

# To buy or to lease? the risk.

[Economics](#), [Money](#)



To Buy or to Lease? The Risk. Malaysia Airlines decision to lease whether a capital or operating rather than buying the asset arise because of the risk decision and the decision made in the upper management. When making the decision to buy or to lease the company must not only consider the financial implications of the options including the value of the money but consideration must also be given to long-term strategic priorities. It is important to understand the implications and the risks posed by both option to buy or to lease in determining which is the best option. A business plan to get more revenues out of their assets will be a viable move that Malaysia Airlines should take. Firstly, the use of an assets will be the key whether the Malaysia Airlines should lease or to buy. The advantages in buying is that the company can modify the assets at any time and any stage to suit into their changing business required but if the assets is being lease then the company cannot modify the equipment to suit into the changing business without the approval from the lessor, the attracting fees thus this will make the assets obsolete to be used by the company itself. But when we view it in the Malaysia Airlines company we can see that most of the assets are in a very huge size and will not obsolete in short-term and most probably will not in the long-term too therefore it is better for the Malaysia Airlines to lease it. Secondly, the maintenance incurred will also be another aspect the company must look into. If Malaysia Airlines buy most of the assets then the cost of maintaining and repairing will laid on the company itself whereas if the company lease it then the company may not incur repair and maintenance costs as the assets may fall under the warranty of the lessor over term of the lease. Looking back at Malaysia Airlines it is more advisable to lease the

assets as they are not in a very good financial position therefore they should try to minimize as much as unnecessary cost since in this case the costs can be transferred to the lessor if they lease the assets. Next, the disposal costs when the assets reach the ending of the useful life. If the company purchased or buy any assets and by the time when the assets reach the end of their useful life the company will further incurred more cost to replace and dispose the asset. In contrary if the company chose to lease the assets then if the assets suddenly became obsolete or reach the ending life then the company may not incur costs associated with disposal and replacement of the assets at the end of their useful lives. Malaysia airlines should opt for lease because the costs to dispose any assets in aviation industry is very high and the company can move on to take another lease if the assets became obsolete. Meaning to say the Malaysia Airlines can replaced more frequently, this will allow the entity to have advantages to competitor that opt for buying because they will have the access to the latest technology. Lastly, as we all know Malaysia Airlines is not having a red financial statement lease will be a better option as in the down payments are much more lower compared to buying. Of course the more down payment you paid will lower down more on your monthly payments but since the company is not in a capability to finance their assets unless by financing it with debt than it will be more wiser to lease the assets rather than paying a high down payment in buying an assets. ----- [ 1 ]. Lease Versus Purchase Considerations. Retrieved from [http://www.anao.gov.au/bpg\\_assets2010/HTML/4\\_3\\_Lease\\_versus\\_purchase\\_considerations.html](http://www.anao.gov.au/bpg_assets2010/HTML/4_3_Lease_versus_purchase_considerations.html) [ 2 ]. Sidhu, B. K. (2012). Analysts Say MAS Likely to Return to the Black

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