

SAM—LEASE/PURCHASE EQUIPMENT

TERMS AND DEFINITIONS (New 8/92)

3701

The following terms are defined as they are used in this SAM chapter. Many of the terms are explained with examples and in more detail later in this chapter.

Amortization. Evenly spreading equipment acquisition costs over the period of useful life or the period of payment.

Annuity. A series of payments made at evenly spaced intervals.

Break-even point. The point during a lease when the cumulative leasing costs to date equal the purchase price.

DGS. The Department of General Services.

Present Value. The value today of an amount to be paid later, discounted at some interest or discount rate.

Purchase Option. The legal right to buy something during a defined period at a defined price.

Rental Payments. Periodic payments, such as monthly, for the right to use leased equipment.

Salvage Value. The selling price, less removal or disposal costs, of your used equipment.

Useful Life. The length of time that the equipment will serve program needs before it wears out or the program need for the equipment ends, whichever occurs first.