

Chapter 18

Lease

Financing

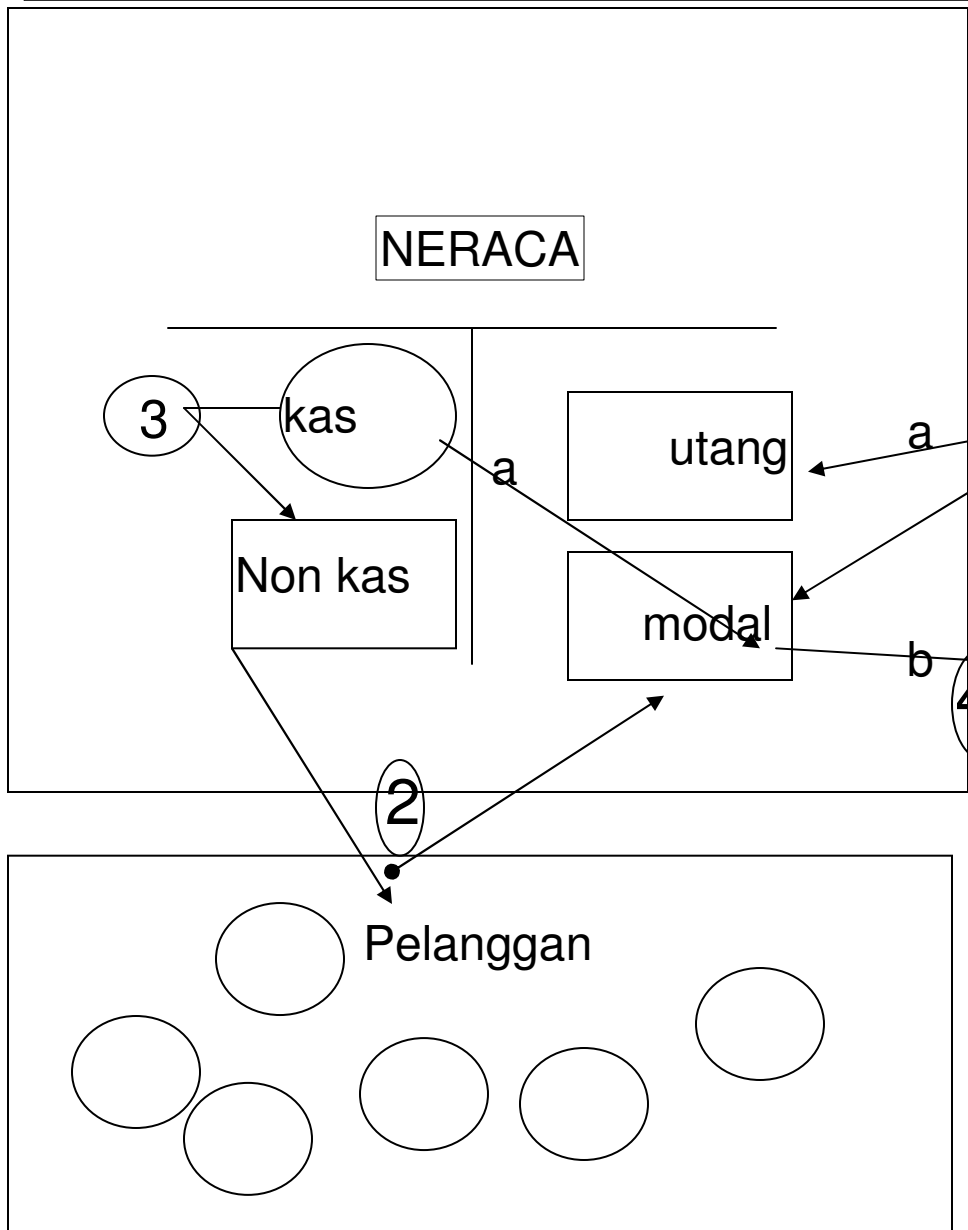
Pendahuluan

Pendahuluan

Chapter 18:

- Types of leases
- Tax treatment of leases
- Effects on financial statements
- Lessee's analysis
- Lessor's analysis
- Other issues in lease analysis

Fungsi Keuangan Perusahaan



- 1=financing
- 2=operating
- 3=investing
- 4=dividend policy

Kewajiban Jangka Panjang

- Catatan pd neraca, kewajiban perusahaan unt pembayaran *leases*, *bond* dan pos lain yang jatuh tempo lebih dari satu tahun.
- Kewajiban jangka panjang persh yg dipertanggung jawabkan pd pihak lain yg berakhir lebih dari satu tahun.
- ***Gearing:***
 - Analisis fundamental tentang Rasio level utang jk panjang persh dengan modal ekuitas & dinyatakan di bentuk persentasi.
 - Persh dg *gearing* tinggi → lbh banyak utang jk panjang daripada ekuitas pemegang saham, dianggap spekulatif.
 - Scr sederhana *gearing* menjelaskan bagaimana persh mendanai modalnya melalui pemberi pinjaman luar atau melalui pemegang saham.
 - Disebut juga sbg "*financial leverage*".

Utang Jk Panjang

- Ada dua bentuk:
 - Diterbitkan unt publik
 - Ditempatkan scr khusus: langsung pd institusi yg beri pinjaman
- Atribut utang jk panjang:
 - Termasuk sekuritas/ surat berharga
 - Cara pelunasan (*call features*)
 - Penyisihan dana (*sinking fund*)
 - Peringkatan
 - Perjanjian protektif

Lease

- Suatu Persetujuan yg di dalamnya satu pihak memperoleh persejuaan rental jk panjang, & phk lain menerima suatu tanda (*a form of*) utang jk panjang yg aman.
- Penyewa (*lessee*) memperoleh kontrak jk panjang bg penggunaan aset, & Pemberi sewa (*lessor*) dijamin memperoleh pembayaran reguler sejumlah tahun tertentu.
- Contoh *Leasing* antra pabrik vs persh leasing:
 - Langsung (*direct leases*): lessor menerbitkan utang maupun ekuitas unt mendanai pembelian (dari pabrik) brg yg disewa
 - Sewa beli (*sales leasing*): pabrik bersaing dg lessor lain

Pihak yg Terlibat dalam Transaksi Sewa Beli (lease transaction)

- Penyewa (lessee)= yg menggunakan aset & yg melakukan sewa beli, atau rental, pembayaran.
- Pemberi sewa (lessor)= yg memiliki aset dan menerima pembayaran rental.
- Yg perlu diingat adl keputusan sewa beli (*lease decision*) = keputusan pendanaan (financing decision) bg penyewa dan keputusan investasi (investment decision) bagi pemberi sewa.

Tipe Sewa Beli

- Operating lease
 - Short-term and normally cancelable
 - Maintenance usually included
- Financial lease
 - Long-term and normally noncancelable
 - Maintenance usually not included
- Sale and leaseback
- Combination lease
- "Synthetic" lease

Advantages of Leasing

1. Leases may not require any money down.
2. Lease payments are often fixed.
3. Leases reduce the risk of obsolescence to the lessee.
4. Leases may contain less restrictive covenants than other types of lending arrangements.
5. Leases may be a less costly means of financing.
6. Certain leases may not add to existing debt on the balance sheet.

Conceptual Nature of a Lease

According to the FASB:

- a lease transferring substantially all of the benefits and risks of ownership should be capitalized.

Transfer of ownership can be assumed only if there is a high degree of performance to the transfer, that is, the lease is non-cancelable.

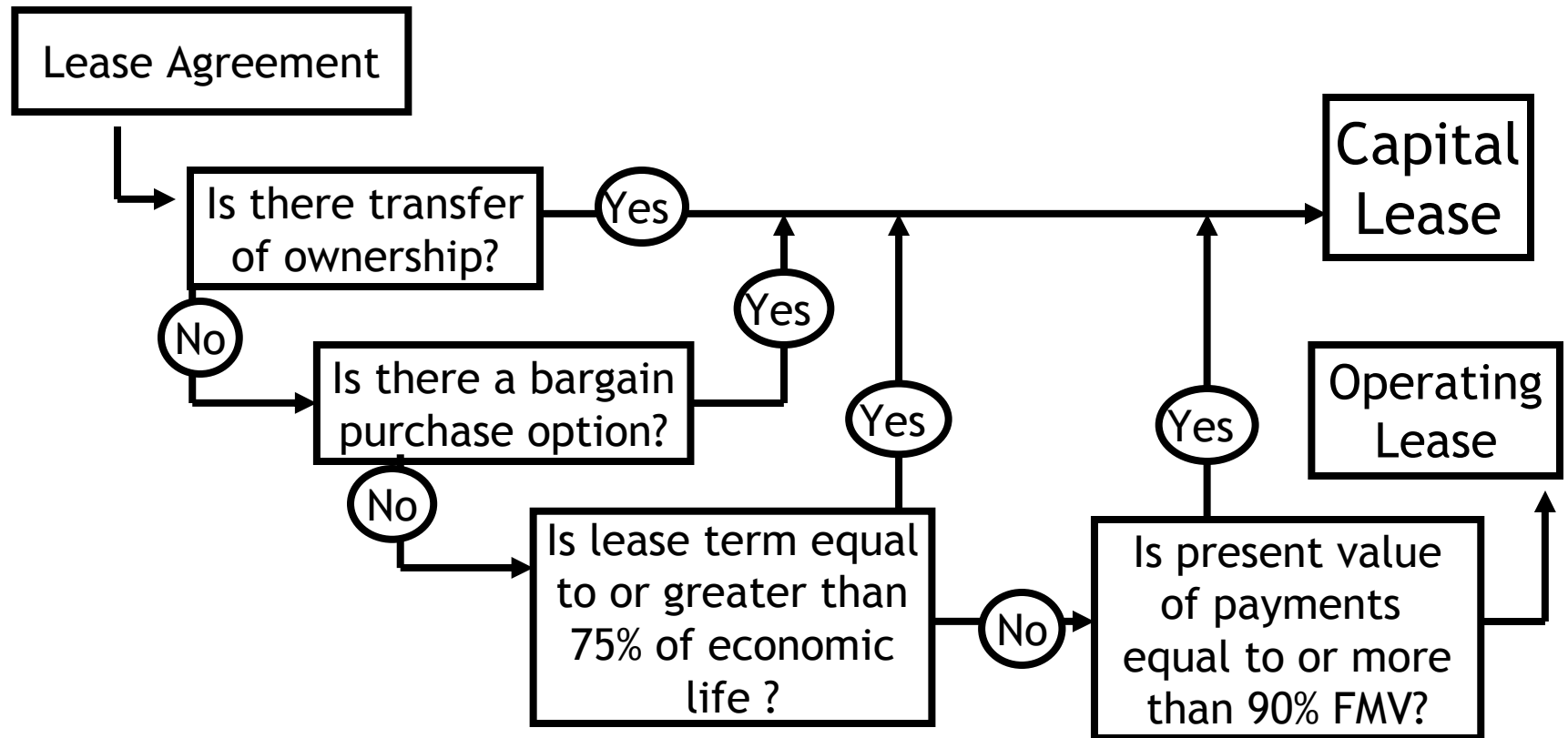
Leases that do not substantially transfers benefits and risks are operating leases.

Accounting by Lessee

Leases that meet *any* of the following four criteria are capital leases for the lessee:

1. Leases, transferring ownership
2. Leases with bargain purchase options
3. Leases with lease terms equal to 75% or more of the economic life (75% rule)
4. Leases where the present value of lease payments is equal to 90% or more of the fair market value (90% rule)

Accounting by Lessee



The Bargain Purchase Option

A bargain purchase option

- allows the lessee to buy the leased asset
- at a price significantly lower than the asset's fair value when the option is exercisable

The difference between the option price, and the fair value (when the option is exercisable) as determined at the inception of the lease must render the option reasonably assured.

The Recovery of Investment Test (90% Test)

In determining the present value of the lease payments, three important factors are considered:

- 1) Minimum lease payments the lessee is expected to make under the lease,
- 2) Executory costs (insurance, taxes, and maintenance), and
- 3) Discount rate (used by the lessee to determine the present value of minimum lease payments)

Minimum Lease Payments

The minimum lease payments include:

- 1) minimum rental payments (which may or may not be equal to the minimum lease payments)
- 2) guaranteed residual value at the end of the lease term (guaranteed the lessor by the lessee or a third party)
- 3) any penalty required of the lessee for failure to extend or renew the lease
- 4) any bargain purchase option given to lessee

Discount Rate

1. The lessee computes the present value of the lease payments using the lessee's incremental borrowing rate.
2. If the lessee knows the lessor's implicit interest rate and it is less than the lessee's incremental rate, then such implicit rate must be used.
3. The lessor's implicit rate produces the following result:

present value of (minimum lease payments and unguaranteed residual value) = fair value of the asset to lessor

Accounting for Asset and Liability by Lessee

- In a capital lease transaction, the lessee records an asset and a liability.
- The asset is depreciated by the lessee over the economic life of the asset.
- The effective interest method is used to allocate the rental payments between principal and interest.
- Depreciation of the asset and discharge of the lease obligation are independent accounting procedures.

Classification of Leases: Lessor

Lessor classifies leases as one of the following:

1. Operating lease
2. Direct financing lease
3. Sales-type lease

Accounting by Lessor: Classification of Leases

To be classified as an operating lease:

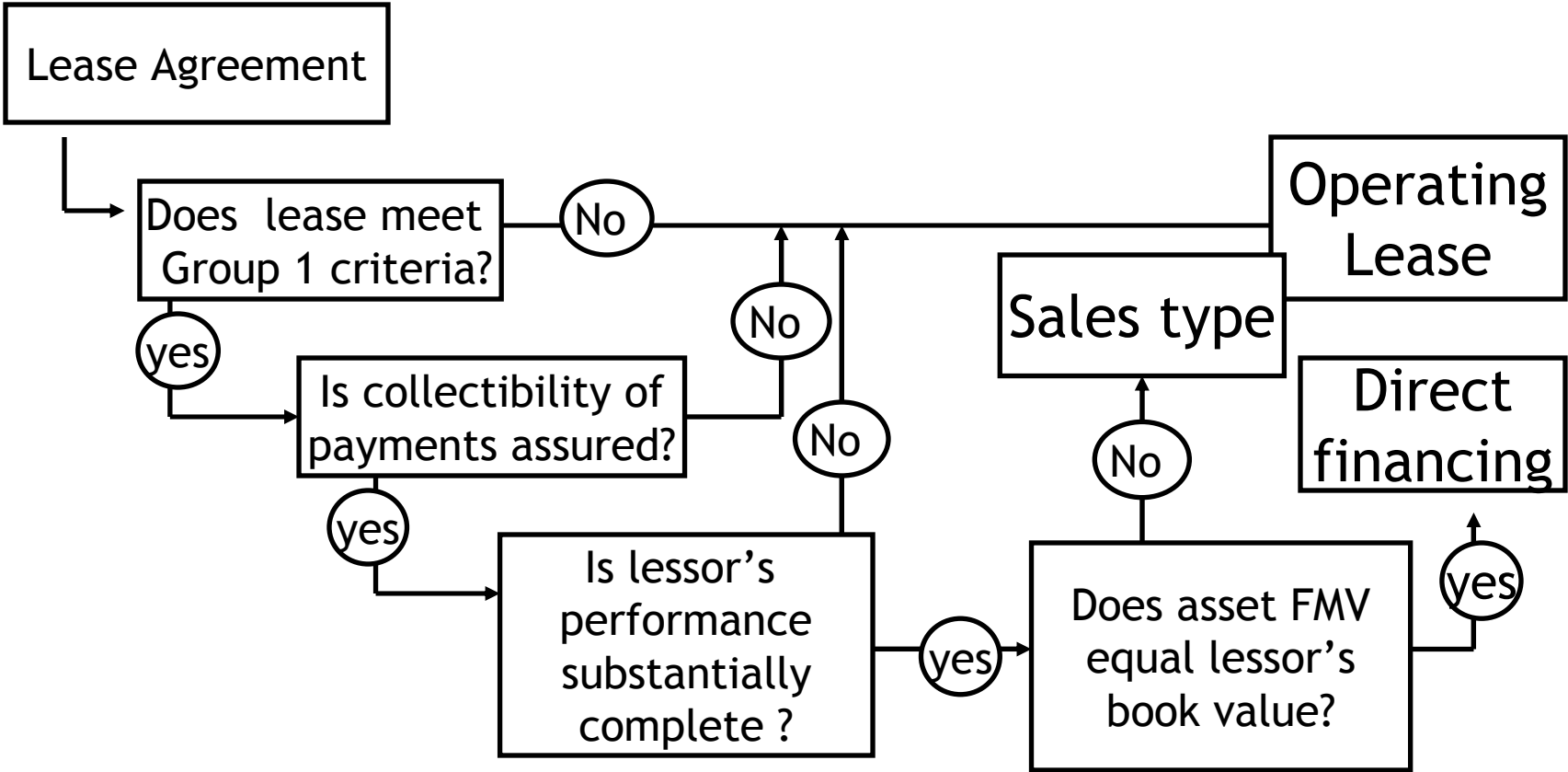
1. The lease doesn't meet any group 1 criteria (same as lessee's), **OR**
2. Collectibility of payments isn't reasonably assured, **OR**
3. Lessor's performance isn't substantially complete.

Accounting by Lessor: Classification of Leases

To be classified as a direct financing lease the lease must meet group 1 criteria (same as lessee's), *and* the following, group 2 criteria:

1. Collectibility of payments must be reasonably assured, *and*
2. Lessor's performance must be substantially complete, *and*
3. Asset's fair value must be equal to lessor's book value

Lessor's Criteria for Lease Classification



Operating Lease: Lessor

- The lessor depreciates the leased asset according to its depreciation policy.
- Maintenance costs of the leased asset (payable by lessor) are charged to expense.
- Costs, such as finder's fees and credit checks, are amortized over the lease term.
- The leased equipment and accumulated depreciation are shown as Equipment Leased to Others.

Direct Financing: Lessor

The following information is needed by lessor to record a direct financing lease:

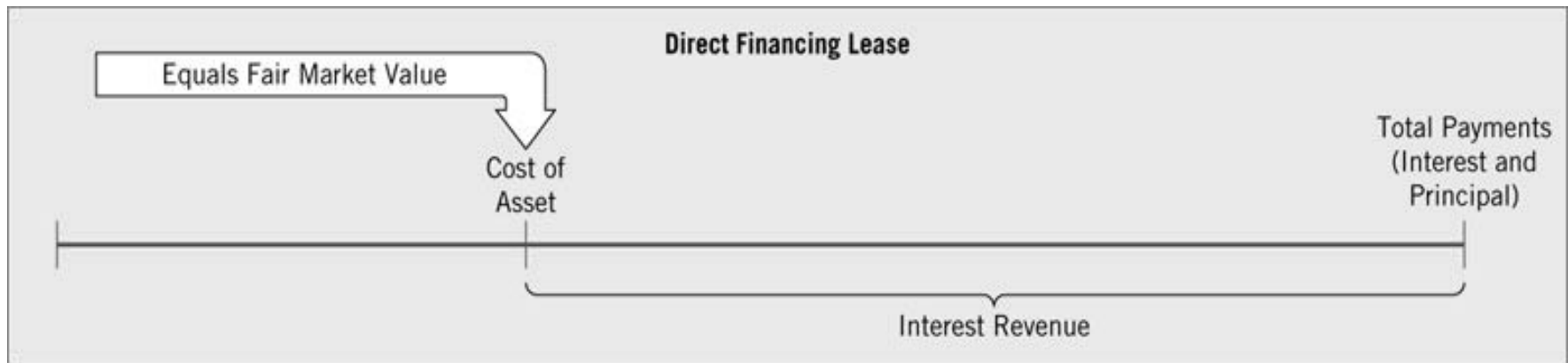
Gross investment (lease payments receivable), consisting of:

the minimum lease payments and any unguaranteed residual value at the end of lease term

Unearned interest revenue (difference between gross investment and the FMV of the property)

Net investment (gross investment less unearned interest revenue)

Direct-Financing Lease



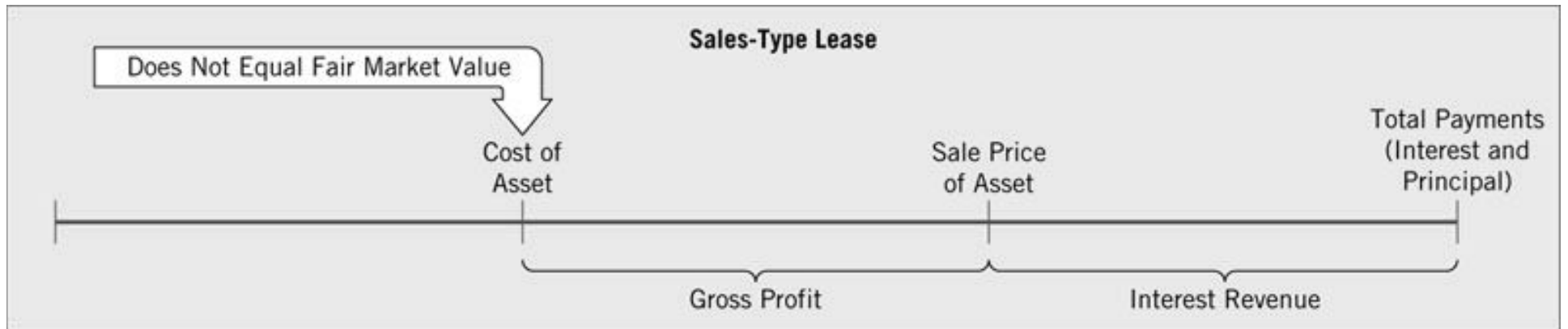
Special Accounting Problems

- Residual values
- Sales-type leases (lessor)
- Bargain purchase options
- Initial direct costs
- Current versus noncurrent
- Disclosure

Residual Values

- Residual value is the estimated fair value of asset at the end of lease term
- May either be guaranteed or unguaranteed
- From lessor's perspective once the lease rate is determined, it makes no difference whether the residual value is guaranteed or unguaranteed.
- From lessee's perspective:
 - Guaranteed residual affects minimum lease payment calculation
 - Unguaranteed residual does not

Sales-Type Lease



Initial Direct Costs

Two types:

- Incremental direct costs paid to third parties at origination of lease
- Internal direct costs paid by lessor at origination of lease.

Disclosure Requirements: Lessee

For the lessee, the requirements for capital leases are:

- gross amount of assets
- future minimum lease payments
- total non-cancelable minimum sublease rentals
- total contingent rentals
- identify assets separately
- general description of lessee's arrangements

Disclosure Requirements: Lessor

For the lessor, the requirements for sales-type and direct-financing leases are:

- components of net investment
- future minimum lease payments
- amount of unearned revenue included in revenue
- total contingent rentals
- general description of lessor's leasing arrangements

Disclosure Requirements: Lessor

For the lessor, the requirements for operating leases:

- cost and carrying amount
- minimum future rentals
- total contingent rentals
- general description of lessor's leasing arrangements

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