

## How much do you know about leasing?

See how well you do. If you cannot answer at least 90% of the questions correctly and explain your correct answers to someone else ..... then you need training.

Please print out the forms and hand write your answers on them.

### **Mark (T)rue or (F)alse**

A Sales Type Lease is a Lessee classification for accounting purposes

- Advance is the term used in equipment leasing referred to a situation in which the lessee uses the equipment before it is paid for.
- Depreciation is the Federal Governments way to allow business to recover capital investment.
- A Lessee is allowed to trade in equipment if it is looked at as advanced rent.
- No rule or regulation requires a lessor to assume a residual.
- A well-drafted lease requires the lessor to purchase and maintain insurance on all leased assets throughout the lease term.
- The yield in an equipment lease is the value of all cash flows reduced to a return on investment expressed in an annual interest percentage.
- A sales person can offer a \$1 purchase option if the lease says Fair Market Value
- The stream rate for the lessee will always include the lessors' assumed residual
- Upon signing a Master Lease Agreement, a lessee is obligated to lease equipment, even if there has been no acceptance certificate signed.
  
- All cash fees or rentals collected prior to the start of a lease will lower the lessor's investment in the equipment for yield purposes.
- The accounting term operating lease refers to a lease listed like a loan on the balance sheet of the lessee..
- Equipment leases generally allow lessees to sub-lease the equipment without the permission of the Lessor.
- An operating lease allows the lessee to freely operate the equipment in any manner necessary to complete the job.
- A Capital Lease for the Lessee means it is a loan for Income tax purposes.

Multiple Choice (mark best Answer)

What obligation does a lessee have upon signing a master lease agreement?

- To pay rent
- To provide insurance upon possession
- To maintain or repair equipment
- To send purchase order
- To pay sales tax

In what instance may a lessee discontinue rent payment to the lessor?

- If the lessee is going through a bad financial period.
- If the lessee is not satisfied with the equipment.
- If the vendor is unavailable to fix the equipment.
- Under no circumstances.

Stipulated loss value in an equipment lease is:

- The unpaid balance on the equipment lease.
- The unpaid balance on the equipment lease plus the rental.
- The necessary amount of funds to make the lessor whole with the original yield.
- The difference between the salvage value of the equipment and the amount paid by the insurance company.

Which article of the Uniform Commercial Code applies to True leases?

- 2
- 2A
- 9
- All of the above.

The required insurance endorsements for a true lease are:

- "Additional Insured" for liability and "loss payee" for physical damage.
- "Loss payee" for liability and "additional insured" for physical damage.
- "Umbrella coverage" on the lessee's policy.
- "Umbrella coverage" for physical damage and "loss payee" for liability.
- Naming the Lessor as the owner.

The Fair Market Value of equipment is defined as:

- The price that a willing seller and willing buyer negotiate in a closed marketplace.
- The price that a willing seller and willing buyer negotiate in an open marketplace.
- The rule established by the lessor after consulting the amount necessary to make a profit from the sale of the residual.
- The amount that covers the lessor's residual and the 20% markup required to make the purchase option a true lease.

The effect of collecting advance rents will:

- Increase the lessor's yield or decrease the lessee's rents.
- Increase the lessee's rents or decrease the lessor's yield.
- Decrease the original cost of the equipment.
- Increase the stream rate.
- Provide a down payment.

A purchase order from the lessor to the vendor should not contain:

- A requirement that allows lessee or lessor to request warranties
- That the sale be free of all liens and encumbrances
- Payment will be made in 10 days if equipment rejected.
- Purchase price
- Deliver equipment to lessee

An equipment lease for Federal income tax must be:

- For 100% of the equipment useful life.
- For a single or special purpose.
- For less than the depreciable life.
- Non cancelable.
- None of the above.

The U.S. Internal Revenue Service defines personal property that can be leased as:

- Special purpose.
- Multi-use purpose.
- Inventory only.
- Consumables.
- All of the above.

A Purchase Option is:

- A mandatory requirement for Lessee.
- Requires the Lessor to assume a residual.
- Required by income tax law
- Required by the UCC
- None of the above

Which of the following is not a type of lease?

- Capital
- True
- Operating
- Super

Which of the following is not a true lease tax rule?

- The term of the lease can not exceed 80% of the useful life.
- The lessee must have a bargain purchase option.
- The lessee may not have an equity interest in the equipment.
- The rentals plus the purchase option may not equal what the lessee could have received from a loan with a balloon.

The asset class life is:

- The IRS determination of the use of the equipment.
- The UCC bracket for filing.
- The longest term you can lease the equipment.
- The comptroller's control on bank lease terms.

Which of the following is not a true lease legal rule?

- The term of the lease can not exceed 80% of the useful life.
- The lessee must have a bargain purchase option.
- The lessee may have an option to renew the lease.
- The lessee assumes the risk of loss.

Which of following is not a accounting rule for classification purposes.

- Automatically pass title or ownership at termination
- No bargain purchase option
- Term exceeds 75% of useful life
- No equity in equipment
- Net present value equal to or greater than 90%

The word residual on an equipment lease means:

- The balance to be leased after the down payment.
- The remaining unpaid rentals due according to the lease.
- The lessor's unrecovered investment at lease termination
- The purchase option offered to the customer at lease termination.

To be effective as a purchase money security interest, a UCC-1 Financing Statement, must be filed with-in 20 days after?

- Delivery/Possession of the first piece
- Date the proposal is signed
- Date the lease is signed
- Date the Lessee signed the Acceptance Certificate

Which one of the following documents is not involved in a true lease?

- Vendor Invoice
- Purchase order
- Security Agreement
- Acceptance agreement
- Lease agreement

In a tax lease, the lessor's yield is composed of:

- The lessee's implicit rate only.
- Rents, fees, residual and tax deductions.
- Rents, implicit rate and taxes.
- Tax advantage and residual.

**Match the rule to its purpose**

- Revenue Ruling 55-540      A. Legal Rules.
- Revenue Procedure 01-28      B. Tax rules for non-leverage leases
- SFAS No. 13      C. Tax rules for leverage leases
- Uniform Commercial Code 2A      D. Accounting rules for leases
- Comptroller of the Currency      E. National Bank Rules
- Regulatory "Y"      F. Bank Holding Co. Rules

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