

Text Version

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# EQUIPMENT LEASE ANALYZER

## A Spreadsheet Program

**[CLICK HERE](#)** to download the executable zip file through the internet.

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***Disclaimer:* This worksheet is for educational purposes. The University of Missouri and Ray Massey are not responsible for any actions taken as a result of using this template.**

The equipment lease analyzer is designed to answer 2 questions regarding leasing farm equipment. First it seeks to determine whether a lease or a purchase is more profitable and feasible from a cash flow perspective. Second it helps decide the annual contract hours for a lease.

A lease affects a farmer's financial position differently than a purchase. Whenever another piece of equipment is needed both the lease option and the purchase option should be investigated. By entering the appropriate information gathered from your implement dealer and banker, "Equipment Lease Analyzer" provides the net after tax expense of each. The cash needed for each option is also displayed.

The expenses and cash flow are both discounted back to the present to determine what is the present value of each option. By looking at the expenses and cash, a farmer can make a more informed decision.

Should a farmer choose to lease a piece of equipment, one of the questions faced regards the annual hours of use. The lease agreements usually specify hundreds of hours (e.g. 400 hours or 600 hours). If a farmer exceeds the hours on the contract an hourly charge is incurred. If the farmer uses less than the hours on the contract, no benefit is accrued.

Using the spreadsheet requires MicroSoft Excel. Open the program and go to the page entitled "Purchase". Complete the information needed in all of the yellow cells. The tables below give the results of the lease and purchase. The first table is a summary providing sufficient information to analyze the options. The tables below are more detailed and can be referenced if you want to see the details behind the summary.

To determine the optimum number of hours for a lease, go to the page entitled "Hours Max". Complete the information needed in all of the purple cells and use the left mouse button to click on the box labeled "Compute Breakeven Hours". The breakeven number of hours will appear in cell B7. If you expect to use the equipment less than that number of hours, choose the smaller hour option. If more, choose the larger hour option.

This spreadsheet is available for downloading from the AgEBB system using several methods: 1) through the Internet at the following address, <http://agebb.missouri.edu/download/university/equipment.exe> and 2) from the standard BBS system under the tigers spreadsheets file transfer area. If you have any questions regarding downloading this spreadsheet please contact the AgEBB office at 573-882-4827 or

[e-mail.](#)