LESSORS' QUESTIONNAIRE

STRICTLY CONFIDENTIAL

Questionnaire schedule on the research topic entitled "STRATEGIC AND FINANCIAL ANALYSIS OF LEASING LINDUSTRY IN INDIA"

01. Company name :

02. Date of incorporation :

03. Date of business commenced :

04. Does your company deal with the following types of lease:
   a. Financial lease
   b. Operating lease
   c. Leveraged lease
   d. Import/Cross border lease
   e. Sale and lease back lease
   f. Any other (please specify)

1. Marketing of Financial Lease

01. Which method does your company use to promote its leasing business? (please mark 'x' in appropriate boxes)
   a. References from parent company
   b. Agreements with equipment manufacturers
   c. Agreements with equipment dealers
   d. References from financial institutions
   e. References from commercial banks
   f. References from lease brokers
   g. Direct mail to potential lessees
   h. Advertising in financial press
   i. Sales calls on potential lessees
   j. Others (please specify)
02. Does your company write directly to any of the following? (please mark "x" in appropriate boxes)
   a. Lessee company's chairman/managing director
   b. Lessee company's chief production executive
   c. Lessee company's chief finance executive
   d. Others (please specify)

03. What percentages of leases which your company sign have primary period equal to (please state in percentages)
   a. 100 per cent of the expected life
   b. 75 - 99 per cent of the expected life
   c. 50 - 74 per cent of the expected life
   d. Less than 49 per cent of the expected life

04. Does your company specialise in leasing any of the following equipments?
   a. Industrial assets/equipments
   b. Household/domestic durables
   c. Vehicles for personal use

05. Please indicate number of agreements entered in the last three years and their period within primary and secondary categories.
No of lease agreements.

<table>
<thead>
<tr>
<th>Primary period</th>
<th>Secondary period</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Less than 3 years</td>
<td></td>
</tr>
<tr>
<td>b. Over 3 up to 5 years</td>
<td></td>
</tr>
<tr>
<td>c. Over 5 up to 8 years</td>
<td></td>
</tr>
<tr>
<td>d. Over 8 years</td>
<td></td>
</tr>
</tbody>
</table>

06. If you think that leasing is a source of a loan to a lessee company, then tick one of the following:
   a. Most similar to short term bank loans
   b. Between bank loans and long term loans
   c. Most similar to long term loans
In your opinion, does the use of long term non-cancellable leases make it possible for a lessee company to obtain greater amount of credit than would be possible if debt financing were used.

a. Yes [ ]  b. Sometimes [ ]  c. No [ ]

Whenever you evaluate a lease, which of the following criteria would you consider? (only finance leases)

a. Pay back period [ ]

b. Accounting rate of return (ARR) [ ]

c. Internal rate of return (IRR) [ ]

d. Net present value (NPV) [ ]

e. Profitability index [ ]

f. Others (please specify) [ ]

In IRR and NPV methods of evaluation, which of the following discount rates do you use?

a. Cost of capital [ ]

b. Cost of borrowing [ ]

c. Any other (kindly specify) [ ]

What are the monthly and quarterly lease rentals for asset worth of Rs 1000 for 3 years and 5 years primary period?

<table>
<thead>
<tr>
<th></th>
<th>Quarterly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 Years</td>
<td>5 Years</td>
</tr>
<tr>
<td>a. For</td>
<td>1987-88</td>
<td></td>
</tr>
<tr>
<td>b. For</td>
<td>1986-87</td>
<td></td>
</tr>
<tr>
<td>c. For</td>
<td>1985-86</td>
<td></td>
</tr>
<tr>
<td>d. For</td>
<td>1984-85</td>
<td></td>
</tr>
<tr>
<td>e. For</td>
<td>1983-84</td>
<td></td>
</tr>
</tbody>
</table>
Finance Lease Contracts

1. For those equipments on lease which have significant installation costs, how do you recover them?
   a. Including in the periodic lease payments
   b. A separate charge is made

2. What percentage of contracts include variation clauses for:
   a. Changes in interest rates
   b. Changes in corporate tax rates
   c. Premature termination by lessees

3. What residual value is normally in the lease? (please indicate the the percentages)
   a. 0 % of equipment cost
   b. 1 - 10 % of the equipment cost
   c. 11 - 25 % of the equipment cost
   d. More than 25 % of the equipment cost

4. What percentage of leases provide an option for a secondary period? (Please mark "x" in appropriate box)
   a. 100%
   b. 90 - 99%
   c. 75 - 89%
   d. 74 - 50%
   e. Less than 49%

5. Percentage of those leases which do provide a secondary period option,
   i. How much is the secondary period rental likely to be (as a percentage of equipment cost)
   ii. How long will the secondary period normally be
      a. Up to 3 years
      b. Over 3 Upto 5 years
      c. Over 5 years
What percentages of leases with a secondary period option are not actually renewed at the end of the primary period? 

%_________ 06

Of these leases, percentages of those which are not renewed.

a. Returned to your company and the assets leased to another lessee %_______  a

b. Returned to your company and the assets sold %_______  b

c. Assets being sold by the lessee on your behalf %_______  c

Accounting For Leases

Are you aware of 'The GUIDANCE NOTE ON ACCOUNTING FOR LEASES' issued by the Research Committee of the Institute of Chartered Accountants of India (ICAI) in December, 1988? 

[ ] YES  [ ] NO

Which method does your company use to recognise income in its books of accounts?

a. Accural method

b. Cash method

c. Both methods

Which depreciation method does your company use in the books of accounts?

<table>
<thead>
<tr>
<th>Leased Assets</th>
<th>Non-Leased assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td></td>
</tr>
</tbody>
</table>

a. Straightline (SL)

b. Written down value (WDV)

c. Others (please specify)

Where are the assets held under financial lease shown in your books of accounts?

1. In the balance sheet (as assets) 

2. Footnotes to the balance sheets  
3. Notes to the accounts  
4. Any other mode
If your answer is (a) to Q.No.04, then indicate the way in which these assets are classified:

a. Fixed assets as a separate category
b. Fixed assets combined with other fixed assets
c. Separate leased assets section
d. Debtors (included in debtors)
e. Split between fixed assets and debtors
f. Others (please specify)

05. During the secondary period which method does your company use to record the assets in the balance sheet?

a. No net value recorded as is fully depreciated
b. Asset is excluded from the balance sheet as it has no value
c. At the depreciated value
d. Any other (kindly specify)

06. What method are you following for financial leases?

a. Operating method
b. Financing method

07. What accounting treatment are you giving to the following? (kindly explain briefly)

a. Short-term deposits (less than one year):

b. Accounting for lease rentals:

c. Accounting for associated costs:
d. Accounting for asset value:


f. Accounting for depreciation:


f. Accounting for profit/loss on disposal of leased assets:


09. Please indicate whether it is valid/acceptable to disclose at each balance sheet date of the gross investment in leases reported as finance leases and the related unearned finance income and unguaranteed residuals values of leased assets:

Acceptable/valid  
Not acceptable/not valid 

If not acceptable, please explain briefly


09. Is it necessary to make disclosure, as the basis for allocating income so as to produce a constant periodic rate of return, indicating whether the return relates to the net investment outstanding or the net cash investment outstanding in the lease?

Necessary  
Not Necessary

If not necessary, please explain briefly


10. Are you showing assets leased under Finance leases as "ASSETS GIVEN ON LEASE" under the head "FIXED ASSETS" in the balance sheet of your company?

Yes  
No

If your answer is No, please explain the reasons


11. Does the annual capital recovery charge to profit & loss account represent recovery over the basic lease period of the net investment in the leased assets at the inception of the lease?

Yes  
No
12. Should the income in respect of 'Finance Lease' be recognised as a constant periodic rate of return on the net investment outstanding in the lease?

Yes  [ ]

No  [ ]

13. Should the finance income be calculated by applying the interest rate implicit in the lease to the net investment at the beginning of the relevant period?

Yes  [ ]

No  [ ]

14. Should the net investment in the lease may be equal to the capital cost/ fair value of the asset at the inception of the lease?

Yes  [ ]

No  [ ]

15. How do you allocate initial direct costs such as commissions and legal fees often incurred by you in negotiating and arranging the lease?

A. Expensed with the year in which they are incurred.  [ ]

B. Expensed during the period of lease contract.  [ ]

C. Expensed during the life period of the asset.  [ ]

D. Any other (please specify) ____________________________________________  [ ]

16. Please indicate whether you are disclosing the following terms in the notes to the accounts:

A. Accounting policies followed with regard to accounting for income under finance lease  [ ]

B. Valuation of assets held under lease  [ ]

C. The change of depreciation method  [ ]

D. All other important information  [ ]
FITABILITY

1. Does your company incur losses?
   - YES
   - NO

2. If you do not consider your company's financial performance as reasonable, kindly state the reasons:
   a. Competition is keen and intensive
   b. High interest rate burden
   c. Lack of business opportunities
   d. Defaults in rental payments
   e. High rate of sales tax
   f. High rate of income tax
   g. High cost of operation
   h. Low margin/ unprofitable rentals
   i. Other reasons (please specify)

PROBLEMS OF LEASING COMPANIES

1. Does your company face any problems in raising the following categories of resources:
   a. Share capital
   b. Long term debt
   c. Short term debt
   d. Public deposits
   e. Working capital loan

2. Please indicate whether leasing industry need any tax and other incentives: If yes, kindly specify:
   - Yes
   - No

3. Does your company face any serious marketing problems because of competition? What kind? Kindly explain
   - Yes
   - No
04. Are you in need of lease brokers to facilitate the marketing functions?  

[ ] Yes  
[ ] No

05. Are you facing any problems regarding "Import Leasing"?  
If yes, please state ____________________________

[ ] YES  
[ ] NO

06. Are you facing any lease rental defaulting problem?  

[ ] Yes  
[ ] No

07. Does the leasing industry need any policy issues to be undertaken by the Government? (please specify)

__________________________________________

[ ] Yes  
[ ] No

08. Are there any other major problems facing the leasing industry?  
If yes, please specify

__________________________________________

[ ] Yes  
[ ] No

Thank you very much for your fruitful cooperation in completing this questionnaire.