

SAM – LEASE/PURCHASE EQUIPMENT

TERMS AND DEFINITIONS

3701

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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.