need the processing power to address standard requirements.



Aptitude stood out as a vendor who had significant experience handling complex, global projects. The implementation plan they shared with us and their comfort with our high lease and entity volumes gave us confidence that we could achieve compliance despite our very tight schedule.

Kasper Fangel, Head of Group Finance at ISS

Aptitude Lease Accounting Engine

Automate compliance

Aptitude provides a mature lease accounting solution with an excellent track record. ALAE is already successfully operating in complex, high volume environments across industries like finance, technology, media and telecoms (TMT), manufacturing, logistics, facilities management, and transport. ALAE supports both lessee and lessor accounting requirements under the new standards.

ALAE handles a wide range of complex lease accounting scenarios, providing consistent, consolidated reporting and full visibility and control over lease accounting, for the entire lifecycle of leases.

The product enables enterprise finance teams to efficiently capture lease information, automate lease classification tests, and confidently deliver multi-GAAP accounting. Multiple transition options are supported, and the solution has a sandbox environment to give users the ability to see the impacts of various accounting policy decisions before entering them into a production environment.

Key features



Addresses both lessee and lessor accounting requirements across all asset classes and revenue line types



Multi-basis accounting to support US GAAP, IFRS, and disclosure reporting requirements from a single data foundation



Flexibility to handle all current and future challenges of a multi-national lease accounting program including multi-currency, multi-GAAP, multi-lingual and multi-entity frameworks



SOC certified on our cloud hosted instances



Disclosure and maturity analysis reporting, as well as comprehensive trial balance reporting for individual lease contracts, components, and portfolios



Multiple calendar support to allow entity-specific close frequencies to shorten period end processing



Out-of-the-box and configurable reports to accommodate the unique ways your organization handles lease accounting



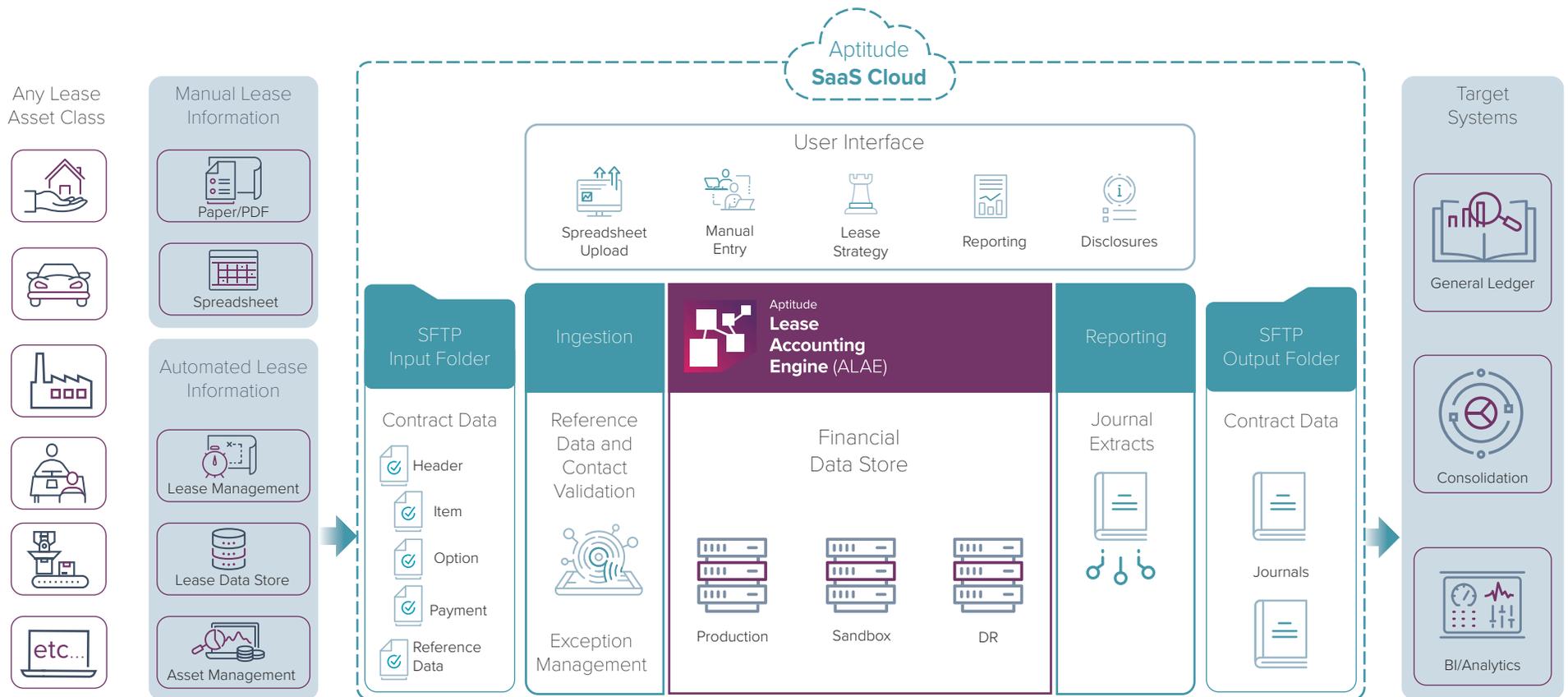
Supports many variations of required statutory and management reporting

Core offering

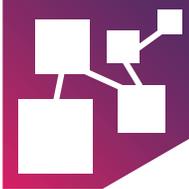


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Key components



GENERAL CAPABILITIES

- Web user interface to create and amend lease contracts
- Contract upload excel template
- Automatically integrate lease contracts uploaded as files from external systems
- Accounting forecast with trial balance for each contract
- User-definable attributes on contracts
- User-configurable reference and configuration data
- Data quality validation rules
- Audit trail, including the ability to view all historical contract versions
- Contract and reference data approval workflow
- Configurable double entry accounting
- Accounting at the level of the contract component, asset, or service
- Multi-GAAP accounting for individual contracts
- Complex custom fiscal calendars
- Multi-entity organizational hierarchy
- Out-of-the-box and bespoke reports
- Single sign-on and segregation of duties by user role and legal entity

LESSEE & LESSOR ACCOUNTING CAPABILITIES

- Example accounting configurations to reduce time to implement
- Lease determination questionnaire
- Configurable support for any asset class
- Fixed payments
- Short-term exemptions
- Lease classification tests with configurable thresholds
- Lease transfer
- Transfer of ownership
- Lease classification test override at transition
- Quantitative disclosure reports
- Modifications including mid-term, early termination, term extensions, and scope increase/decrease
- Automatic lease classification re-assessment upon modification
- Early termination option, purchase option, term extension option, scope increase option, and scope decrease option.
- Variable payment options including payments linked to a variable index, variable rate, rent review, performance-based payments, and usage-based payments
- Automatic translation of credits and debits into local (reporting) and base (group) currency

LESSEE-SPECIFIC ACCOUNTING CAPABILITIES

- Web user interface to create and amend lease contracts
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LESSOR AND SUBLEASE-SPECIFIC ACCOUNTING CAPABILITIES

- Supported transition options include, lessor contracts that are not part of a sublease, finance sublease transition where the head-lease transitioned under US GAAP, IFRS fully retrospective, IFRS modified retrospective A, and IFRS modified retrospective B

Cloud architecture



The Aptitude Lease Accounting Engine is offered as a SaaS solution, ensuring it can be quickly implemented and easily scaled for any organization.

Clients benefit from the fact that the management and operational aspects of running ALAE - backups, maintenance, product upgrades - are carried out by our cloud operations team.

This enables organizations to focus on using and getting the business value from the solution. The solution uses a multi-zone approach ensuring data is replicated across different physical locations enabling an immediately switch-over in the event of any infrastructure or platform failure.

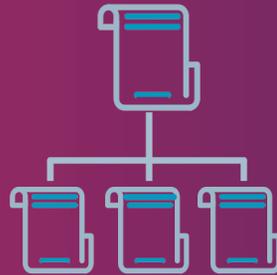
Prospects state that their existing leasing systems can take days to process lease modifications. The metric we use for measuring **our processing performance is minutes not days.**

Four complex lease types to look out for



Variable payment lease:

Leases can include variable lease payments – the portion of the lease payment that varies based on something other than the passage of time. These payments can be linked to a consumer price index (CPI), a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.



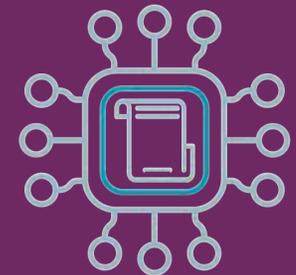
Sublease:

A sublease originates when a lessee decides to sublease a leased asset to a third party. When this happens, the original lessee must determine how to account for this change. Under the new standards, subleases require the organization to generate lessor accounting.



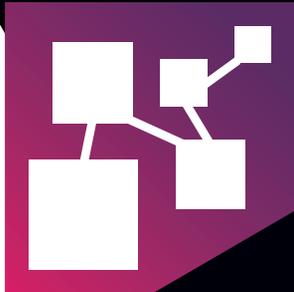
Intercompany lease:

An intercompany lease occurs when the two parties of a contract, both the legal entity and the counterparty are in the same group of companies. This requires the appropriate offsetting entries to be recorded for correct reflection in consolidated reporting.



Embedded lease:

The new lease accounting standards also apply to any leases embedded in other arrangements, like supply contracts, data center agreements and outsourcing agreements. Identifying embedded leases is important to avoid misstating the balance sheet.



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Business benefits

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It handles a wide range of complex lease accounting scenarios for both lessees and lessors, providing consistent, consolidated reporting, full visibility and control over lease accounting, for the entire lifecycle of leases.



Control

Highly flexible and configurable, giving finance full control

- Gain centralized control and visibility across all leases at the contract and asset level
- Deploy a consistent and auditable approach to all aspects of lease accounting



Strategic foresight

Harness data to drive actionable business insights

- Centralize and standardize lease data from across the organization
- Utilize sandbox environment for modelling impacts of business and accounting decisions



Smart compliance

Continuous ASC 842 / IFRS 16 compliance

- Support all lessee and lessor accounting requirements including those associated with subleases, intercompany leases, and embedded leases
- Built-in, powerful reporting tool to take benefits beyond compliance



Operational intelligence

Gain operational and cost efficiencies and improved productivity

- Use one trusted lease data foundation for multi-GAAP accounting
- Manage all accounting complexities, multi-company, multi-hierarchical entities, multi-currency, covering all asset classes



Business agility

Modern enterprise lease accounting solution that can embrace change

- Platform-agnostic product fits seamlessly into existing technical landscape
- Leverage the solution's full support of all transition options and its ability to address complexity
- SaaS model offers scalability and flexibility

Why Aptitude Software

Aptitude Software's vision is to empower finance communities to transform business with smart compliance, operational intelligence, control, and strategic foresight.

We understand finance

Aptitude Software is dedicated to developing finance management software. Aptitude solutions are designed by finance experts who speak the language and understand the challenges today's CFO faces.

Regulatory compliance expertise

Aptitude Software has been delivering finance solutions to address regulatory compliance needs for over 20 years. We have deep, specific expertise in both IFRS 16 and ASC 842.

Low risk and speed of deployment

Aptitude's solutions come pre-packaged with IP-rich, industry-specific project accelerators such as finance templates, pre-defined business event data models, and disclosure templates. The accelerators are continually enhanced as best practices are captured by Aptitude's Centre of Excellence (CoE). This enables efficient implementation, reduced risk, and faster time to benefit.

Our delivery team is made up of over 120 consultants located across the globe with deep technical and finance expertise. Together with a vast, global partner network of certified specialists and our Centre of Excellence providing guidance and oversight on projects, Aptitude's delivery teams have implemented over 75 instances of our solutions across four continents.

Proven enterprise scalability and performance

Aptitude Software has proven expertise in delivering solutions for small and mid-size businesses to global organizations. Our solutions easily scale to match the size of the business.

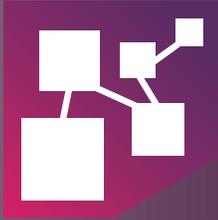
Future ready solutions

Aptitude is 100% committed to the ongoing development of finance management solutions built on modern IT architectures. This gives organizations the ability to embrace emerging innovative technologies with the agility to respond to fast changing regulatory and market challenges and opportunities. Aptitude is continually evolving its products, skills, and delivery processes, and invests 34% (2019) of software revenue into research and development.

Strong pedigree

Aptitude Software has an enviable global customer base with combined revenues approaching \$1 trillion. Aptitude has a strong, proven track record across industries with specific, in-depth domain expertise in Financial Services (Insurance and Banking), Telecoms, Media, and Technology and has been helping companies with their digital finance journey for over 20 years.





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You can learn more about the Aptitude Lease Accounting solution using the resources below:



PODCAST

Many companies are realizing workaround solutions implemented in a rush for the 2019 lease accounting standards deadline are no longer enough. Listen to our CTO discussing the technical differentiators of the Aptitude Lease Accounting Engine (ALAE)

https://bit.ly/ac03_alae



CASE STUDY

Meeting the compliance deadline with high lease volumes—with just six months to go before the IFRS 16 reporting deadline, ISS had an extremely tight timeline to select and implement a lease accounting solution.

<https://bit.ly/CS01-alae>



RESOURCE LIBRARY

To access more resources about ALAE visit our online resource library—simply use the link below and select Aptitude Lease Accounting Engine from the Product dropdown, filter further using the topic, industry and type filters to narrow your search

<https://www.aptitudesoftware.com/resources/>



Aptitude Software provides software solutions that enable finance professionals to run their global businesses, forecast decision outcomes, and comply with complex regulations. Uniquely combining deep finance expertise and IP rich technology, Aptitude gives finance leaders the tools they need to transform their business and achieve their ambitions.

Aptitude is proud to have served the offices of finance for over 20 years, delivering financial control and insight to create a world of financial confidence for our global clients.

Aptitude Software supports businesses with combined revenues approaching \$1 trillion and over 500 million end customers. Headquartered in London, Aptitude Software is an operating company of Aptitude Software Group plc.

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For more information, please refer to: [https:// www.aptitudesoftware.com/patentsandtrademarks](https://www.aptitudesoftware.com/patentsandtrademarks)

