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A simplified guide to implementing lease accounting

Presented by:

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Session ID

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About Grant Thornton



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More than **8,500** professionals in the U.S.



Reach

Serve 36% of companies on the 2019 Fortune 500 list and 25% of companies on the Russell 2000 list



Partners

623 partners serving more than 8,000 clients in the nation



Our services

• Assurance • Tax • Advisory



Revenue

GT U.S. net revenue equals **\$1.87 billion**

JD Edwards Practice

Project management & functional expertise

- Specialized functional resources
- Project management office
- Implementations
- Upgrades
- Mobile applications

- Third party integration architecture
- Business process re-engineering
- Managed services (functional)
- User materials and training

- Financials
- Distribution
- Manufacturing
- HR / Payroll
- CAM
- Project advisory

Technical

- Dedicated World Experts (A7.3 through A9.4)
- CNC
- Development (FRICE)
- Workflow
- Security management

- Technical management
- Database management
- Infrastructure / hosting
- Managed services Orchestrator / RPA

- Private cloud
- Disaster recovery
- Security
- UDO maintenance

Trusted business advisor

- Gap assessment
- Transformation
- Industry point of view
- Proven methodologies
- Process excellence
- Enterprise model

- ERP governance
- Data governance
- Master data management
- Reporting strategy
- Business Process Library
- Localizations

- Change management
- Cloud roadmap / strategy
- FASB / IFRS planning
- Chart of accounts optimization
- Benchmarking



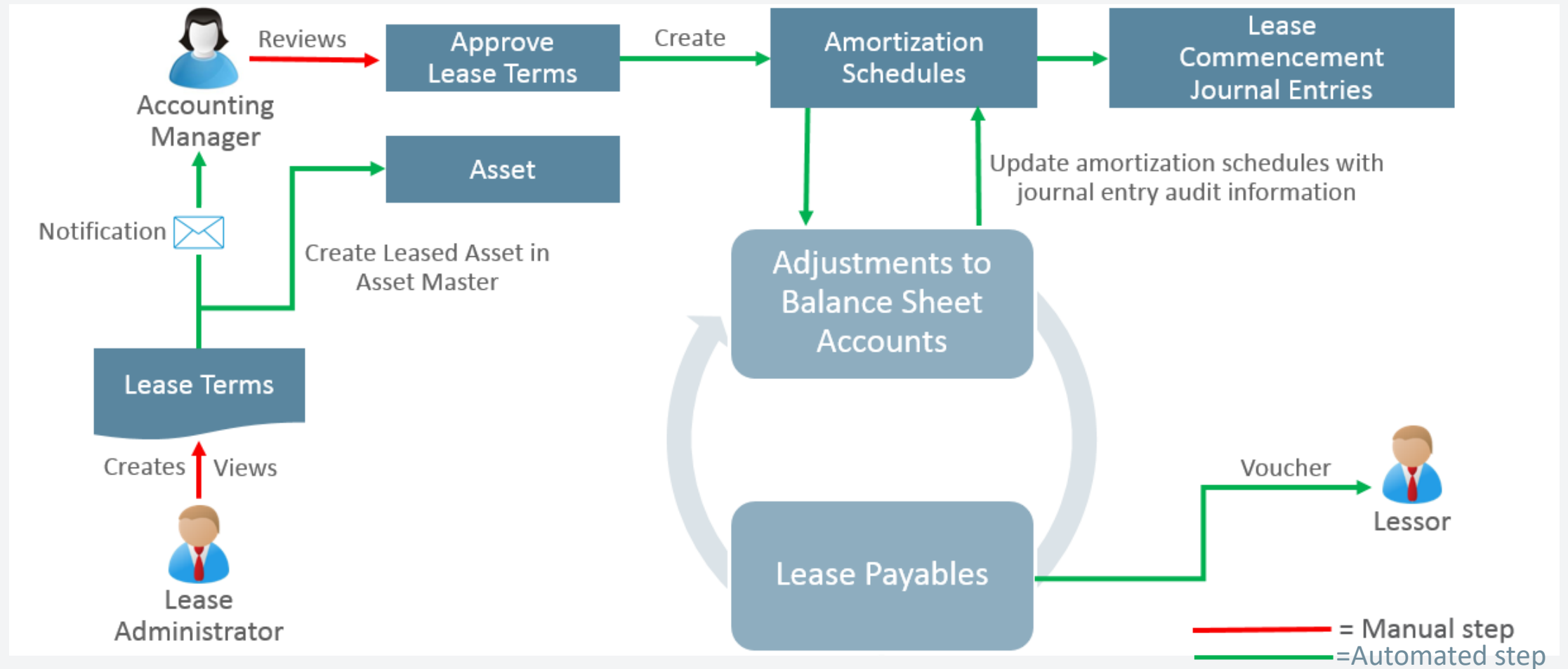
Experience & recognition

- More than 250 JD Edwards implementations and upgrades as a practice
- Over 20 implementations in the past 5 years
- Over 50 upgrades in the past 5 years
- 2017 JD Edwards Partner Excellence Award for **User Adoption**
- 2016 JD Edwards Partner Excellence Award for **Vertical Industries – Real Estate**
- Oracle JD Edwards recognized Grant Thornton with its 2014 and 2015 JD Edwards Partner Excellence Award for Outstanding **Upgrades**

Agenda

- Lessee Accounting Overview
- Newest Enhancements
- Organizational Involvement
- Approach
- Key Challenges
- Takeaways

JDE Lessee Accounting Process

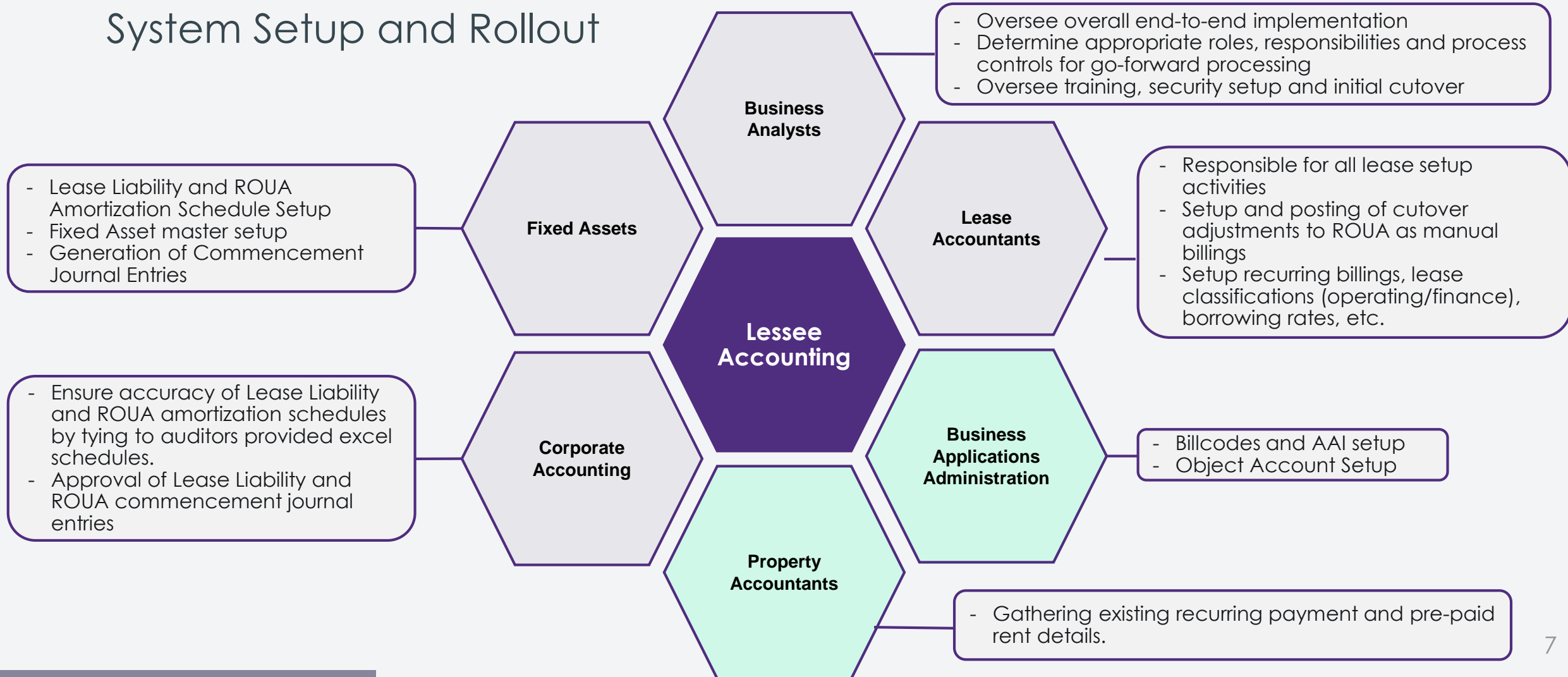


Key Enhancements

- Lease Simplification
 - Grid formats, form layouts, UX One pages and notifications
- Remeasurements and Early Terminations
 - Flagging leases, generating adjustment or termination entries
- Alternate Ledger Reporting
 - IFRS
- Enhanced AAI's for Lessee Accounting
- Multi-Currency Leases

Organizational Involvement

System Setup and Rollout

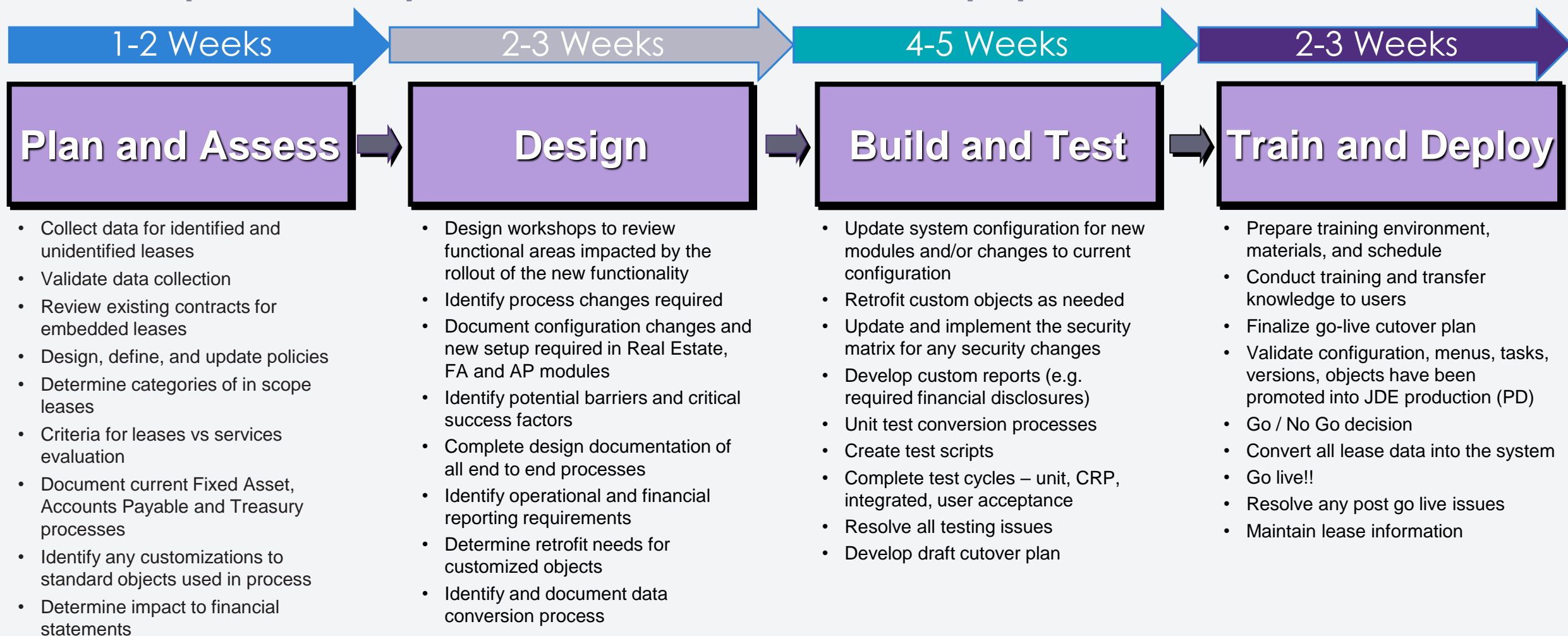


Organizational Involvement

On-going Processing

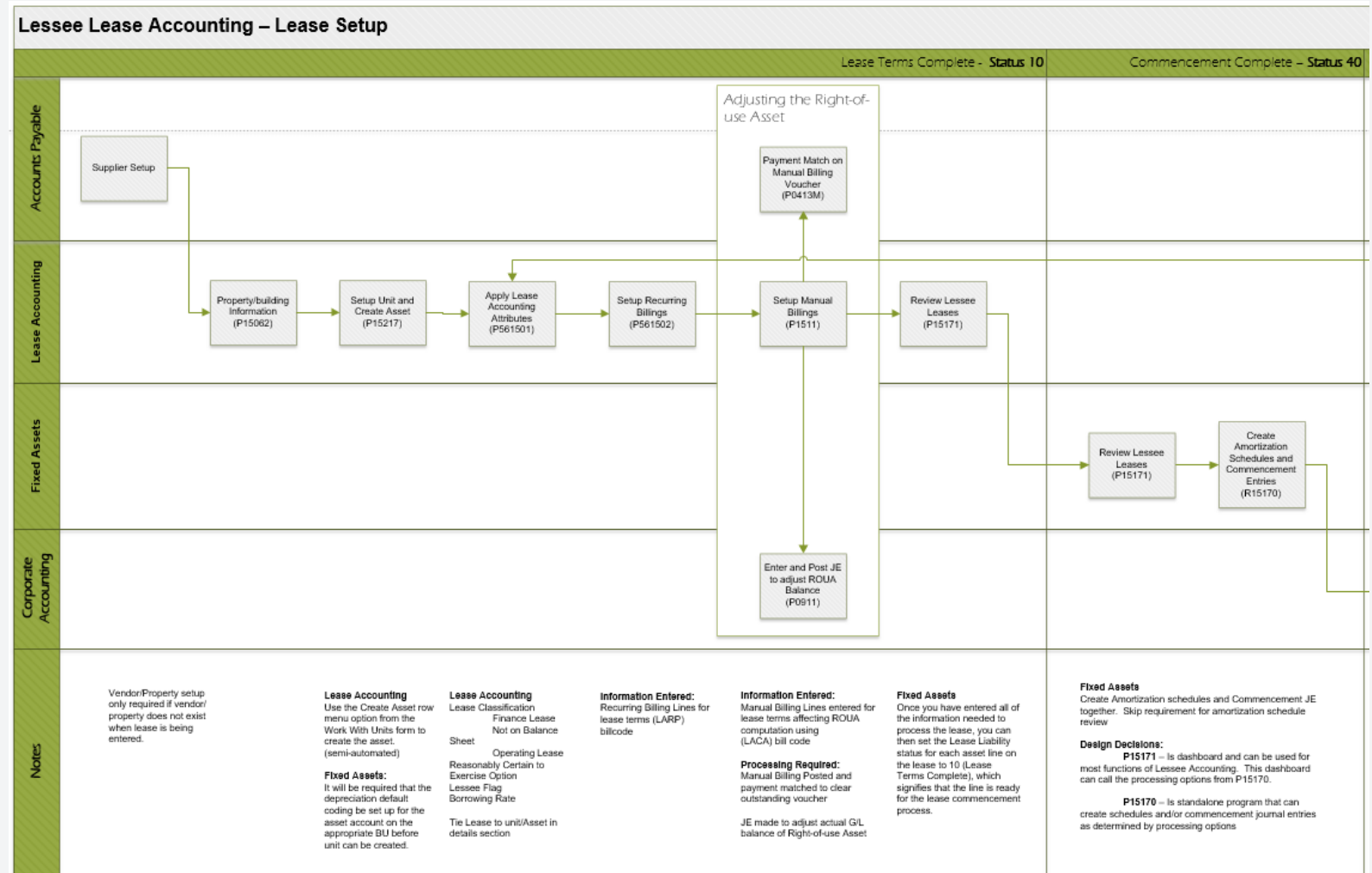


Sample Implementation Approach



Approach: Design

- Process based approach for identifying all roles and responsibilities
- Process Diagrams utilized to highlight system configuration design decisions throughout design sessions.



Approach: Design

- Detailed Design Books prepared to capture system configuration and design decisions
- Design Books utilized as one-stop-shop for understanding programs and setup required to support Lessee Accounting processing.

OVERVIEW.....	Amortization Schedules – P15171
1. CONSTANTS.....	Amortization Schedules – Processing Option Overview
<i>Net-New Constants</i>	
2. GAPS.....	
3. REAL ESTATE SYSTEM BILL C.....	
AUTOMATIC ACCOUNTING INSTRUCTION.....	
BILL CODE SETUP.....	
BILL CODES AND ADJUSTMENT REASONS.....	
4. ACCOUNT SETUP & AAIS FOR.....	
5. USER DEFINED CODES.....	
6. OTHER.....	
<i>Cutover Considerations</i>	
APPENDIX B – BATCH/INTERACTIVE.....	
AMORTIZATION SCHEDULES – P15171	
<i>Amortization Schedules – Processing</i>	
<i>Amortization Schedules – GGP0001</i>	
BALANCE SHEET LESSEE ACCOUNTING B.....	
<i>Balance Sheet Lessee Accounting Bat</i>	
<i>Balance Sheet Lessee Accounting Bat</i>	
LEASE COMMENCEMENT – P15170	
<i>Lease Commencement – Processing O</i>	
<i>Lease Commencement – New Leases</i>	
<i>Lease Commencement – Cutover - G</i>	
BALANCE SHEET LESSEE ACCOUNTING J.....	
<i>Balance Sheet Lessee Accounting Jou</i>	
<i>Balance Sheet Lessee Accounting Jou</i>	
<i>Balance Sheet Lessee Accounting Jou</i>	
LESSEE ALTERNATE LEDGER JOURNALS.....	
<i>Lessee Alternate Ledger Journals – P</i>	
<i>Lessee Alternate Ledger Journals – G</i>	
UNIT INFORMATION – P515217	
<i>Unit Information – Processing Option Overview</i>	15
<i>Unit Information – GGP0001</i>	16

Amortization Schedules – P15171		
Amortization Schedules – Processing Option Overview		
Processing Options	Notes	
Versions		
Lease Master (P1501) Version	Use this processing option to specify the version of the Lease Master program (P1501) to use. If you leave this processing option blank, the system uses version ZJDE000.	
Recurring Billing (P1502) Version	Use this processing option to specify the version of the Recurring Billing program (P1502) to use. If you leave this processing option blank, the system uses version ZJDE0001.	
Manual Billing (P1511) Version	Use this processing option to specify the version of the Manual Billing program (P1511) to use. If you leave this processing option blank, the system uses version ZJDE0001.	
Lessee Accounting Batch Review (P150911) Version	Use this processing option to specify the version of the Balance Sheet Lessee Accounting Batch Review program (P150911) to use. If you leave this processing option blank, the system uses version ZJDE0001.	
Lease Commencement (R15170) Version	Use this processing option to specify the version of the Lease Commencement program (R15170) that the system uses to retrieve processing option values. The system uses the processing option values when creating amortization schedules and when creating commencement journals from the P15171, but does not run the R15170. If you leave this processing option blank, the system uses the processing option values from version XJDE0003.	

Amortization Schedules		
Processing Options	Value	Notes
Versions		
Lease Master (P1501) Version	Blank	Can't reference custom, can't use Out-of-the-box due to security restrictions
Recurring Billing (P1502) Version	Blank	Can't reference custom, can't use Out-of-the-box due to security restrictions
Manual Billing (P1511) Version	Blank	Can't reference custom, can't use Out-of-the-box due to security restrictions
Lessee Accounting Batch Review (P150911) Version		Reference Version created for processing. Program used for posting Commencement batches
Lease Commencement (R15170) Version		Program used for generating schedules and creating lease commencement entries.

Balance Sheet Lessee Accounting Batch Review– P150911	
Balance Sheet Lessee Accounting Batch Review – Processing Option Overview	
Processing Options	Notes
Defaults	
Ledger Type	Use this processing option to specify the default ledger type that is displayed on the Balance Sheet Lessee Accounting Batch Review program (P150911). You can change this value when you are in that program. If you leave this processing option blank, the default ledger type is "AA".
Versions	
Journal Entries (P0911)	Use this processing option to specify the version of the Journal Entries program (P0911) to use. If you leave this processing option blank, the system uses version ZJDE0001.
General Ledger Post (R09801)	Use this processing option to specify the version of the General Ledger Post program (R09801) to use. If you leave this processing option blank, the system uses version ZJDE0046.

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Approach: Build and Test

- Build:

- E1 Task Menus and Role Based Security
 - Lessee Accounting Role for security
 - Menu/application security utilized
- System Configurations
 - Interactive and Batch Program's Processing Options/Data Selection
 - RE Constants, Object Accounts, AAI's, Bill codes
 - Fixed Asset module setup (no depreciation)
- Retrofit customizations to programs in REM

- Test

- Conference Room Pilot (CRP) silo testing by program
- Integrated Testing (end-to-end process testing)
- User Acceptance Testing (Production Environment as part of End user training)

Approach: Train and Deploy

- Training:
 - Knowledge Transfer sessions
 - End User Training Conducted (in conjunction with UAT) –
 - Complete End to End process training and walkthrough workshop (including temporary work around)
 - Recorded training and/or documentation for all programs used for Lessee Accounting processing
- Deploy:
 - Deployment plan reviewed with core team – Corp. Accounting, Prop Accounting, Lease Accounting, Fixed Assets, AP, IT
 - Go-Live

Key Challenges: Segregation of Duties

- REM module heavily utilized for Lessor (receivable) leases
- Program's processing options and menu/application security can be utilized to ensure appropriate access

Processing Options

✓ ✗

Defaults Display **Edits** Process Versions Work Center Messages Currency

1. Require Lease Manager
Blank = Optional
1 = Required

2. Unit Number Edit
Blank = Valid unit required
1 = Unit number optional
2 = Invalid unit number allowed

3. Straight-line Rent Generation Control
Blank = Do not update Generation Control
1 = Update Generation Control using warning window
2 = Update Generation Control automatically

4. Commitment Begin Date Edit
Blank = Validate
1 = Do not validate

5. Override Lease Straight-line Rent Setup
Blank = Do not allow to override
1 = Allow to override

6. Lessee Accounting Actions
Blank = Do not allow any lessee accounting actions
1 = Allow all lessee accounting actions

Item Help - Google Chrome

Not secure | 216.81.195.226:6117/jde/ItemHelp.mafService?e1.namespace=&...

Item Help

Lessee Accounting Actions

Alias: S150138

Use this processing option to specify whether users can complete any of these lessee accounting actions on the Lease Master Revisions form:

- Modify any lessee-related fields in the header or detail of an existing lease. These fields include Lease Classification, Reasonably Certain to Exercise Option Borrowing Rate, and Category Code fields.
- Modify any lessee-related fields in the detail when adding a new lease. Values will default from the lease header.
- Create lease amortization schedules for a lease.
- Create lease commencement journals for a lease.

Values are:

Blank: Do not allow lessee accounting actions

**Example above of Lease Master Processing Options*

Key Challenges: Adjusting Initial ROUA

- Manual Billing processing required to adjust initial ROUA balance for each existing ground lease.
 - Clear manual billing by having AP reverse entry on payment match

Transition Adjustments		
Unamortized ASC 840 Initial Direct Cost Balances	Increase	-
Unamortized Prepaid Rent	Increase	-
Unamortized Deferred Rent Liabilities	Decrease	-
Unamortized Lease Incentives Received	Decrease	-
Unamortized ASC 420 Reserve Balance	Decrease	-
Unamortized Lease Intangible Asset	Increase	-
Unamortized Lease Intangible Liability	Decrease	-

**Showing existing B/S balances that may impact initial ROUA balance*

Process Activity	Adjusting the Right-of-Use-Asset							
	Amortization Schedule Adjusted	Clear Open Manual Billing	Clear Open Voucher Batch	Adjusting ROUA on GL	Affect on G/L			
					Clearing Account	AP Trade Account	ROUA Account	Old Accounts
Setting Up the Manual Billing	Yes							
Posting the Manual Billing		Yes			Debited \$500	Credited \$500		
Payment Match Voucher and Post			Yes		Credited \$500	Debited \$500		
Enter/Post JE for ROUA Adjustment				Yes			Debited \$500	Credited \$500

**Example showing how manual billing has net \$0 impact on IS and Balance Sheet*

Amortization Schedule Dashboard

Amortization Schedules - Work with Amortization Schedules														Personal Form: (No Personalization) ▾ Layout: (No Layout) ▾ Query: All Records ▾
<div> <div> Property/Building: <input type="text"/> Lease Number: <input type="text"/> Lease Liability Status: <input type="text"/> </div> <div> Display <input checked="" type="radio"/> All Assets <input type="radio"/> Assets With Schedules <input type="radio"/> Assets Without Schedules <input type="radio"/> Assets With Alternate Schedules <input type="radio"/> Assets Without Alternate Schedules </div> </div>														
Records 1 - 32														
	Schedule Exists	Journals Past Due	Lease Number	Lease Description	Property/Building	Building Description	Unit	Unit Description	Unit Asset Number	Asset Number	Asset Description	Non-Property Asset	Lease Liability Status	Lease Liability Status Description
<input checked="" type="radio"/>	<input checked="" type="radio"/>		431	Building Lease1	15030	Stanford Office Building	100	Medical floor	35414			<input type="checkbox"/>		Lease Terms In Progress
<input type="radio"/>	<input checked="" type="radio"/>		297	WC Copier for Stanford Office	150	Property Management Company				35094	WC Copier for Stanford Office	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		318	WC Copier for Corporate Office	150	Property Management Company				35123	Xerox WorkCentre 1234X Copier	<input checked="" type="checkbox"/>		Lease Terms In Progress
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	326	Copier for Acctg Dept	150	Property Management Company				35131	Xerox WorkCentre 1234X Copier	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		334	Delivery Truck	150	Property Management Company				35174	Ford Truck for Delivery	<input checked="" type="checkbox"/>		Lease Terms In Progress
<input type="radio"/>	<input checked="" type="radio"/>		342	Copier for IT Department	150	Property Management Company				35182	Xerox Copier for IT	<input checked="" type="checkbox"/>	20	Amortization Schedules Created
<input type="radio"/>	<input checked="" type="radio"/>		351	Replacement Copier	150	Property Management Company				35191	Replacement-3 months free	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	369	Copier-Operating	150	Property Management Company				35211	Copier-Operating Lease	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	377	Copier - Finance in Advance	150	Property Management Company				35238	Xerox WorkCentre 1234X Copier	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	385	Copier-Operating in Advance	150	Property Management Company				35297	Copier-Operating	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		393	Copier-3 months free	150	Property Management Company				35300	Xerox	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	406	Copier-Finance In arrears	150	Property Management Company				35318	Copier-In arrears	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	414	3 months free rent	150	Property Management Company				35351	Test 3 months free	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		422	GT Truck#1	150	Property Management Company				35393	Truck for Delivery	<input checked="" type="checkbox"/>		Lease Terms In Progress
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	449	Copiers for Corporate Office	15010	Corporate Center				35431	Copier for Accounting	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	449	Copiers for Corporate Office	150	Property Management Company				35457	Copier for IT	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	449	Copiers for Corporate Office	150	Property Management Company				35465	Copier for Customer Service	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	449	Copiers for Corporate Office	15030	Stanford Office Building				35473	Copier for AP Dept	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		457	Land and Building	150	Property Management Company				35570	Land & Building	<input checked="" type="checkbox"/>	20	Amortization Schedules Created
<input type="radio"/>	<input checked="" type="radio"/>		465	Building#1	150	Property Management Company				35596	Building#1	<input checked="" type="checkbox"/>	20	Amortization Schedules Created
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	466	Copiers for Corporate Office	150	Property Management Company				35617	Xerox Copier	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		467	Machinery#1	15030	Stanford Office Building				35650	Machinery#1	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>		468	Copier - Accrual	150	Property Management Company				35676	Xerox#5	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	471	Copier#4	150	Property Management Company				35705	Xerox#4	<input checked="" type="checkbox"/>	40	Commencement Complete
<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="checkbox"/>	472	Copier for Corporate Office	15030	Stanford Office Building				35731	Xerox WorkCentre	<input checked="" type="checkbox"/>	40	Commencement Complete

Amortization Schedule Example

Amortization Schedules - Lease Liability Amortization Schedule

Lessons Learned:

- Begin the process early
 - Takes time to abstract leases in preparation for data entry
 - Many design, configuration, security, and system setup decisions to be made
- Engage end-users early
 - Promote buy-in from end-users by engaging them in early design and testing cycles
- Validate against manual Excel calculations
 - Confirm with internal and external auditors
- Conduct comprehensive end-to-end training
 - Help users visualize the big-picture of the future state process and understand the “why” behind the new process

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Session ID:

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Community

Hear more from Grant Thornton

Tuesday

- **Automating positive pay with Orchestrations** | Mohammad Shujaat | 8:15 a.m. CT
- **Designing job cost code structures for effective cost management** | Craig Davied | 11:15 a.m. CT
- **Unleash the power of EDI 852** | Shrikant Gogate | 11:15 a.m. CT
- **Use form extensions to turbocharge JD Edwards 9.2** | Mohammad Shujaat | 1:15 p.m. CT
- **Extend JDE reporting with Oracle Analytics** | Jeffrey Silverman and Matt Elfeldt, Greer Labs | 3:15 p.m. CT

Wednesday

- **JDE's advanced pricing can handle the most complex pricing structures** | Craig Davied | 7:30 a.m. CT
- **A simplified guide to implementing lease accounting** | Sam Johnson | 7:30 a.m. CT
- **Creating workflows with JD Edwards Orchestrator** | Dwight Moore | 8:45 a.m. CT
- **The steps to JD Edwards Orchestrator** | Anthony Palmisano | 12:45 p.m. CT
- **Used enhanced RMA** | Shrikant Gogate | 12:45 p.m. CT
- **How general ledger can improve sales and operational reporting** | Craig Davied | 2:00 p.m. CT
- **A Covid migration: World to EnterpriseOne upgrade** | David Kratzke | 4:00 p.m. CT
- **Utilizing Orchestrator Studio for real estate** | Sam Johnson | 4:00 p.m. CT

Thursday

- **Stop Integrating & start InteGreat-ing** | Mohammad Shujaat | 8:15 a.m. CT
- **The benefits from upgrading from World to EnterpriseOne** | Craig Davied | 10:00 a.m. CT
- **Paperless AP automation journey - An Orchestrator case study** | David Kratzke and Matt Marfice, Watson Land Company | 10:00 a.m. CT
- **Step by step: Evaluate the effectiveness of your EAM/CAM asset maintenance program** | Steve Yniguez | 11:15 a.m. CT
- **IoT methods for reporting, dashboarding & customer portal using Orchestrator and CafeOne** | Jordan Myers | 11:15 a.m. CT
- **Manage your joint venture needs in JDE** | Craig Davied | 1:15 p.m. CT