

Finance Leases Vs. Operating Leases

Finance Lease

Operating Lease

Lessee

Lessor



Risks and Rewards of Ownership

On Balance Sheet



Treatment on Balance Sheet

Off Balance Sheet
(Although will be included *On Balance Sheet* with new standard)

Average Instalment
of Fair Market Value



First Term Payments

Normally Lower
Percentage

Nominal (Peppercorn) Rate



Second Term Payments

Higher Rate that includes RV

~ 75%+
(Depending on Accounting
Board Standards)



Lease Economic Life

Normally Lower
Percentage

~ < 10% of Fair Market Value
(Depending on Accounting
Board Standards)



Residual Value

Higher Percentage with
the Aim of Remarketing