

Bookkeeping Tips

Helping Your Company, Client (or Yourself) Hunt for Car—and Lease—Bargains

Although our members are bookkeepers, their companies and clients rely on them for a wide range of accounting, tax and financial advice. That is why we include in our monthly technical briefing for members, *The General Ledger* newsletter (www.aipb.org/general_ledger.html), not only the latest developments affecting your everyday responsibilities, but practical useful information like this.

The key to a good leasing deal is to consider three figures:

- 1. Capitalized cost** (price). In some cases, the price is adjusted for extras, such as extended service contracts and registration fees.
- 2. Residual value** (estimated cost of the car at the end of the lease). Negotiate to minimize the spread (difference) between the capitalized cost and the residual value (the difference is the amount of depreciation you are financing through the lease).
- 3. Interest factor.** To find the true annual percentage rate, ask for the leasing factor, then multiply it by 24.

Compare the following among leases:

- **Excess mileage charges** due when the car is returned. The lease specifies the number of miles included and how much you must pay for extra miles.
- **Excess-wear charges** due when the car is returned. The standards for excess wear, such as body damage or worn tires, are in the lease agreement.
- **Early termination fees.** The earlier the lease is ended, the higher the charges.

For a brochure on leasing, visit the Federal Reserve (yes, Federal Reserve) Web site, click on “Publications and Education Resources,” then “Consumer Information brochures” (third button down) then “Keys to Vehicle Leasing. Or, call 202-452-3244 and ask to be sent this publication.

BOOKKEEPING TIPS is a free newsletter published by The American Institute of Professional Bookkeepers (www.aipb.org). To subscribe: Send a blank email to bookkeepingtips-on@aipb.org

Contact information: AIPB, Suite 500, 6001 Montrose Road, Rockville, MD 20852.
Tel.: 800-622-0121, Fax: 800-541-0066, email: info@aipb.org. Web site: www.aipb.org

The American Institute of Professional Bookkeepers (AIPB), is the national association for bookkeepers, currently with 30,000 active members

AIPB was founded in 1987 for the following purposes:

- To recognize bookkeepers as accounting professionals

(continued)

- To make sure that each member has the latest bookkeeping, accounting and tax information
- To answer members' everyday bookkeeping and accounting questions on the telephone at no charge.
- To provide bookkeepers with low-cost continuing professional education.
- To return the membership fees of any bookkeeper who is dissatisfied with the benefits of membership