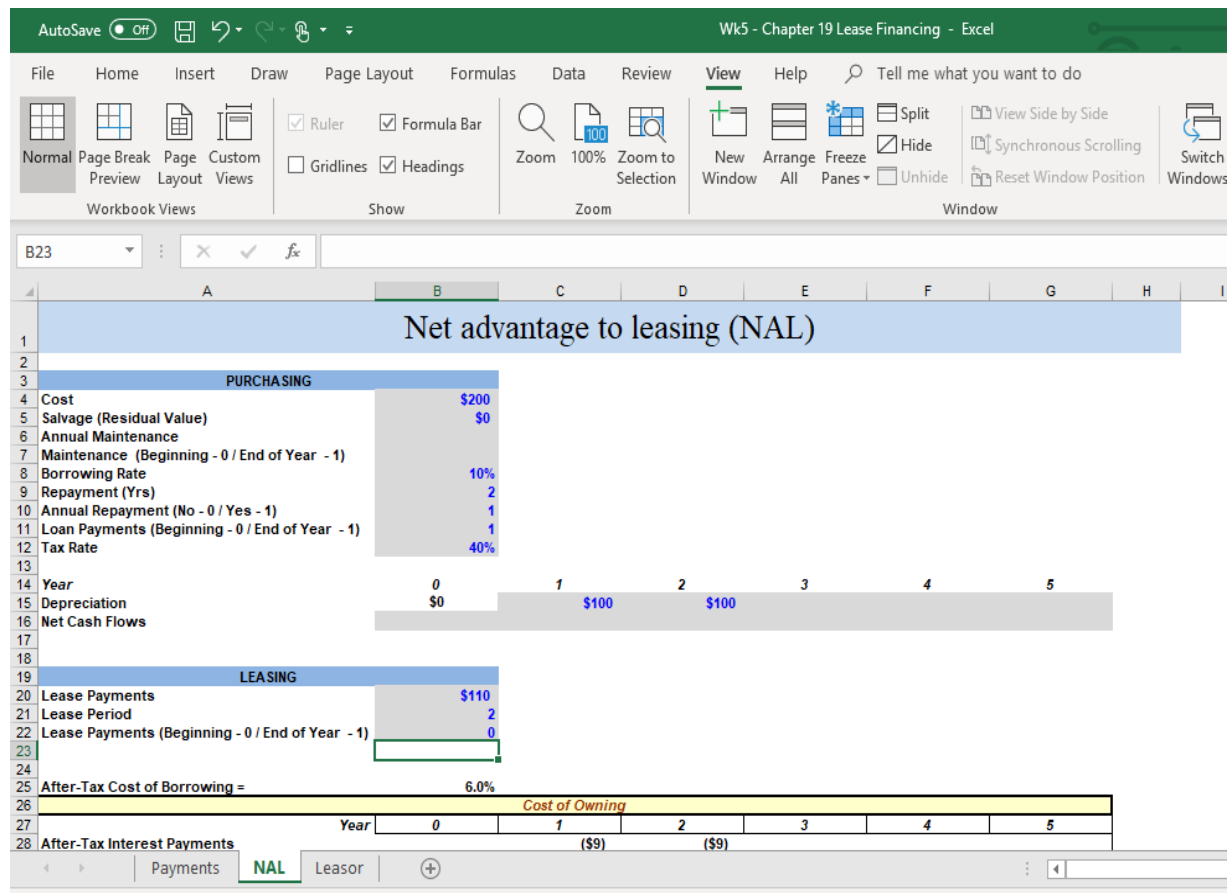


Week 5 Homework

19.2 Lease versus buy

Given the following information:

- Equipment costs \$200 tax rate 40% depreciation \$100 / year
- Leased on a 2-year lease payment \$110 at beginning of each year bank charge 10% int.
- Annual payments at end of each year equipment worth nothing after 2 years and discarded



After entering the information into the above excel sheet, I received the following answer to the problems questions: Should Reynolds lease or buy the equipment?

57			
58	NAL = Cost of Ownership - Cost of Leasing =	(\$1.60)	KEY OUTPUT = BUY
59			
60			
61			