Lease or Buy?

A Lease is a contract specifying the terms under which the owner of some property transfers the right to use the property to someone else, without transferring legal ownership.

Lessee: Company using the leased asset enjoys flexibility, and reduced risk through leasing rather than buying.

Lessor: company that owns the leased asset uses attractiveness of leasing to increase sales and to establish long-term relationships with customers.

In fact, leasing is just a creative, alternative way to finance the acquisition of the right to use an asset.

Another attraction of the lease is a lower monthly payment. (cost)

You can lease a car for a lower amount that you would have to pay on a monthly payment to buy the same car.

When buying a car for example, you are buying not only the car buy also the whole life or right of the car and of you have to pay for all of that. If instead you lease a car, you only buy for the time of his acquisition and not for all those years that you are not going to use.

If you plan to keep your product for five years or more, buying will certainly costs you less than a series of leases. If you plan to constantly upgrade to a new car, say every two or three years, then leasing may give you total lower monthly payments.

Pros and cons of a lease.

Advantages of leasing:

1-No down payment:

Most debt-financed purchases of property require a portion of the purchase price to be paid immediately by the borrower. Lease agreements instead are frequently structured so that 100% of the value of the property is financed through the lease. Which makes the lease attractive for company that don’t have sufficient cash for down payments or that wishes to use available capital for other operating or investing purposes.

2-Avoid risks of ownership

a- Casualty loss

b-Obsolescence

c-Changing economic conditions

d-Physical deterioration

Once you no longer need it, you end the agreement and no need to pay anything anymore.

3-Flexibility: It is the primary reason for the popularity of automobile leasing

4-Simplicity

Advantages for the company that lease:

-Increase sales

-Ongoing business relationships

-residual value retained

-more profit per customer

**Vergleich Finanzierungs-/Leasingangebot Roboter**

1.Darlehen

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Jahre | Schuld Anfang d.j.in € | Zinsen 5%, p.a.in € | Tilgung Ende d.j.in € | Kreditrate in € | Restschuld Ende d. j. in e |
| 1 | 240.000 | 12.000 | 60.000 | 72.000 | 180.000 |
| 2 | 180.000 | 9000 | 60.000 | 69.000 | 120.000 |
| 3 | 120.000 | 6000 | 60.000 | 66.000 | 60.000 |
| 4 | 60.000 | 3000 | 60.000 | 63.000 | 0 |
| Gesamt |  | 30.000 | 240000 | 270000 |  |

2.Leasing

|  |  |  |  |
| --- | --- | --- | --- |
| Jahre | Leasingrate in € | Restwert  Nach 4 Jahre | Gesamte  Leasingkosten in € |
| 1 | 72.000 | 304.000 | 232.000 |
| 2 | 72.000 | 232.000 | 160.000 |
| 3 | 72.000 | 160.000 | 88.000 |
| 4 | 72.000 + 16000 | 88.000 | 0 |
| Gesamt | 304.000 |  |  |

Das Darlehen ist die wirtschaftliche Alternative. Es ist 34.000€ günstiger. Die Abweichung in Prozent beträgt ca. 11,2%.

Source: **Accounting Foundations: Leases**

LinkedIn Learning