

PMR Request for Cash Flow Reports

1. Issue

In the Tririga system, if a lease regardless of whether operating or finance is created with Rental Prepayment and/or Tenant Allowance Incentive, those payments will not be included in the related cash flow reports even if these reports are to be generated in the same year of lease commencement. This has historically been an issue because the TRIRIGA BIRT reports pulled from the TRIRIGA FLIs (accounting schedule). However, this PMR is specifically geared towards what we discussed with David Kirwan and Angkap Ngamkiatsap in July of 2020 timeframe when they were trying to build historical reporting from the TRIRIGA journal entries. In this case, report developers would need to factor the below entries functional account design so that these values would pull into the proposed additional columns in the cash flow report(s) to meet the disclosure requirements. Walmart provided David Kirwan and Angkap with the functional report design, which they were leveraging, to create historical period reports for TRIRIGA. This PMR is a supplement to the discussions previously held.

2. Expected Result

When a lease is created with rental prepayment and/or Tenant Allowance Incentive, the cash flow report is expected to present the following results (please see the attached mockup for more details):

- 1) If the YTD report is generated in the same period of report pull as lease commencement
 - 1.1) For operating leases, the total YTD operating cash flow activities should include rental prepayment + incentive¹ + interest paid + principal paid
 - 1.2) For finance leases, the total YTD operating cash flow activities should include rental prepayment + incentive + interest paid only
- 2) If the YTD report is not generated in the same period of report pull as lease commencement
 - 2.1) For operating leases, the total YTD operating cash flow activities should include interest paid + principal paid
 - 2.2) For finance leases, the total YTD operating cash flow activities should include interest paid only

Technically, if the prepaid or incentive are over 1 year prior to commencement or in the prior reporting period, then they should not pull into the cash paid disclosures. However, we understand this would be difficult to program and believe the above logic would work for most of our scenarios.

¹ Incentive would show as negative so "+" is indicating adding in the negative amount to the total.

An example of the above logic is the following: If a lease commences in P2 and a year-to-date P1-P12 report is pulled, then the incentive and prepaid should pull into the report. If the lease commences in P2 but the report is pulled for quarter 2 (P3-P6), then the incentive and prepaid should not pull into the report.

Please see attached Excel file for additional illustrations.

3. Environment Details

- Application: Business Application - IBM TRIRIGA.
- Application **Version: 10.5.3.5**
- Platform Version: 3.6.0.2
- Priority: Severity 2
- Is user impacted? Yes
- Is Production Environment is impacted? Yes

4. Steps to Replicate

Operating Lease:

- 1) Create a lease with commencement date of 11/1/2020 and expiration date of 10/31/2022. Payment in arrears.
- 2) Set up a monthly payment stream at 75,000/per month due at the end of each month with no escalation. Summary type is rent, included in amortization is checked.
- 3) Set up a one-time payment of tenant incentive allowance for 25,750. Due on 10/31/2020, include in incentive schedule is checked
- 4) Set up a one-time rental prepayment for 18,570. Due on 10/31/2020, include in amortization schedule and include in prepaid rent are both checked
- 5) Submit for accounting review.
- 6) In accounting tab, set lease type to building and land. IBR is 5% with an economic life of asset of 40 years.
- 7) Choose No to all treatment or classification questions.
- 8) Calculate NPV, calculate lease classification and Generate Accounting Schedule

Finance Lease:

- 1) Create a lease with commencement date of 11/1/2020 and expiration date of 10/31/2022. Payment in arrears.
- 2) Set up a monthly payment stream at 75,000/per month due at the end of each month with no escalation. Summary type is rent, included in amortization is checked.
- 3) Set up a one-time payment of tenant incentive allowance for 25,750. Due on 10/31/2020, include in incentive schedule is checked
- 4) Set up a one-time rental prepayment for 18,570. Due on 10/31/2020, include in amortization schedule and include in prepaid rent are both checked
- 5) Submit for accounting review.

- 6) In accounting tab, set lease type to building and land. IBR is 5% with an economic life of asset of 40 years.
- 7) Choose YES to question 'Does Property Transfer Ownership at End of Lease' in both FASB treatment and Classification section and choose NO to all other treatment or classification questions.
- 8) Calculate NPV, calculate lease classification and Generate Accounting Schedule

5. Results

In both tests, the system will not include rental prepayment or incentive in the operating/finance lease cash flow report (please see the provided mockup report for more details on how the reports should pull in these values).