Objectives
1. Understand the rationale for leasing, and the distinction between operating and capital leases
2. Understand the Income Statement and Balance Sheet differences between operating and capital leases. (Note: we will focus on accounting from the lessee’s perspective, not the lessor.)

Game Plan & Class Pedagogy
Lecture and directed discussion.

Reading Assignment
Pratt: Chapter 11, p. 484 to end, review Appendix B “The Time Value of Money” (p. 689+)

Class Preparation Questions
1. What are the operational and the financial advantages to a company to lease as oppose to purchase PP&E? What are some disadvantages?
2. What are the advantages and disadvantages of accounting for a lease as an operating lease versus a capital lease?
3. What are the accounting criteria for a capital lease?
4. Does Intel lease its PP&E under capital leases or operating leases? What was Intel’s lease expense in 2001? What is Intel’s minimum commitment under all its non-cancelable leases in 2002?

Optional Problems
E11-8, E11-5, P11-15, ID11-6