



SZÉCHENYI ISTVÁN UNIVERSITY  
KAUTZ GYULA FACULTY OF ECONOMICS

# Financial Services and Decisions

2 May, 2013

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# Seminar 10

# Leasing

***Lecturer***

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2 May, 2013

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## The concept of leasing

- **Lease**

= a contractual agreement between a lessee and a lessor

- **Lessee**

= one who has obtained the right to use the asset (=user)

Lessee promises to make a series of payments to the lessor.

- **Lessor**

= The owner of the asset



## The concept of leasing

- **The property covered in a lease**
- **Lease is a special rental agreement**
  - The lease agreement often gives the user the option to purchase the equipment or take out a new lease.
  - Special services are provided to the lessee.
- **Lease payment:**
  - First payment usually is due as soon as the contract signed
  - Time pattern of payments can be tailored to the user's needs



## The concept of leasing

### ▪ Sensible reasons for leasing

- Short-term leases are convenient
- Standardization leads to low administration and transaction costs.
- Tax shields can be used
- Extra services are provided





# The many different kinds of leasing

## ▪ Classification of leasing:

- 1) Services
- 2) Stakeholders
- 3) Financing
- 4) Maturity



## The many different kinds of leasing

### ▪1, Services provided:

#### ➤ *Full service lease:*

The lessor is promises to maintain the asset and insure it and to pay any property taxes due on it

#### ➤ *Net lease*



## The many different kinds of leasing

### ▪2, Stakeholders:

➤ *Direct lease*

➤ *Sale and lease-back arrangement:*

The firm sells an assets it already owns and leases it back from the buyer





## The many different kinds of leasing

### ▪3, Financing:

#### ▪ *Leveraged lease*

- The lessor borrows part of the purchase price of the leased asset
- The lease contract is used as security for the loan

### ▪4, Maturity

#### ➤ *Operating lease*

#### ➤ *Financial lease*



## Operating versus financial lease

### ▪ Operating lease:

- Short-term
- Cancellable
- The lessor bears the risk of ownership
- The decision centers on “lease versus buy”



## Operating versus financial lease

### ▪ Financial lease:

- Long-term
- It extends over most of the economic estimated life of the asset
- Non-cancellable
- It is a source of financing
- The decision amounts to “lease versus borrow”



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**Thank you for your  
attention**

2 May, 2013

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