



ACCELERATE IFRS COMPLIANCE LEVERAGING AUTOMATION WITH INFOSYS AND ORACLE

Abstract

The International Financial Reporting Standard (IFRS) 16, introduced in 2016, revolutionized lease accounting for lessees. Prior to IFRS 16, companies differentiated between operating leases (off-balance sheet) and finance leases (on-balance sheet) based on specific criteria. This distinction often led to a lack of transparency regarding a company's true lease obligations. IFRS 16 mandated a single lessee accounting model, requiring the recognition of right-of-use (ROU) assets and lease liabilities for most leases with a term exceeding 12 months. This shift in accounting practices significantly impacts financial statements, making them more transparent and providing a clearer picture of a company's financial health.

In this white paper, we touch upon the complexities that businesses must address to achieve IFRS 16 compliance. We also discuss how the Infosys solution can help businesses automate and streamline IFRS 16 compliance by leveraging Oracle's Lease Accounting Module.

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Navigating the Complexities of IFRS 16

Implementing IFRS 16 compliance can be a complex undertaking. Companies need to identify all lease agreements, gather detailed lease information, assess lease terms, and perform complex calculations to determine the present value of lease payments. Additionally, ongoing lease accounting tasks such as amortization of right-of-use (ROU) assets and interest expense on lease liabilities require meticulous record-keeping.

Achieving IFRS 16 Compliance

Achieving IFRS 16 compliance calls for a multi-pronged approach. Companies must first identify all lease agreements, gathering critical details such as lease terms, rental payments, and underlying asset information. This data needs to be consolidated into a central repository to ensure consistency and facilitate accurate calculations. Next, organizations must establish policies and procedures to determine the lease term, discount rate, and present value of lease payments in accordance with IFRS 16 guidelines. Investing in accounting expertise or partnering with qualified experts is crucial to interpret the standard and ensure a compliant implementation. Finally, upgrading accounting systems with functionalities such as automated calculations and seamless integration can significantly streamline the compliance process.

Infosys Solution for Streamlining Compliance

Infosys' solution leverages Oracle's Lease Accounting Module which is integrated within its wider financial management suite. It offers a comprehensive solution to assist companies in achieving and maintaining IFRS 16 compliance. Here's how our solution empowers businesses:

Centralized lease data management:

The solution provides a central repository to capture and store all lease data, including lease agreements, terms, schedules, and related documents. This eliminates the need for manual data gathering and minimizes the risk of errors.

Automated calculations:

The solution automates complex calculations required by IFRS 16, such as the determination of the lease term, discount rate, and present value of lease payments. Automation reduces the risk of human error and streamlines the accounting process.

Integration with existing systems:

Leveraging scalable architecture, this solution seamlessly integrates with other Oracle financial applications including Oracle E-business Suite (EBS), ensuring data consistency and eliminating the need for manual data entry across different systems.

Improved lease classification:

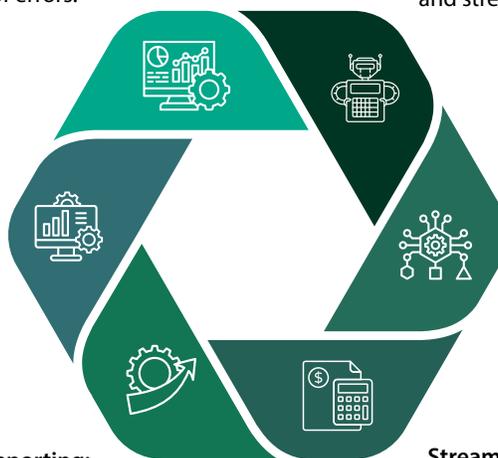
The solution assists in classifying leases according to IFRS 16 criteria, ensuring accurate identification of ROU assets and lease liabilities.

Enhanced reporting:

The solution facilitates the generation of detailed lease accounting reports that comply with IFRS 16 disclosure requirements. These reports improve transparency for investors and other stakeholders.

Streamlined amortization and interest calculation:

The solution automates the ongoing task of calculating depreciation for ROU assets and interest expense on lease liabilities. This reduces the workload on accounting teams and ensures timely and accurate financial reporting.



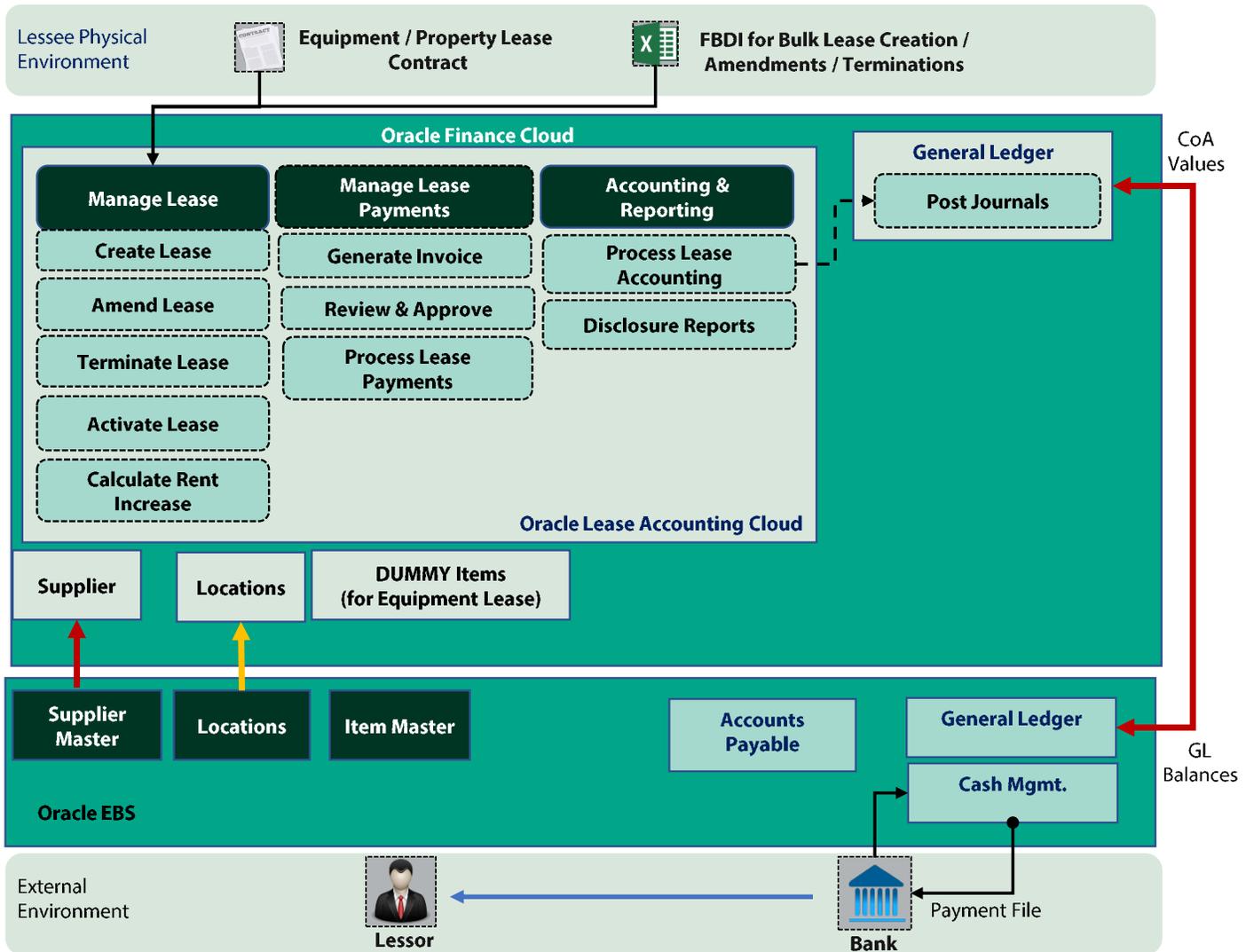


Figure 1 - Integration with Oracle E-business Suite



Case Study: Accelerated IFRS 16 Compliance for a Leading Satellite TV Provider

A leading satellite TV provider in the United States was grappling with the complexities of IFRS 16 compliance due to their extensive network of leased assets. Prior to IFRS 16, lease accounting was a manual process managed through spreadsheets and disparate data sources. This fragmented approach made data collection a time-consuming task, prone to errors and inconsistencies. In addition, calculating lease terms, discount rates, and present values of lease payments required significant manual effort and specialized knowledge.

The implementation of IFRS 16 necessitated a more robust and automated approach. The solution provided by Infosys emerged as the ideal choice for the client with its ability to centralize lease data, streamline the entire process, and ensure consistency. Automated calculations for lease terms, discount rates, and present values minimized errors and freed up valuable resources within the accounting team. Seamless integration with their existing Oracle EBS financial systems facilitated a smooth flow of lease accounting data into their broader financial reporting.



The Infosys Advantage

While Oracle's Lease Accounting Module offers a powerful foundation for IFRS 16 compliance, Infosys' holistic solution brings a range of additional advantages to the table, helping companies achieve a seamless and efficient transition. Here's how Infosys brings significant value beyond merely implementing the module:

2. Streamlined data migration with IDSS:

Migrating large volumes of lease data from legacy systems is an enormous challenge. Infosys' proprietary Infosys Data Services Suite (IDSS) data migration solution streamlines this process by automating data extraction, transformation, and validation, ensuring accuracy and completeness within the Oracle Lease Accounting Module. This minimizes errors and saves valuable time compared to manual data entry processes.

1. Deep industry and IFRS 16 expertise:

Infosys possesses a deep understanding of IFRS 16 intricacies and its application across various industries. This knowledge goes beyond the technical aspects of the module and enables our experts to advise enterprises on accounting policy decisions, lease identification processes, and industry-specific complexities. This ensures a compliant and financially sound implementation of IFRS 16.

3. Reusable asset library and standardized processes:

Infosys has developed a library of reusable templates, configurations, and best practices for the implementation of Oracle's Lease Accounting Module. This library serves as a springboard for your implementation, reducing customization needs and expediting the process. Additionally, we help establish standardized lease accounting processes within your organization, ensuring consistency and facilitating future audits.

4. Reporting and analytics beyond compliance:

While compliance is critical, IFRS 16 also presents opportunities for improved financial analysis. Infosys can help you leverage the data within the Oracle Lease Accounting Module to generate customizable reports and insights. This information can be used to optimize lease negotiations, evaluate investment decisions, and gain a clearer picture of your overall lease obligations.

5. Ongoing support and managed services:

Infosys provides ongoing support throughout your IFRS 16 compliance journey. This includes addressing new accounting pronouncements, system upgrades, and user training. Additionally, Infosys offers managed services to take care of day-to-day lease accounting tasks, freeing up your internal resources to focus on core business activities.

Conclusion

IFRS 16 represents a significant change in lease accounting, demanding a shift toward a more transparent and comprehensive approach. Infosys' solution for IFRS 16 powered by Oracle's Lease Accounting Module is a valuable tool for companies navigating this transition. By automating complex calculations, centralizing data, and integrating seamlessly with existing financial systems, the solution empowers organizations to achieve total IFRS 16 compliance efficiently and accurately. In addition to transparency and financial reporting excellence, our solution positions businesses for success in the evolving financial landscape.

By combining Oracle's Lease Accounting Module with Infosys' deep industry knowledge, proprietary data migration solution (IDSS), reusable asset library, standardized processes, and ongoing support, companies will not only achieve IFRS 16 compliance, but also gain valuable insights from their lease data, and unlock the broader benefits of the IFRS 16 standard.



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Tarun is a seasoned ERP Consultant with over 17 years of experience in the banking and IT consulting domains. He specializes in leading finance transformation projects and designing cloud roadmaps to help clients achieve their strategic goals. With a proven track record in the BFSI industry, Tarun has successfully delivered innovative solutions and driven digital transformation initiatives. He achieves this by optimizing processes, enhancing financial systems, and delivering measurable business value. Tarun holds an MBA in finance and a bachelor's degree in technology.



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Sanjay is global strategic transformation leader with two decades of experience in financial consulting. He is proficient in leading accounting and finance, cost management, performance management, and turnaround initiatives to improve organizational performance. Sanjay leads the Finance Center of Excellence for the global Infosys Oracle Practice.

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