

## LEASE VERSUS PURCHASE ANALYSIS – EQUIPMENT

# (SAMPLE)

Based upon the GSOP-176 (4/76)

For Instructions see SAM section 3700 et. seq.

<b>Department</b> General Services	<b>Organization Unit</b> Office of Procurement	<b>Date</b> October 10, 1990
<b>Description of Equipment</b> One (Identify type – brand and model) Machine		
<b>Program Useful Life:</b> <u>8</u> Years OR <u>96</u> Months	<b>Rate of Return</b> 9.479%	<b>Prepared by</b> Louise Watts
		<b>Telephone Number</b> 2-4668 ATTS 492-4668
<b>COMPUTATION OF DISCOUNTED CASH FLOW</b>		
1. Purchase Price (Indicate Deducted Rental Credits if any - \$ _____)		\$8,000.00
2. Add the Following Purchase Costs:		
	(Present value of annuity of \$1 for per 100 of useful life.)	
A. Maintenance Per <input checked="" type="checkbox"/> Month <input type="checkbox"/> Year <input type="checkbox"/> (Other) _____ = \$ <u>50.00</u> X <u>68.04</u>	\$3,402.00	
B. Sales Tax	\$480.00	
C. Other	0	
<b>Subtotal: (Line 2A + Line 2B + Line 2c)</b>		\$3,882.00
3. Total Purchase Costs		\$11,882.00
4. Less the following, if mechanical life is longer than program level:		
A. Estimated Salvage Value	\$0	
B. Present Value of \$1 for _____ periods	\$0	
C. Present Value of Salvage Value (Line 4A X Line 4B)		\$0
5. Net Purchase Costs (Line 3 – Line 4)		\$11,882.00
6. LEASE Payment per <input checked="" type="checkbox"/> Month <input type="checkbox"/> Year <input type="checkbox"/> (Other)		\$350.00
7. Add the following Lease Costs for the Same Period as Line 6 Above:	Included	
A Maintenance contract (if not included in lease payment)		
B. Sales Tax	\$21.00	
C. Other	\$0	
<b>Subtotal: (Line 7A + Line 7B + Line 7C)</b>		\$21.00
8. Total Lease Payment		\$371.00
9 Present Value of annuity of \$1 for <u>96</u> periods (useful life)		68.04
10 Present Value of the Lease (Line 8 X Line 9) (rounding to whole dollar)		\$25,243.00
11. Difference between purchase costs and lease costs (Line 10 – Line 5 or Line 5 – Line 10)		\$13,361.00
Line 11 Indicated the potential Life Period Savings if <input checked="" type="checkbox"/> Purchased <input type="checkbox"/> Leased		
<b>COMPUTATION OF AMORTIZED COSTS</b>		
12. Annuity Whose Present value is \$1 for <u>96</u> Periods (Useful Life)	0.147	
13. Amortized Cost of Purchase (Line 5 X Line 12) per Period		\$175.00
14. Difference in Periodic payment (Line 8 – Line 13 or Line 13-Line 8 )		\$196.00
Line 14 indicates the Potential Periodic Payment Savings if <input checked="" type="checkbox"/> Purchased <input type="checkbox"/> Leased		
<b>COMPUTATION OF BREAK-EVEN POINT</b>		
15. Net Purchase Costs Less Maintenance (Line 5 – Line 2A)	\$8,480.00	
16. Total lease Payment (Line 8) less maintenance ( <u>\$50.00</u> ) if included in Payment	\$321.00	
17. Factor for the Present Value of Annuity of \$1 per Period (Line 15 Divided by Line 16)		26.42
18 Break-Even Point = <input checked="" type="checkbox"/> Month. <input type="checkbox"/> Year <input type="checkbox"/> (Other) at which Line 17 appears in the present value of annuity of \$1 (i.e. Lease Costs = Purchase Costs)		30
19. MOST ECONMONICAL METHOD OF ACQUISITION = <input checked="" type="checkbox"/> PURCHASE <input type="checkbox"/> LEASE		