

VKC

Lease Calculator



Lease Post-tax Targeting Tool.....

*A short, handy, quick calculator
that helps you
target your Post-tax IRR*



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#	Desired post-tax IRR	7.00%
x	RENTALS P.M. AT THE ABOVE RATE	19.84
#	ASSET COST / FINANCED AMOUNT	1000.00
#	UPFRONT FEE	0.00%
#	SECURITY DEPST (refundable)(See Note 2 below)	0.00%
#	INTEREST ON DEPOSIT	0.00%
#	NO. OF COMPOUNDINGS IN A YEAR FOR DEPOSIT INTEREST	4
#	NO. OF YEARS IN THE LEASE (maximum 11)	5
x	PAYMENTS PER YEAR PRESUMED MONTHLY	12
#	PAYMENTS ASSUMED IN ADVANCE	
#	RESIDUAL VALUE	0.00%
#	First year RATE OF DEPRECIATION	80.00%
#	Subsequent years rate of depreciation	80.00%
#	INITIALISATION OF THE LEASE ON FIRST OF THE	12
#	TAX RATE	30.00%
#	GUESS RATE (CHANGE IN CASE YOU GET A WEIRD ANSWER)	11.00%
x	RENTALS P.M.	19.84
x	Pre-tax IRR at that rental	7.35%
x	POST-TAX IRR	7.00%

Note 1: The IRR inputted takes into account all pre-tax flows including LMF, residual value, security deposit, interest thereon, etc.

Note 2: Security deposit has been presumed to be refundable. In case it is adjustable against the resale value, an equal amount of resale value may be input. In case it is adjustable against rentals, the same may be manually changed in the working area.

What are you targeting when go for lease transactions? Obviously, post-tax IRR. But most leasing practitioners would agree that it is not easy quite often to either understand the impact of several leasing variables affecting post-tax IRRs. And most practitioners would also agree that people often make mistakes in doing lease transactions that do not produce the desired post-tax impact.

We provide you an easy, handy, tool to target your post-tax, put the structure of the case on an Excel sheet, and get your desired rentals and the pre-tax IRR.

WHAT DOES THE TARGETING TOOL DO?

You feed your desired post-tax IRR, and other variables of a lease transaction, and the Tool quickly computes (a) the rentals per



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month, based on the asset cost, that achieve the desired post-tax IRR, and (b) the pre-tax IRR at such rentals.

So, as your objective in lease transactions is to generate post-tax IRRs, all you do it – aim it, and shoot it.

STRUCTURING VARIABLES THAT IT ADMITS:

You can create lease rentals with the following variables:

- Cost of the asset
- Lease tenure in months
- Upfront fees (services charges, etc., expressed as a percent of the asset cost). This may even be something like supplier commission.
- Depreciation rate for the first year
- Depreciation rate for the subsequent years (in cases where in the first year, a higher depreciation is permitted due to additional allowance)
- Initiation of the lease in which month of the fiscal year (1 to 12). As lease economics depends on point of time during the fiscal year (due to 180-day depreciation convention), we allow this flexibility too
- Security deposit
- Interest on security deposit
- Residual value

The following structures are not admitted in the Tool



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- Structured, that is, unequal rentals over term
- Secondary lease period – actually, it is of no relevance to the post-tax IRR computation
- Supplier credits

In case of non-refundable/adjustable deposit, one may punch in security deposit, and equal amount of residual value.

PROTECTION

You will be getting a protected Excel sheet. Only the variable inputs may be changed. The computations underlying the Post-tax IRR have been hidden and cannot be seen.

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