

# How to manage Contracts

- Add contracts manually
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  - Amendment and renewal of contracts
- Manage contract lists
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# Add contracts manually

# Different types of contracts

## Explanation of contract types

### Screenshot

**Financial leasing** – There is an agreed residual value in the contract. At the end of the rental period, you as a customer are obliged to appoint a buyer for the equipment, or alternatively redeem the equipment yourself.

For accounting according to IFRS, the residual value is included in the asset calculation only if the assessment is that the contract will be bought out at the end of the contract period. For example, for cars where it is common to change the car at the end of the lease, it is therefore most correct to only count the rental cost in the asset calculation.

**Operational leasing** – Means that the advantage of owning the equipment accrues to the supplier or finance company and that the customer only pays a rent to use the object for an agreed period of time. There is a residual value position guaranteed by the finance company/supplier. Since the rents mostly consist of amortization, the residual value position is far more important than the interest rate in the contract. This means that even contracts with a very low interest rate can be very disadvantageous if the finance company/supplier has taken a residual value position that is too low.

Also to consider for operational leasing is that there is a requirement that the equipment be returned in a certain condition (for cars condition + #km driven).

**Rent** - Lease contracts have no residual value, but just as it sounds, you rent the equipment from the lessor. If the contract applies to the rental of equipment, for example IT, copiers, coffee machines, etc., it is important to know that the contract is a financing contract that usually goes through a finance company and not through the supplier. It is important to terminate the rental contract in good time before the end of the contract period, otherwise the contract will be extended, often with the same rent as during the contract period, this despite the fact that the equipment is usually fully amortized. The notice period for the contract is stated in the general terms and conditions and is usually between 6-9 months.

After the end of the contract period, ownership of the equipment formally passes back to the supplier. In some cases, however, you can buy out the equipment if you want. It is therefore good to agree with the supplier on the amount even before the start of the contract. Don't forget that you have already paid for the equipment during the actual contract period.

Renting premises normally means that they are rented by a property owner without any connected financial company, so the rent does not include "repayment". However, it is important to keep track of the notice period (usually between 9-12 months), as missed notice often means an entire contract period is extended, which is expensive and unnecessary if you might have wanted to move or renegotiated the contract.

**Functional rent** – Is a rental contract but where the equipment in the contract usually requires some form of service (eg printers or coffee machines). In the contract, the service fee is usually included in the rental cost, and without further specification it can then be difficult to determine the reasonableness of the rental cost.

### **Other agreements - not for reporting**

In Leasify, "other contracts" means contracts that should not be the basis for accounting or analysis of interest. Here you can enter all other contracts you want to control so you don't miss renegotiations, terminations and control of conditions.

Add contracts manually

# Other leasing and rental contracts

Go to "Menu", "Contracts", and "New contract"

## **Contract templates:**

Other leasing and rental contracts

Enter a description\* (mandatory field)

The description will be shown in the overview view of all contracts. Write a short and clear description so that you can easily understand what the contract concerns.

## **Equipment**

Here you can be as detailed as you wish to be. If you have a long product list, it is also convenient to write "see attachment" or similar and attach the associated file.

## **Contract number\* (mandatory field)**

Enter the contract number for each contract, the number must be unique. Which means that several contracts cannot have the same number. If the contract number does not appear in the contract, you can also write a text about what the contract concerns. When several different contracts have the same contract number, a number, for example, -1, -2, -3, can be added after the actual contract number.

## **Finance company/contracting party**

Enter the bank or finance company that rents the equipment to you during the contract period.

## **Supplier of object\* (mandatory field)**

## **Contract type\* (mandatory field)**

Select contract type "Financial leasing"

## **Object type\* (mandatory field)**

Select type of object for the contract. You add the object type under your accounting settings.

### **Amount and contract period**

The price is the amount that is financed and is filled in excluding VAT, it is the amount of what the equipment cost.

### **Cash stake**

If the banks and financial companies require an extra security in the deal in the form of a cash deposit, it can also be referred to as first increased, down payment and special leasing fee in the agreement, you fill in this. Most often, any cash contribution is shown where the monthly cost is stated, but sometimes it is stated under "special conditions" in the contract.

### **Rental fee**

Enter what you pay per month. Even if it is e.g. quarterly payment, the amount per month must be stated. Most often, it is the monthly cost that appears on the agreements, despite the quarterly payment periodicity.

Screenshot

### **Payment periodicity**

Here you indicate whether you pay the rental fee, e.g. monthly in advance or quarterly in advance. This is stated in the agreement.

### **Specify whether the fee should be updated according to the index or reference rate**

Here you set whether the leasing fee should be adjusted according to the reference rate or index. The absolute most common is that you do not adjust the fee at all, but choose "No adjustment" (Fixed fee).

### **Residual value**

There is an agreed residual value in the contract. At the end of the rental period, the customer is obliged to appoint a buyer for the equipment or redeem the equipment himself. The residual value is usually shown on the agreement, where you can find the price, monthly cost, etc. or under "special conditions".

### **Start date\* (mandatory field)**

In almost all cases, it is the delivery approval that governs when a contract starts. To know when an agreement started, we need to know when the delivery approval is signed and have access to the general terms and conditions for each agreement.

The start date is actually a bit trickier than you might think to get, as different banks and finance companies do it in different ways.

Some start the agreement next month. If the delivery approval is signed, e.g. 2021-06-15, the agreement starts on 07-01-2021.

Some start the contract the following month if the delivery approval is signed between the 1st and the 14th month before. If the delivery approval is signed between the 15th and the last of the month, the contract does not start the following month, but the month after that.

Some companies have quarterly startups, which means that if you sign a delivery approval, e.g. 2021-04-01, the agreement does not start until 2021-07-01 (next quarter).

There are many different variants. Sometimes it is easiest to ask the bank or finance company.

### **Delivery date**

Enter the date indicated on the delivery confirmation. If you don't have it, you can enter the same date as the start date.

### **Termination period on the contract\* (mandatory field)**

It is usually stated under the general terms and conditions how long the notice period is on the contract. Through Leasify, you automatically receive an email two months before it is time to terminate the contract so that you do not miss the notice period.

**Contract duration\* (mandatory field)**

Enter the contract length in months and the contract length specified in the contract.

**Depreciation period**

Here you enter the depreciation period, the most common is that the depreciation period is the same as the contract length and click in the box if you wish the depreciation to be limited to the residual value amount.

**Should this contract be calculated in your accounting**

If the contract is to be included in the report, this box must remain checked. If you do not want the contract to be included in the report, deselect the checkbox.

**The value of the asset**

If you report according to IFRS, it is most common to use the discounted price as asset value. If you report according to K3, it is most common to use the lower of the discounted price and the actual price in the contract as asset value. However, it is entirely up to you how you want to do it, check the box that suits your account.

**Accounting documents**

If you have filled in all the parameters in a financial leasing agreement, the system can calculate the implicit (actual) interest rate in the contract.

If you want to use the implicit interest rate, do not click in the box "Do you want to use interest according to your settings". If you instead want to use a marginal loan rate, click in that box. If you click on it, a drop-down list will appear where you can choose which interest rate you want to use.

**Currency**

Choose the local currency that the agreement is in. You set which exchange rate you want to use under accounting settings.

**Corporation tax**

Enter the tax rate you want the agreement to be calculated according to. You set different tax rates under accounting settings.

**Cost center and department**

Set which cost center and which department the contract belongs to. If it belongs to only one cost center and one department, enter them and enter 100 percent on the right. If the contract belongs to different cost centers and departments, you can divide the contract by clicking on "Add cost center" and distribution in percentage.

**Other - non-mandatory information****Administration fee**

Affects the effective interest rate in the agreement. Usually appears on the first page of the agreement or under the general terms and conditions.

**Setup fee**

You fill in whether the agreement has a set-up fee, which also affects and is added to the effective interest rate.

### **Non-deductible VAT**

You click in the box if you wish to add deductible VAT to the asset calculation.

### **Discount**

Fill in if you have received a discount during the contract period. Enter from which date you received a discount, to which date you received a discount and how much of a discount you received per month.

For example, if you received a discount of SEK 1,500 over a period of three months, enter SEK 500 under "discount per month".

If you want to add more discounts, click on "Add".



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Adjustment, early  
termination and renewal of  
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[under translation] Adjustment, early termination and renewal of contracts

# Amendment and renewal of contracts

**For example, changed contract length, new monthly cost and how environmental premiums are handled.**

Agreements that do not change during the contract period do not need to be handled at all, - the system automatically discards the agreement on the specified end date and the only thing you need to do is archive the agreement, so you do not have to keep it among your active agreements.

But agreements that somehow change need to be managed, and for that there are three simple functions that handle the whole change smoothly.

## Justera avtalet

Avsluta avtalet i förtid

Förläng / omvärdera avtalet

⊕ Extra amortering

### 1.) Early termination of the contract

- Enter date (select the last month, as the system always executes based on the last day of the month) and click "Save".

The agreement is cancelled as of the date stated and the difference between asset and liability is recognised as "other operating income" in the earnings report.

### 2.) Extend/re-evaluate the agreement

- Set dates (the system always counts per the first of the month)
- Enter how many months from the date you specified above that the contract is to run. The function can of course be used both if the agreement is to be shortened, extended or just adjusted with the same number of months left as in the original version.

- Enter the accounting depreciation period (this figure will automatically be the same as the number of months but can be adjusted manually).
- Enter new lease/rental fee
- Enter any new residual value (only in the case of financial leasing)
- Indicate if there is any discount in the new version (most common for real estate contracts )
- Click "Save"

The system now takes with it any debt and asset from the previous version of the agreement and creates a new version called "The Agreement (Extended)".

### **Important aspects for this function:**

1. In the case of financial leasing, new residual value must be calculated and stated so that the interest rate does not go wrong
2. If the contract length and fees change, the agreement will be revalued and the revaluation amount will be added to the cost (does not apply to financial leasing).
3. For example, in the case of green car premiums, this function is used as above in operating leasing and at IFRS where discounted rents are used for asset calculation. The reduced monthly fee will reassess the agreement's liability and assets. For contracts where the price is used as the asset value, for example, financial leasing, the function "Additional amortization" is used, - see below.

### **3.) Additional amortization**

- Set dates (the system always counts per the first of the month)
- Describe what is meant - for example "Green car premium"
- Specify amounts to be deducted from liabilities and assets
- Click "Save"

The system will now calculate a new monthly cost based on previous debt, amortization amount and remaining time. Other settings are the same based on the agreement such as interest, residual value, depreciation rate, etc.

Below are examples of what it may look like in the contract calculations when extra amortization has been made - note that the lease fee has been adjusted, among other things.

# Manage contract lists

# Export contract list to excel

To export data from contract list to excel, follow the below steps.

Start by going to "All Contracts".

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Once inside all contracts, select All Contracts or only those you want to export.

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Then select - "select select action" and export to Excel. If you want to do the same for the archived contracts, use the same steps but from within the "Archived Contracts" view.

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Select a name for the export file and "run action"

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Tap the top right of the ringer and tap on the export you want to download. Then it will download an Excel file to your computer.

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