Lease Versus Cash

Key Differences

	Lease	Cash
Equipment Risk	The end user transfers the risk of obsolescence to the lessor when there is no obligation to own the equipment at the end of the lease. Easy upgrades to new technology maintains efficiencies.	The owner bears all the risk of equipment devaluation. Obsolescence must be tracked by the owner and owner must manage the disposal or selling of the outdated equipment.
Cash Flow and Outlay	Leasing may have a lower impact on cash flow due to low fixed monthly payments versus a large cash outlay.	Buying equipment has a greater, immediate impact on cash reserves. This cash could be placed in an interest bearing account.
Tax. Liability, and Depreciation	Leased assets are expensed when the lease is a Tax Lease. Such assets do not appear on the tax return which can improve financial ratios. Non-Tax Leases can accelerate depreciation using Section 179 of the IRS Tax Code giving companies substantial savings.	Owners must manage asset liability on their books. Accounting standards require owned equipment to appear as an asset with corresponding liability on the balance sheet.

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