3. Leveraged and non-leveraged leases

In leveraged and non-leveraged leases, the value of the asset leased may be of a huge amount which may not be possible for the lessor to finance. So, the lessor involves one more financier who will have charge over the leased asset.

4. Conveyance type lease

In Conveyance type lease, the lease will be for a long-period with a clear intention of conveying the ownership of title on the lessee.

5. Sale and leaseback

In a sale and leaseback, a company owning the asset sells it to the lessor. The lessor pays immediately for the asset but leases the asset to the seller. Thus, the seller of the asset becomes the lessee. The asset remains with the seller who is a lessee but the ownership is with the lessor who is the buyer. This arrangement is done so that the selling company obtains finance for running the business along with the asset.

6. Full and non-pay-out lease

A full pay-out lease is one in which the lessor recovers the full value of the leased asset by way of leasing. In case of a non-pay-out lease, the lessor leases out the same asset over and over again.

7. Specialized service lease

The lessor or the owner of the asset is a specialist of the asset which he is leasing out. He not only leases out but also gives specialized personal service to the lessee. Examples are electronic goods, automobiles, air-conditioners, etc.

Where the lease is not a loan on security but qualifies as a lease, it will be considered a tax oriented lease.

12. Import Lease

In an Import lease, the company providing equipment for lease may be located in a foreign country but the lessor and the lessee may belong to the same country. The equipment is more or less imported.

13. International lease

Here, the parties to the lease transactions may belong to different countries which is almost similar to cross border lease.

ADVANTAGES OF LEASING

There are several extolled advantages of acquiring capital assets on leasing:

1. ***Saving of Capital:*** Leasing covers the full cost of the equipment used in the business by providing 100% finance. The lessee is not to provide or pay any margin money as there is no down payment. In this way the saving in capital or financial resources can be used for other productive purposes E.g. purchase of inventories.

2. ***Flexibility and Convenience:*** The lease agreement can be tailor- made in respect of lease period and lease rentals according to the convenience and requirements of all lessees.

3. ***Planning Cash Flows:*** Leasing enables the lessee to plan its cash flows properly. The rentals can be paid out of the cash coming into the business from the use of the same assets.

4. ***Improvement in Liquidity:*** Leasing enables the lessee to improve their liquidity position by adopting the sale and lease back technique.

LIMITATIONS OF LEASING

There are several extolled limitations of acquiring capital assets on lease:

1. Early Termination

The terms for early termination of most leases can be very unpleasant for the consumer, particularly if the termination is forced, i.e., the car is totaled in an accident or stolen. In such cases, insurance pay-outs often fall far short of the balance due on the lease leaving you holding the bag. Many leasing companies will offer "gap insurance" for only a few dollars a month extra which is a wise investment.

2. Insurance Cost

Leasing companies tend to require higher amounts of insurance coverage than you may normally carry. This could impact your insurance cost considerably. Find out what the requirements are and get an estimate from your insurance company before signing on the dotted line.

3. Higher Credit Requirements

Since the expensive car you will be driving for the next 2-6 years belongs to someone else (the leasing company), the owners want to be assured that you will make the payments on time and will not trash their car. Therefore, the credit worthiness standards tend to be higher for leases than conventional loans. In other words, if you have a troubled credit history you may have problems getting approved for a lease.

4. Mileage Limitations

Almost all leases limit the number of miles per year by imposing fees typically 10 to 15 cents per mile over 15,000 miles per year. If you put a lot of miles on a car, these fees can add up quickly.

5. No Ownership

Technically, when you lease a car, you are renting it. The leasing company retains ownership of the car and you pay for the privilege of driving (and maintaining) it. For many who have "owned" cars all their lives, this may be a psychological barrier.

HIRE PURCHASE

Hire purchase is a method of financing of the fixed asset to be purchased on future date. Under this method of financing, the purchase price is paid in installments. Ownership of the asset is transferred after the payment of the last installment.

FEATURES OF HIRE PURCHASE

The main features of hire purchase finance are:

1. The hire purchaser becomes the owner of the asset after paying the last installment.
2. Every installment is treated as hire charge for using the asset.
3. Hire purchaser can use the asset right after making the agreement with the hire vendor.
4. The hire vendor has the right to repossess the asset in case of difficulties in obtaining the payment of installment.

ADVANTAGES OF HIRE PURCHASE

Hire purchase as a source of finance has the following advantages:

i. Financing of an asset through hire purchase is very easy.
ii. Hire purchaser becomes the owner of the asset in future.
iii. Hire purchaser gets the benefit of depreciation on asset hired by him/her.
iv. Hire purchasers also enjoy the tax benefit on the interest payable by them.

DISADVANTAGES OF HIRE PURCHASE

Hire purchase financing suffers from following disadvantages:

i. Ownership of asset is transferred only after the payment of the last installment.
ii. The magnitude of funds involved in hire purchase are very small and only small types of assets like office equipment's, automobiles, etc., are purchased through it.
iii. The cost of financing through hire purchase is very high.

VENTURE CAPITAL FINANCING

Venture capital (VC) is financial capital provided to early-stage, high-potential, high risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries, such as biotechnology, IT, software, etc. The typical venture capital investment occurs after the seed funding round as growth funding round (also referred to as Series A round) in the interest of generating a return through an eventual realization event, such as an IPO or trade sale of the company. Venture capital is a subset of private equity. Therefore, all venture capital is private equity, but not all private equity is venture capital.

In addition to angel investing and other seed funding options, venture capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. In exchange for the high risk that

TYPES OF LEASE

Different types of Leasing:

1. Financial Lease

Financial leasing is a contract involving payment over a longer period. It is a long-term lease and the lessee will be paying much more than the cost of the property or equipment to the lessor in the form of lease charges. It is irrevocable. In this type of leasing the lessee has to bear all costs and the lessor does not render any service.

2. Operating Lease

In an operating lease, the lessee uses the asset for a specific period. The lessor bears the risk of obsolescence and incidental risks. There is an option to either party to terminate the lease after giving notice. In this type of leasing lessor bears all expenses, lessor will not be able to realize the full cost of the asset and specialized services are provided by the lessor. This kind of lease is preferred where the equipment is likely to suffer obsolescence.

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In leveraged and non-leveraged leases, the value of the asset leased may be of a huge amount which may not be possible for the lessor to finance. So, the lessor involves one more financier who will have charge over the leased asset.

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