



Academy for Lease & Finance Professionals

Accounting Example

A lessor completed and funded the following Lease:

Lease Term:	48 Months
Number of Lease Payments:	48 - made monthly in advance
Amount of Monthly Payments:	\$3,745
Refundable Security Deposit	\$2,000
Broker Fee paid by Lessor	None
Other Initial Direct Costs	None
Cost of Leased Assets	\$135,000
Estimated Economic Life of Leased Assets:	60 months
Unguaranteed Residual Value	Fair Market Value, estimated to be 10% of the original cost of the leased assets
Lessor's Yield	8% (In addition to the lease payments, included in this yield calculation are the Security Deposit and the Unguaranteed Residual)

1. Create the Lessor's Balance Sheet at lease inception for an Operating Lease



CERTIFIED LEASE & FINANCE PROFESSIONAL FOUNDATION

2. Create the Lessor's Income Statement at the end of month one for an Operating Lease

3. Create the Lessor's Balance Sheet at lease inception for a Sales-Type Lease

4. Create the Lessor's Income Statement at the end of month one for a Sales-Type Lease



1. Lessor's Balance Sheet at lease inception (*Operating Lease*)

ASSETS:

Cash	5,745	(\$3,745 + \$2,000)
Leased Equipment	135,000	
Less Depreciation	<u>0.00</u>	
TOTAL ASSETS	140,745	

LIABILITIES AND EQUITY:

Security Deposit	2,000
Advance Payment	3,745
Equity	<u>135,000</u>
TOTAL LIABILITIES AND EQUITY	140,745

2. Lessor's Income Statement at end of month one (*Operating Lease*)

INCOME:

Rental Income	3,745.00
---------------	----------

EXPENSES:

Depreciation	<u>2,531.25</u> (135,000 – 13,500 (unguaranteed residual))/48 months
--------------	--

NET INCOME	1,213.75
------------	----------



CERTIFIED LEASE & FINANCE PROFESSIONAL FOUNDATION

3. Lessor's Balance Sheet at lease inception (Sales-Type Lease)

ASSETS	
Cash	5,745
Minimum Lease Pmts Receivable	176,015 ($\$3745 \times 47$)
Unguaranteed Residual	13,500
Unearned income	<u>(58,260)</u> ($(\$3745 \times 48) + \$13,500 - \$135,000$)
Net Investment in Lease	<u>131,255</u> (Total of above <u>not including CASH</u>)
TOTAL ASSETS	137,000
LIABILITIES AND EQUITY:	
Security Deposit	2,000
Equity	<u>135,000</u>
TOTAL LIABILITIES AND EQUITY	137,000

4. Lessor's Income Statement at end of month one (Sales-Type Lease)

INCOME:	
Lease Income	1,213.75* ($\$58,260/48$)
Net Income	1,213.75

*If not using TValue or a calculator, this is the number that is calculated straight line over the lease term