Lease versus Purchase Analysis on Equipment Acquisition of $15,000 or More

Department of the Interior

Bureau / Office	Office of Acquisition & Property Mgmt		
Region	HQ		
Date	15 August 2012		
Descriptionof Equipment	Large photocopying machine		
	Sharp Model # XYZ123		
			http://www.treasury.gov/resource-center/data-chart-center/Pages/index.aspx
	Months	**Years**	
Program / Useful Life (Refer Value Definitions)	96	8	
Rate of Return	0.09%	1.10%	
Prepared by	M. Ed Awni		
Telephone number	202-513-0696		
Approved by	Debra Sonderman		
Telephone number	202-513-7554		

A. Computation of discounted cash flow

1. Purchase price				$12,000.00	
2. Other additional associated costs					
a. Maintenance	$ Per month	50	$4,592.85		
	$ Per year	0	$0.00		
b. Sales tax at	0%		$0.00		
c. other (delivery & installation)			0		
Subtotal (2a+2b+2c)				$4,592.85	
3. Total Purchase Costs				$16,592.85	
4. Deduct the following if equipment life is longer than program life					
a. Estimated salvage value (Refer to Value Definitions)			$2,000.00		
b. Present value of salvage value	(Refer to Value Definitions)			$1,831.60	
5. Net purchase costs					$14,761.25
6. Lease payments					
Per month				$300.00	
Per year					
7. Other additional associated costs					
a. Maintenance Contract ($/month)			$50.00		
b. Sales tax at	0%		$0.00		
c. other (delivery & installation)			$0.00		
Subtotal (7a+7b+7c)				$50.00	
8. Total Lease Payment				$350.00	
9. Present value of lease payments					$32,149.93

10. Difference between purchase and lease costs				$17,388.68
Line 10 indicates the potential life period savings if				
Purchased	$17,388.68			
Leased	($17,388.68)			
B. Computation of Amortised Costs				
11. Amortised cost of net purchase per period			$160.70	
12. Difference in periodic payment				$189.30
Line 8 - Line 11 or Line 11 - Line 8				
Line 12 indicates the potential periodic payment savings if				
Purchased	$189.30			
Leased	($189.30)			
C. Computation of break-even point				
13. Net purchase costs less maintenance		$10,168.40		
Line 5 - Line 2a				
14. Total Lease payment less maintenance		$300.00		
Line 8 - Line 7a				
15. Break-even point in months			33.89	
16. Most economical method of acquisition is to				
Purchase				
Lease				

NOTE: Blue Cells Requires That You Enter Data
NOTE: Green Cells Requires No Data Entry
Enter Bureau/Office Name in Row 3 Column D.
Enter Region Name in Row 4 Column D.
Enter Date in Row 5 Column D. This Date represents DTYC rate in Row10.
Enter Description of Equipment in Row 6 Column D.
Enter Brand and Model Number in Row 7 Column D.
Refer to Daily Treasury Yield Curve tab for example how to find DTYC percentage rate based on the number of years of program / useful life of asset.
Enter number of years of program / Useful Life of the equipment asset in Row 9 Colum E.
Click on the link in Row 8 Column G to get the "Daily Treasury Yield Curve" (DTYC) percentage rate and enter in Row 10 Column E.
Enter Name of SME or Buyer in Row 12 Column D..
Enter Telephone Number in Row 13 Column D.
Enter Name of Purchaser Approver in Row 14 Column D.
Enter Telephone Number of Purchaser Approver in Row 15 Column D.
Enter the Purchase Price in Row 18 Column I.
Enter any other added costs to the purchase price in Row 19 Column I.
Either enter monthly maintenance costs in Row 20 Column F, or
Enter yearly maintenance costs in Row 21 Column F, but not both.
If required, enter sales tax percentage in Row 22 Column D. If none, enter 0%
Enter any delivery or installation fees in Row 23 Column H.
Calculates the subtotal costs of item 2a+2b+2c for you.
Calculates the Total costs of 1+2a+2b+2c for you.
Enter Salvage or Trade-In Value or Fair Market Value in Row 27 Column H.
Calculates present value of salvage for you.
Calculates the net purchase costs
Either enter the monthly lease payment Row 31 Column I, or
The yearly lease payment in Row 32 Column I, but not both.
Enter the monthly maintenance fee for the contract in Row 34 Column H.
If required, enter sales tax in Row 35 Column D. If none, enter 0%.
Enter any delivery or installation fees in Row 36 Column H.
Calculates the Sub total costs of 7 for you.
Calculates the Total costs of 6+7 for you.
Calculates the present value of lease payments for you.

Calculates the different between lease and purchase for you.

If the value is positive, purchase, if negative, lease
If the value is negative, purchase, if positive, lease

Calculates the amortised cost of net purchase per period for you.
Calculates the difference in periodic payment for you.

If positive, value is purchase monthy savings
If positive, value is lease monthy savings

Calculates the net purchase costs less maintenance for you.

Calculates the total lease payment less maintenance.

Calculates the break-even point in months for you.

Enter purchase amount in Row 64 Column D if more economical than lease.
Or Enter lease amount in Row 65 column D if the more economical than purchase.