

# WW IFRS16 - Asset Retirement Obligation

## Table of contents

- [Table of contents](#)
- [1. Objective and Scope](#)
  - [1.1. Objective of this Operation](#)
  - [1.2. Scope](#)
- [2. Definitions](#)
- [3. Tasks description](#)
- [3.1. I create the ARO asset master data](#)
  - [3.1.1. I check the RoU asset master data](#)
  - [3.1.2. I Create a subnumber for this asset](#)
- [3.2. I perform the ARO values posting](#)
  - [3.2.1. I validate the posting scheme](#)
  - [3.2.2. I perform the posting in SAP](#)

### Scope

---



### ERP

---



### Frequency

---

Whenever needed

<< WW IFRS16 - Asset Retirement Obligation >>

## 1. Objective and Scope

### 1.1. Objective of this Operation

The purpose of this operation is to properly register Asset Retirement Obligation assets in the scope of IFRS16 whenever a contract with such condition is created.

An Asset Retirement Obligation is a clause in some contracts (mostly buildings) that require that the object of the lease contract is returned to its original condition at the end of the contract term, therefore it is the renter's obligation to perform any necessary maintenance and dismantling work to bring the object to the conditions it was in before the contract start.

Whenever a contract with Asset Retirement Obligation appears, please contact the CAM of the relevant company to ensure that they are aware of the provision that needs to be created.

### 1.2. Scope

This procedure is applied to all companies WW that follow the IFRS16 procedure.

## 2. Definitions

See [Finance Glossary](#):

- ARO: Asset Retirement Obligation
- BFC: Business Financial Consolidation
- GAR: Group Accounting & Reporting
- RoU: Right of Use
- RE-FX: Real Estate Module in SAP
- CAM: Country Accounting Manager
- ACP: Accounting Platform team

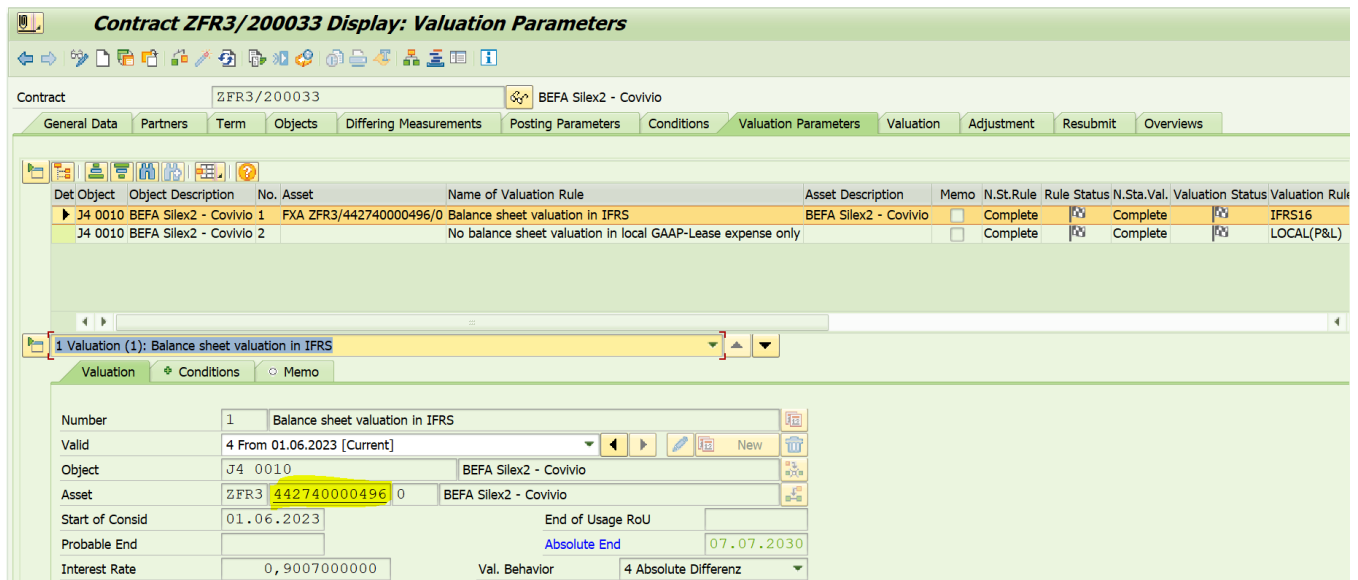
## 3. Tasks description

### 3.1. I create the ARO asset master data

Whenever analyzing a contract where there is a clause for asset retirement obligation, it is necessary to create an asset as a subnumber of the original RoU asset generated by the contract in RE-FX.

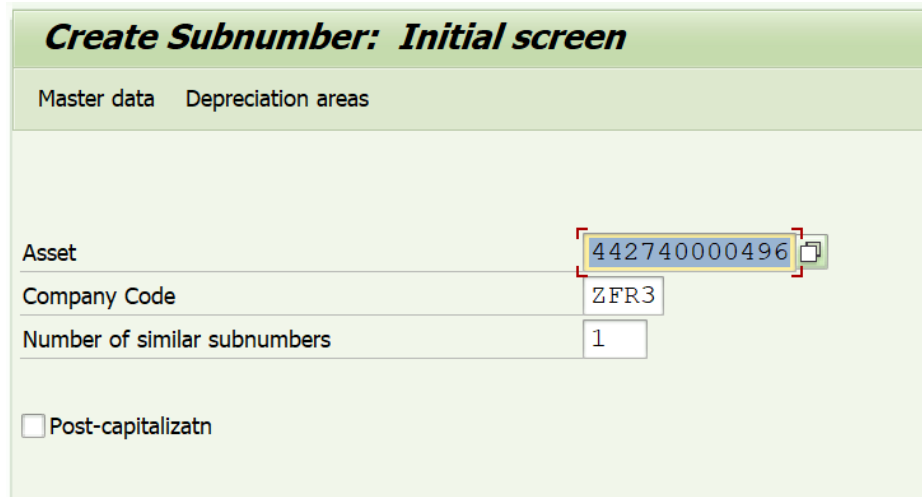
### 3.1.1. I check the RoU asset master data

Open the contract related to the ARO in transaction **REC N** and find the asset number in the "Valuation Parameters" tab:



### 3.1.2. I Create a subnumber for this asset

Open transaction **AS11** and insert the RoU asset number of the contract:



Adjust the master data of the ARO asset accordingly (name, cost center, plant, etc...). Please ensure that the useful life of the ARO asset (in tab "Deprec. Areas) is aligned with the duration of the contract, as the ARO asset should end its depreciation at the same time as the RoU asset generated by the contract. If any term changes are done to the RoU asset, the ARO useful life must be adjusted accordingly.

## 3.2. I perform the ARO values posting

### 3.2.1. I validate the posting scheme

According to GAR, the following posting scheme should be performed for ARO:

1 - New ARO is created:

Movement	Heading	Flow
Debit	A23300 - Right of Use Buildings	F50

Credit	L15900 - LT provisions for other contingencies and losses	F50
--------	---	-----

2 - Adjustment of significant amount compared to the original provision:

Movement	Heading	Flow
Debit/Credit	A23300 - Right of Use Buildings	F50
Credit/Debit	L15900 - LT provisions for other contingencies and losses	F50

3 - Adjustment of not significant amount compared to the original provision:

Movement	Heading	Flow
Debit/Credit	P&L Provision heading to be defined by GAR	N/A
Credit/Debit	L15900 - LT provisions for other contingencies and losses	F25 if increase, F36 if decrease

For postings that have no impact on the RoU asset, please contact ACP to proceed with the posting.

If any movement that is not represented above needs to be made in the ARO, please contact the GAR team to validate the posting scheme.

### *3.2.2. I perform the posting in SAP*

To perform the posting in the RoU asset, go to transaction **ABSO** and use the following transaction types:

**PF1:**

ZOI - Debit

ZOJ - Credit

**WP1:**

Z44 - Debit

Z41 - Credit

The document date and posting date fields should be filled according to each request:

## Miscellaneous Transactions: Initial Screen

Company Code   
Asset   
Sub-number

### Date specif.


Document Date   
Posting Date   
Posting period

### Transact.

Transaction Type

Inform the amount to be posted as well as the offsetting account (to be checked with ACP team):

## Create Asset Transaction: External asset acquisition - F50

 Line Items

Asset	442740000496	1	BEFA Silex2 - Covivio
Company Code	ZFR3		
G/L Account	23300000		
Trans. Type	Z44		External asset acquisition - F50

### Posting data

Amount posted	100.000,00	EUR
Asset Val. Date	27.10.2023	
Offsetting acct	15900400	PROV OTHER CHARGE LT

### Additional details

Text	
Document type	AA
Assignment	
Reference	

**Important: Always check if the country follows IFRS16 at local GAAP before making the postings!**

If the country does not follow IFRS16 at statutory/local GAAP, the ARO asset should have no values in the local depreciation areas (01 to 49 in PF1, 30 to 44 in WP1). If that's the case, select the option "Line Items" and delete the amount from the local areas. See example below for a country that doesn't follow IFRS16 at local GAAP in WP1:

