Capital Leases Overview

Leases are entered in much the same way as purchased assets; the only difference is that additional information needs to be entered, such as lease terms and estimated useful life of the asset.

<table>
<thead>
<tr>
<th>Process Frequency</th>
<th>Process is done ad hoc whenever a capital lease needs to be added.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependencies</td>
<td>None</td>
</tr>
<tr>
<td>Assumptions</td>
<td>None</td>
</tr>
<tr>
<td>Responsible Parties</td>
<td>Users at the individual institutions are generally responsible for this business process. However, the UWSA Problem Solvers may assist in troubleshooting.</td>
</tr>
<tr>
<td>Alternate Scenarios</td>
<td>None</td>
</tr>
</tbody>
</table>

Process Detail

I. Adding and Maintaining Leases

*Navigation: Asset Management > Asset Transactions > Leased Assets > Express Add*
Definition Tab

1. **Enter** the **Profile ID**.
   a. Enter an ID if you want to use the default information from an asset profile to define this asset. You must enter a profile ID for a capital lease because all depreciation information is stored in the profile ID. A profile ID is not required for an operating lease, since no depreciation is calculated for an operating lease.

2. **Enter** the **Description** for this lease.

3. **Enter** the **Trans Date** (transaction date).
   a. For leases, the payment date is based on the transaction date.

4. **Enter** the **Acctg Date** (accounting date).
   a. The accounting date has no bearing on the payment date.
   b. Example: if a lease begins in October and you need to start the payments in the same month, enter a transaction date of October 1.

5. **Enter** the **Serial ID**.

6. **Enter** the **Tag Number**.
   a. If this information is available and you want to track it, enter it here.

7. **Enter** the **Lease Term**.
   a. Enter the number of periods in this lease.

8. **Enter** the **Estimated Life**.
   a. The number of periods that you entered in Lease Term field appears by default. You can change this value.

9. **Enter** the **Interest Rate (%)**.
   a. Enter the interest rate calculated by UWSA for determine the present value of lease payments.

10. **Enter** the **Fair Value** (fair market value).
    a. Enter the fair market value (if known). The system uses the fair market value to verify the lease type (Capital vs. Operating). The system calculates the capitalized lease amount using the lesser of the Present value of Lease Payments and Fair Market Value field values. If the Present value of Lease Payments is less than the fair market value, the capitalized lease amount equals the present value of the Minimum Lease
Payments (MLP). If the fair market value is less than the Present value of Lease Payments, the capitalized lease amount equals the fair market value. You may want to change the interest rate so that the net present value equals the fair market value. If you do not enter a fair market value, the capitalized lease amount equals the present value of the MLP.

11. Enter the Guar Residual Value (guaranteed residual value).
   a. Calculates depreciation based on the amount of the residual value of the leased asset guaranteed by the lessee to the lessor and considered as part of the minimum lease payments.

12. Evaluate whether to check the BPO checkbox (bargain purchase option).
   a. Select if this lease includes a bargain purchase option, which represents a payment by the lessee to the lessor at the end of the lease term, allowing the lessee to obtain title to the leased property.

13. Evaluate whether to check the BRO checkbox (bargain renewal option).
   a. Select if this lease includes a bargain renewal option, which requires a payment if the lease agreement grants the lessee the right to renew or extend the lease. If the agreement specifies that the lease must be renewed or extended, a penalty might be required for failure to renew.

14. Evaluate whether to check the Transfer Ownership end lease checkbox.
   a. Check if there is an ownership transfer of the asset at the end of the lease period.

15. Select either ‘Capital’ or ‘Operating’ as the Lease Type.
   a. Click Verify for the system to verify the choice made is correct.

16. Click Calculate for the system to calculate the Minimum Lease Payments, Present Value Lease Payments, and Capitalized Lease Amount.

Cost Tab

This is where you enter the cost and salvage values for this asset. Some information entered on the Definition page will be seen here now. Enter the Chartfields used for this lease.
II. Reviewing Audit Logs

Click the Audit Logs hyperlink in the top of the Definition page to open Search Audit Logs page with Lease Add audit log information.
The following example shows the audit log for adding a leased asset.
## Revision History

<table>
<thead>
<tr>
<th>Author</th>
<th>Version</th>
<th>Date</th>
<th>Description of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surya Gannavarapu</td>
<td>1.0</td>
<td>03/19/2013</td>
<td>Final</td>
</tr>
<tr>
<td>Susan Kincanon</td>
<td>1.1</td>
<td>05/01/2013</td>
<td>Final review</td>
</tr>
<tr>
<td>Surya Gannavarapu</td>
<td>1.2</td>
<td>05/16/2013</td>
<td>Added Reviewing Audit Logs section</td>
</tr>
<tr>
<td>Susan Kincanon</td>
<td>1.3</td>
<td>05/17/2013</td>
<td>Final review and publish to website</td>
</tr>
<tr>
<td>Jon Ahola</td>
<td>1.4</td>
<td>06/13/2013</td>
<td>Final review</td>
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