

LEASES - Comprehensive Review

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Contents

| Subject | Page |
|---|-------------|
| Leases – Introduction: Definition/Advantages | 2 |
| Classification of Leases | 3 |
| Accounting –Operating Lease/Free Rent & Uneven Payments | 3 |
| Initial Direct Cost | 4 |
| Lease Bonus | 5 |
| Security Deposits | 5 |
| Leasehold Improvement | 5 |
| Accounting –SFAS No. 13 / Direct Financing Lease-Lessor | 6 |
| Sales-Type Lease – Lessor | 8 |
| Capital Leases – Lessee | 9 |
| Sales-leaseback | 10 |
| Disclosure Requirements | 10 |
| Leveraged Leases | 11 |
| International Accounting Standards | 11 |
| International Revenue Service (IRS) | 12 |
| Leases in Governmental Funds | 12 |
| Leasing Vs. Buying – NPV Analysis | 13 |
| Reference | 16 |

Leasing has grown tremendously in popularity. It's growing as a way of capital investment. Leasing instead of borrowing. Instead of borrowing money to buy airline, a company leases it. Leasing is most popular in USA, but is growing globally also. The table below indicates the estimated value of new lease contracts written during 1994 for various countries (it says that leasing now provides about one-eighth of the world's equipment financing requirements:¹

| <i>Leasing Volume – 1994 (in billions of US\$)</i> | | | |
|--|---------------|---------------------|---------------|
| <u>Country</u> | <u>Amount</u> | <u>Country</u> | <u>Amount</u> |
| US | \$140.20 | Australia | \$5.56 |
| Japan | 73.67 | Canada | 4.63 |
| Germany | 28.30 | South Africa | 4.50 |
| Great Britain | 13.45 | Netherlands | 3.66 |
| South Korea | 13.23 | Hong Kong | 3.66 |
| France | 10.93 | Spain | 3.47 |
| Italy | 9.29 | Mexico | 3.20 |
| Brazil | 8.10 | | |

A lease is defined as a contract between two parties - a lessor and a lessee. A lease contract gives a lessee rights to use the lessor's property for a specified period of time in return for periodic cash payments (rent) to the lessor.²

This definition is regarding to SFAS 13 (L10, C51). But, the same is used for economic and financing fields.

Schroeder & Clark mentioned the following advantages of leasing:

- 1- It offers 100% financing.
- 2- It offers protection against obsolescence.
- 3- If the lease qualifies as an operation lease, it does not add debt to the balance sheet.
- 4- It is frequently less costly than other forms of financing the cost of the acquisition of fixed assets.³

In my point of view, I don't think the advantage number 3 is always right. There must be a study of: The cash flows of leasing and buying, and NPV analysis of the lease-versus-buy decision to determine whether it's less costly or not... However, the principal benefit of long-term leasing is tax reduction.

Also, Ross, Westerfield, and Jaffe mentioned many bad reasons for leases the most important one is the claiming that leasing provides 100% financing whereas secured equipment loans requiring an initial down payment. They said that leases tend to displace debt elsewhere in the firm.⁴

Any way, Kam has add some other advantages for leasing:⁵

- 1- Shares do not need to be issued to receive financing, and thus issuance costs, dilution of earnings and book value per share, and the possible depression of the price of the stock are avoided.
- 2- Leasing allows faster replacement of equipment.

The leases can be classified into two sections:

I - Operating Leases:

Here the risks and rewards of owning the asset remain with the lessor.² And, this form has several characteristics:

- 1- Operating leases are usually not fully amortized.
- 2- Operating leases usually require the lessor to maintain and insure the leased assets.
- 3- Perhaps the most interesting feature of an operation lease is the cancellation option.⁶

II - Capital Leases:

To determine whether the risks and rewards of ownership have been transferred to the lessee, at least one of the following four criteria must be met:

- 1- The lease transfer title to the lessee
- 2- The lease contains a bargain purchase option
- 3- The lease term is 75% or more of useful life and the lease is not first executed within the last 25% of the original useful life
- 4- The present value of minimum lease payments is 90% or more of the net of the fair market value of the asset... and the lease is not executed in the last 25% of the original useful life.²

Any way, when these criteria are provided, then the lease is an operating lease.

These four criteria apply to both the lessor and to the lessee. The lessor, however, must meet two additional criteria:

- 1- Collectibility of minimum lease payments is predictable, and
- 2- There are no important uncertainties concerning costs yet to be incurred by the lessor under the lease.²

I'm not going to talk about the development of the accounting procedures of accounting for leases. ARB No. 38, APB Opinion No. 5 & 7 & 27 & 31. In November 1976, the FASB issued SFAS No. 13: "Accounting for Leases," which superseded APB Opinions No. 5, 7, 27, and 31.

NOW, I'll discuss the accounting for leases...⁷

1- Operating Lease – Lessor/Lessee

(a) Free rent/uneven payments

Example1: lease term 10 years, annual payment of \$1,000. The 1st year is free.

Lessee:

$$9 \times 1,000 = 9,000$$

| | | | |
|----------------------|--|-----|-------|
| 1 st year | 9,000/10 = \$900 per year Rent Expense. | 900 | |
| | Rent Payable | | 900 |
| 2d year | Rent Expenses | 900 | |
| | Rent/P | 100 | |
| | Cash | | 1,000 |
| 3d year | Rent Expenses | 900 | |
| | Rent/P | 100 | |
| | Cash | | 1,000 |

AND SO ON...

Example2: payments were as follows

| | | | | |
|--------|----|----|-------|---------------------------------|
| Year 1 | to | 3 | \$500 | then the total amount = \$1,500 |
| Year 4 | to | 7 | 750 | = 3,000 |
| Year 8 | to | 10 | 1,000 | = 3,000 |
| | | | | \$7,500 |

$$7,500/10 = \$750 \text{ per year}$$

Lessee

| | | | |
|--------------|---------------|-----|-------|
| Year 1 to 3 | Rent Expense. | 750 | |
| | Rent Payable | | 250 |
| | Cash | | 500 |
| Year 4 to 7 | Rent Expenses | 750 | |
| | Cash | | 750 |
| Year 8 to 10 | Rent Expenses | 750 | |
| | Rent/P | 250 | |
| | Cash | | 1,000 |

(b) Initial Direct Costs

The lessor may incur costs in setting up the lease agreement. Such costs might include finder's fees, appraisal fees, document processing fees, negotiation fees, and any costs in closing the transaction. (Lessor pays these costs).

| | | |
|----------------------|--------|--------|
| Initial direct costs | 10,000 | |
| Cash | | 10,000 |

Let's say that the lease term is 10 years, and then the amortization entry is:

| | | |
|----------------------|-------|-------|
| Initial direct costs | 1,000 | |
| Cash | | 1,000 |

(c) Lease Bonus (fee)

At the inception of the lease, the lessee may pay a none refundable lease bonus to the lessor in order to obtain more favorable leasing terms.

Example:

Lessee:

| | | |
|---------------|-----|-----|
| Pre paid Rent | xxx | |
| Cash | | xxx |

This amount is amortized on the lease term...

Lessor:

| | | |
|-----------------------|-----|-----|
| Cash | xxx | |
| Unearned Rent Revenue | | xxx |

(d) Security Deposits

Some lease agreements may require that the lessee pay the lessor a security deposit at the inception of the lease. Security deposits may be either refundable or none refundable.

Refundable:

| <u>Lessee</u> | | <u>Lessor</u> | |
|---------------|-----|---------------|-----|
| Accounts/R | xxx | Cash | xxx |
| Cash | xxx | Accounts/R | xxx |

None refundable is treated like the lease bonus.

(e) Leasehold Improvements

Frequently, the lessee will make improvements to leased property by constructing new buildings or improving existing structure. The lessee has the right to use these leasehold improvements over the term of the lease; however, these improvements will

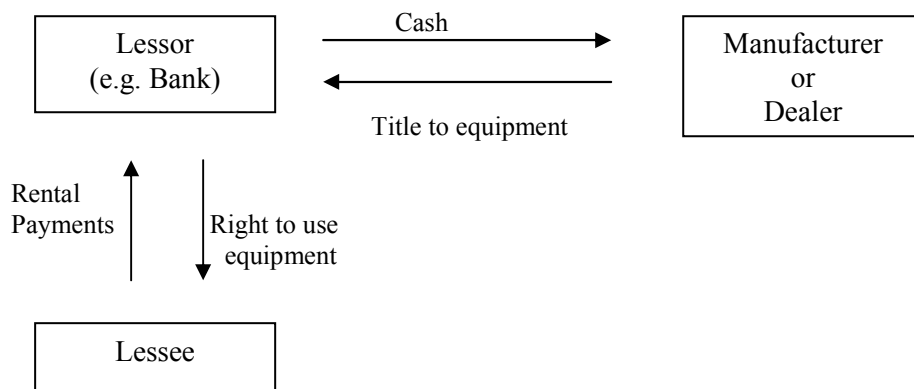
revert to the lessor at the expiration of the lease. Leasehold improvements are capitalized to “Leasehold improvements” by the lessee and are amortized over the shorter of (1) the remaining lease term, or (2) the useful life of the improvement. Improvements made in lieu of rent should be expensed in the period incurred. If the lease contains an option to renew and the likelihood of renewal is uncertain, the leasehold improvement should be written off over the life of the initial lease term or useful life of the improvement, whichever is shorter.

NOTE: Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement.

From the IRS point of view [The cost of the leasehold improvements must be capitalized to an asset account, assigned to a MACRS (Modified Accelerated Cost Recovery System) recovery period, and depreciated under the normal MACRS rules. This cost recovery applies even when the term of the lease is shorter than the MACRS recovery period]⁸

SFAS No.13:

2- Direct Financing Lease – Lessor



First, we need to know several important terms:

Minimum Lease Payments (MLP)

MLP are the payments that the lessor/lessee is or can be required to make in connection with the leased property. MLP consist of:

- 1- Rent Payments
- 2- Bargain Purchase Option (if any)
- 3- Guaranteed Residual Value (if any) Guaranteed by the lessee.
- 4- Penalty for failure to renew (if any)

Bargain Purchase Option (BPO)

This option allows the lessee to purchase leased property for an amount substantially lower than he expected FMV at the exercise date of the option.

Residual Value

Residual value can be unguaranteed or guaranteed.

The lessor's entry to record the acquisition of title to the asset to be leased is:

| | | |
|--------------------|-------------------------------------|-------------|
| Asset to be leased | (cost of asset = FMV = P.V. of MLP) | |
| Cash | | (Cash Paid) |

At the inception of the lease, the lessor makes the following entry:

| | | |
|------------------------|-------------------------------------|--------|
| Leased Receivable | (MLP + Unguaranteed Residual Value) | |
| Asset to be leased | | xx |
| Unearned Interest Rate | | (Plug) |

Example:

A 3-year lease is initiated on 1/1/99 for equipment costing \$ 131,858 with an expected useful life of 5 years. Three annual payments are due to the lessor beginning 12/31/99. The property reverts back to the lessor upon termination of the lease. Guaranteed residual value at the end of the year 3 is \$ 10,000. the lessor is to receive a 10% return (implicit rate).

$$P.V. \text{ of MLP} = P.V. \text{ of the rent payments} + P.V. \text{ of Guaranteed Residual Value}$$

$$131,858 = ? \times A_{0.1}^3 + 10,000 \times TVM_{10\%, 3\text{years}}$$

⇒ ? = \$50,000 annual rent payments

| <u>Year</u> | <u>Cash</u> | <u>Interest</u> | <u>Amortization</u> | <u>Carrying Amount</u> |
|-------------|-------------|-----------------|---------------------|------------------------|
| | | | | 131,858 |
| 1 | 50,000 | 13,186 | 36,814 | 95,044 |
| 2 | 50,000 | 9,504 | 40,496 | 54,548 |
| 3 | 50,000 | 5,452 | 44,548 | 10,000 |

NOTE: Interest for year 1 = 131,858 * 10%, Amortization for year 1 = 50,000 – 13,186
Carrying amount for year 1 = 131,858 – 36,814

Of course, this lease is a direct financing lease because criterion 4 (the 90% test) is satisfied:

$$P.V. \text{ of MLP} \geq 90\% \text{ of FMV}$$

Or: $\$124,345 = \$7,513 \geq (.9)(\$131,858)$

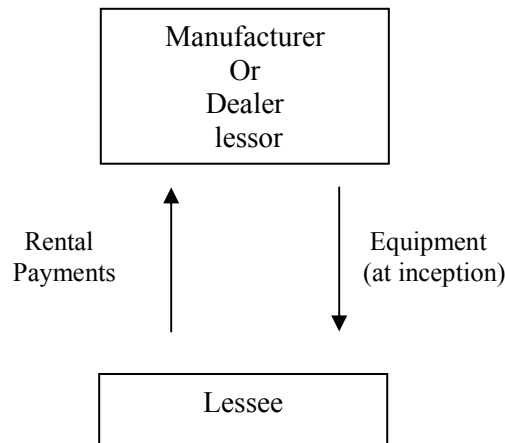
| <u>Initial entries (Beg of Yr. 1)</u> | | | <u>End of year 1</u> | | |
|---------------------------------------|---------|---------|----------------------|--------|--------|
| Equipment for leasing | 131,858 | | Cash | 50,000 | |
| Cash | | 131,858 | Leased receivable | | 50,000 |
| Leased receivable | 160,000 | | Unearned interest | 13,186 | |
| Equipment for leasing | | 131,858 | Interest revenue | | 13,186 |
| Unearned interest | | 28,142 | | | |

Leased receivable = 50,000 * 3 + 10,000

Assume that when the asset is returned at the end of year 3 the asset has a FMV of only \$4,000. The lessor would make the following entry:

| | | |
|-----------------------------|-------|--------|
| Cash | | 6,000 |
| Residual value of equipment | 4,000 | |
| Lease receivable | | 10,000 |

3- Sales-Type Lease – Lessor



Sales-type leases, unlike direct financing leases, result in both (1) gross profit (loss) in the period of sales, and (2) interest revenue to be earned over the lease term using the effective interest method. HOW to know if it is a sales-type lease? In case of sales-type lease, the FMV of the asset, which is the sales price in the ordinary course of the lessor's business, is greater than the cost or carrying value of the leased asset.

Example: the same previous example, but the residual value is unguaranteed.

The entry to record the lease is:

| | | |
|--------------------|---------|---------------------------|
| Lease receivable | 160,000 | [MLP + Unguaranteed R.V.] |
| Cost of goods sold | 92,487 | [Cost] |
| Sales | 124,345 | [P.V. of MLP] |
| Inventory | 100,000 | [Cost] |
| Unearned interest | 28,142 | [Plug] |

Because that Residual value is unguaranteed, we deduct the P.V. of Unguaranteed R.V. of (1) Sales and (2) Cost of Good Sold:
 $131,858 - 10,000 \times .7513 = 124,345$
 $100,000 - 10,000 \times .7513 = 92,487$

Now, estimating the Unguaranteed Residual Value in amount of \$4,000 (FMV), will result in the following entry at termination on the lessor's books:

| | |
|-----------------------------|--------|
| Loss | 6,000 |
| Residual value of equipment | 4,000 |
| Lease receivable | 10,000 |

5- Capital Leases – Lessee

When a lessor records a direct financing or sales-type lease, the lessee, in turn, must record a capital lease.

If the lease is classified as a capital lease, the lessee must record an asset and a liability based on the present value of MLP as follows:

| | |
|------------------|---------------|
| Leased asset | [P.V. of MLP] |
| Lease obligation | [P.V. of MLP] |

OR:

| | |
|------------------------------|---------------|
| Leased asset | [P.V. of MLP] |
| Discount on lease obligation | [Plug] |
| Lease obligation | [gross MLP] |

Any way, the entries to record payments and depreciation are:

| | | |
|------------------|--------|-----------------------|
| Lease Obligation | 36,814 | [Amortization amount] |
| Interest expense | 13,186 | |
| Cash | 50,000 | [Annual payment] |

| | |
|--------------------------|-----|
| Depreciation expense | xxx |
| Accumulated depreciation | xxx |

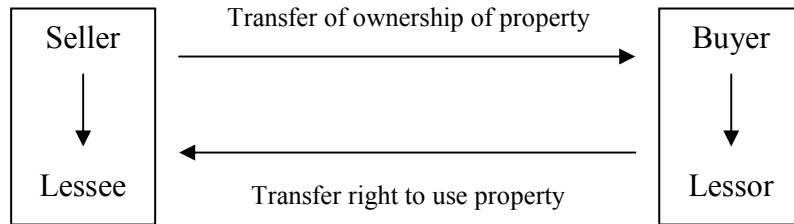
To determine the present value of the MLP, the lessee discounts the future payments using the lesser of:

- The lessee's incremental borrowing rate, or
- The lessor's implicit rate if known by the lessee

However, leased asset should not record at an amount greater than the FMV of the asset. That is, the lower of P.V. of MLP or FMV.

Sales-leaseback

Sales-leaseback describes a transaction where the owner of property (seller-lessee) sells the property, and then immediately leases all or part of it back from new owner (buyer-lessor). So, there is no physical transfer of property.



Note that sales-leaseback transaction only affect accounting for the seller-lessee.

The entry of selling the asset:

| | | | |
|------|-------|-----------------|----------------------------|
| Cash | Asset | [selling price] | |
| ↓ | Gain | | [carrying value] [Plug] |
| | | | |

This gain may be deferred in case of:

- P.V. of MLP is 90% or more of FMV ,**or**
- P.V. of MLP is between 10% and 90% of the FMV

It won't be deferred in case that the P.V. of MLP is 10% or less of FMV

If the lease were Capital, the amortization entry would be:

| | |
|---------------|-----|
| Deferred Gain | xxx |
| Depr. Exp. | xxx |

If the lease were Operating, the amortization entry would be:

| | |
|---------------|-----|
| Deferred Gain | xxx |
| Rent exp. | xxx |

The Balance Sheet would be:

| | |
|---------------|-------|
| Leased Asset | xxx |
| Deferred gain | (xxx) |
| | xxx |

The other accounting procedures are the same of the capital leases...

Disclosure Requirements:

SFAS No. 13 require two disclosures:

- A general description of the leasing arrangement.
- The minimum future payments to be received (paid) by the lessor (lessee) for each of 5 succeeding fiscal years.

Because of such disclosures, keeping leases off the balance sheet will not affect stock price in an efficient capital market.⁹

In a relating way, a company should hold adequate records to offer adequate disclosure. Taylor and Glezen said: lease commitments can be very time consuming (for auditor) if the client does not maintain adequate records.¹⁰

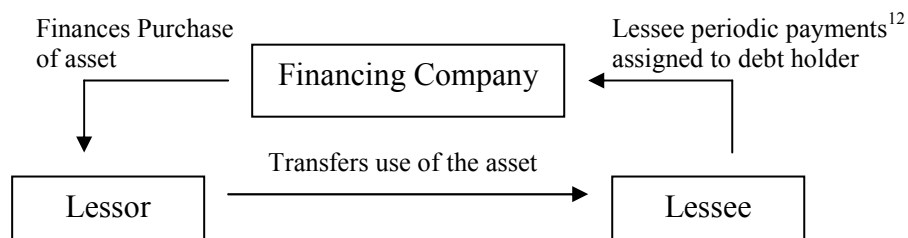
Leveraged Leases

Leveraged lease is a three-sided arrangement among the lessee, the lessor, and the lenders:

- 1- The lessee uses the assets and makes periodic lease payments.
- 2- The lessor purchases the assets, delivers them to the lessee, and collects the lease payments. However, the lessor put up no more that 40 to 50 percent of the purchase price.
- 3- The lenders supply the remaining financing and receive interest payments from the lessor

The lender is not obligated to the lender in case of a default. However, the lender is protected in two ways:

- 1- The lender has a first lien on the asset.
- 2- In the event of loan default, the lease payments are made directly to the lender.¹¹



The major issue in accounting for leveraged lease is whether the transaction should be recorded as a single economic event or as separate transactions. All leveraged leases meet the criteria for direct financing leases. The FASB determine that a leveraged lease should be accounted for as a single transaction.¹³

International Accounting Standards:¹⁴

IAS No. 17, “Accounting for leases” is quite similar to U.S. GAAP as outlined in SFAS No. 13. The IAS 17 is broader than SFAS 13 and less specific. Also, the reporting and disclosure guidance as IAS 17 was presented as a suggestion or was optional. Another difference is in terminology:

IAS No. 17

Financing Leases

SFAS No. 13

Capital Leases

Note that the terminology sales-type and direct financing are not used in conjunction with the reporting requirements specified for lessor.

Internal Revenue Service (IRS)

The lessee can deduct lease payments for income tax purposes if the lease is qualified by the IRS. So, all the interested parties generally obtain an opinion from the IRS before agreeing to a major lease transaction. The opinion of the IRS will reflect the following guidelines:

- 1- The term of the lease must be less than 30 years.
- 2- The lease should not have an option to acquire the asset at a price below its fair market value
- 3- The lease should not have a schedule of payments that is very high at the start of the lease term and thereafter very low.
- 4- The lease payments must provide the lessor with a fair market rate of return.
- 5- The lease should not limit the lessee's right to issue debt or pay dividends while the lease is operative.
- 6- Renewal options must be reasonable and reflect fair market value of the asset.

The reason the IRS is concerned about lease contracts is that many times they appear to be set up solely to avoid taxes.¹⁵

To illustrate, suppose you needed a new truck for your business. The purchase price of the truck you want is \$40,000. If you buy the truck and depreciate it over five years, you would have tax-deductible depreciation expense of \$8,000 per year for five years. What if instead of buying the truck for \$40,000, you leased it from the truck dealer for \$40,000 in up-front cash, followed by additional lease payments of \$1 per year for four years and then an option to buy the truck at the end of five years for \$10? The extra \$14 paid with the exercising of the purchase option, would be a drop in the bucket compared to the tax savings you would realize in year one from the \$40,000 tax deduction for the "lease payments". Because money has time value, a \$40,000 deduction in year one is much preferred to deductions of \$8,000 per year for five years. This lease is a sham, a fake. What we have here is an installment purchase, disguised as a lease. In an audit, the IRS would deny the \$40,000 year 1 "lease payment" and reclassify the deduction as a (much lower) depreciation expense. Your business would probably also be hit with interest and penalties.¹⁶

Leases in Governmental Funds¹⁷

Lease agreements of state and local governments are accounted for under the provisions of SFAS No. 13 as amended and interpreted by NCGA Statement No. 5, "Accounting and Financial Reporting Principles for Lease Agreements by State and Local Governments" and by GASB Statement No. 13, "Accounting and Reporting for Leases with Scheduled Rent Increases". A lease agreement that is financed from general government resources must be accounted for under governmental fund accounting principles.

Operating Lease payments are typically recorded as rental expenditures. Operating leases with scheduled rent increases that are reported in governmental funds should recognize rental revenue or expenditures each period using the modified accrual basis of accounting.

When *capital leases* are used to acquire general fixed assets by purchase or construction, the asset is capitalized in the general fixed assets account group at the inception of the lease at the present value of the MLP determined by SFAS No. 13. For example, if a government enters into a general government capital lease with an initial down payment of \$50,000 and P.V. of MLP of \$500,000:

| | | |
|--|--|-----------|
| <i>GFA Account Group</i> | | |
| Machinery and equipment | | \$500,000 |
| Investment in general fixed assets-capital lease | | \$500,000 |

At the same time, a liability in the same amount is recorded in the general long-term debt account group.

| | | |
|--|--|-----------|
| <i>GLTD Account Group</i> | | |
| Amount to be provided for payment of capital lease | | \$450,000 |
| Capital lease payable | | \$450,000 |

The governmental fund acquiring the general fixed asset through a capital lease records an expenditure and other financing source. For example:

| | | |
|--------------------------------------|--|-----------|
| <i>GF</i> | | |
| Expenditures | | \$500,000 |
| Cash | | \$50,000 |
| Other financing source-capital lease | | 450,000 |

Leasing Versus Buying:¹⁸

How could the company determine whether to buy the asset or to lease it? It can be seen through this example:

The international Boring Machine Corporation (IBMC) makes a pipe-boring machine that can be purchased for \$10,000. Xomox has determined that it needs a new machine, and the IBMC model will save Xomox \$6,000 per year in reduced electricity bills for the next five years.

Xomox has a corporate tax rate of 34%. Straight-line depreciation method is used. The machine will be worthless after five years.

Xomox can lease the same machine for \$2,500 per year for five years. With the lease, Xomox would remain responsible for maintenance, insurance, and operating expenses.

| | Year 0 | 1 | 2 | 3 | 4 | 5 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Buy | | | | | | |
| Cost of Machine | -\$10,000 | | | | | |
| After-tax operating saving: \$6,000 x (1-0.34) | | \$3,960 | \$3,960 | \$3,960 | \$3,960 | \$3,960 |
| Depreciation tax benefit: (\$10,000/5) x 0.34 | | <u>680</u> | <u>680</u> | <u>680</u> | <u>680</u> | <u>680</u> |
| | -\$10,000 | \$4,640 | \$4,640 | \$4,640 | \$4,640 | \$4,640 |
| Lease | | | | | | |
| Lease payments | | -\$2,500 | -\$2,500 | -\$2,500 | -\$2,500 | -\$2,500 |
| Tax benefits of lease payments: \$2,500 x 0.34 | | 850 | 850 | 850 | 850 | 850 |
| After-tax operating savings | | <u>3,960</u> | <u>3,960</u> | <u>3,960</u> | <u>3,960</u> | <u>3,960</u> |
| | | \$2,310 | \$2,310 | \$2,310 | \$2,310 | \$2,310 |
| Lease Minus Buy | \$10,000 | -\$2,330 | -\$2,330 | -\$2,330 | -\$2,330 | -\$2,330 |

Now that we have the cash flows, we can make our decision by discounting the flows properly.

The simple method is: *discount* all cash flows at the *after-tax interest rate*.

| | Year 0 | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|----------|
| Net cash flows from lease alternative relative to purchase alternative | \$10,000 | -\$2,330 | -\$2,330 | -\$2,330 | -\$2,330 | -\$2,330 |

Let's assume that Xomox can either borrow or lend at the interest rate of 7.57575 percent. If the corporate tax rate is 34%, the correct discount rate is the after-tax rate of 5% [7.57575% x (1-0.34)]. When 5% is used to compute the NPV of the lease, we have:

$$NPV = \$10,000 - \$2,330 \times A_{0.05}^5 = -\$87.68$$

Because the Net Present Value of the incremental cash flows from leasing relative to purchasing is negative, Xomox prefer to purchase.

Endnotes:

- ¹ Kieso & Weygandt, "Intermediate Accounting", Wiley, 1998, P1159
- ² Patrick R. Delaney, "Wiley CPA Examination Review; Financial Accounting", Wiley, 2000, P377
- ³ R. Schroeder & M. Clark, "Accounting Theory; Text and Readings", Wiley, 1998, P577.
- ⁴ Ross, Westerfield, and Jaffe, "Corporate Finance" McGraw Hill, 1999, P637
- ⁵ Vernon Kam, "Accounting Theory", Wiley, 1990, P83
- ⁶ Ross, Westerfield, and Jaffe, "Corporate Finance" McGraw Hill, 1999, P621
- ⁷ Patrick R. Delaney, "Wiley CPA Examination Review; Financial Accounting", Wiley, 2000, P378-395 (all the accounting procedures except for the paragraph relating to IRS)
- ⁸ Sally M. Jones, "Principles of Taxation", McGraw Hill, 2001, P157
- ⁹ Ross, Westerfield, and Jaffe, "Corporate Finance" McGraw Hill, 1999, P624
- ¹⁰ Taylor & Glezen, "Auditing: An Assertions Approach", Wiley, 1997, P592
- ¹¹ Ross, Westerfield, and Jaffe, "Corporate Finance" McGraw Hill, 1999, P622
- ¹² R. Schroeder & M. Clark, "Accounting Theory; Text and Readings", Wiley, 1998, P592.
- ¹³ R. Schroeder & M. Clark, "Accounting Theory; Text and Readings", Wiley, 1998, P592
- ¹⁴ R. Schroeder & M. Clark, "Accounting Theory; Text and Readings", Wiley, 1998, P594
- ¹⁵ Ross, Westerfield, and Jaffe, "Corporate Finance" McGraw Hill, 1999, P624
- ¹⁶ Gallagher & Andrew, "Financial Management", Prentice Hall, 1997, P357
- ¹⁷ Beams, Brozovsky, and Shoulders, "Advanced Accounting", Prentice Hall, 2000, P733
- ¹⁸ Ross, Westerfield, and Jaffe, "Corporate Finance" McGraw Hill, 1999, P625 – 629

Reference:

- 1- Beams, Brozovsky, and Shoulders, "Advanced Accounting", Prentice Hall, 2000
- 2- Gallagher & Andrew, "Financial Management", Prentice Hall, 1997
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- 9- Vernon Kam, "Accounting Theory", Wiley, 1990