CLASSIFICATION TEST INFORMATION

Note: If Test ‘A’ or ‘B’ is ‘YES’ for any Category, circle 11-15 on LAS-1.
If asset is in last 25% of its economic life, only Tests ‘A’ & ‘B’ apply.
If asset is Category 01 (Land), only Tests ‘A’ and ‘B’ apply.
If asset is Category 04 (Part of Building), only Test ‘C’ applies.
Otherwise, ALL (A,B,C,D) Classification Tests are REQUIRED.
If ONE OR MORE CLASSIFICATION TESTS ARE POSITIVE, THE LEASE IS CAPITAL.

A - TITLE TRANSFER TEST: Does Title Pass to Lessee? (YES or NO) _______________

B - BARGAIN PURCHASE TEST: Is there a Bargain Purchase Option? (YES or NO) _______________

C - LEASE TERM TEST:

1. LEASE TERM (LT) = YEARS ____ MONTHS ____
2. ESTIMATED REMAINING ECONOMIC LIFE (EREL) = YEARS ____ MONTHS ____
3. PERCENTAGE 1 of 2 (LT / EREL x 100 = % Be Sure Terms Are Same) = ____ %
4. IS 3 EQUAL TO OR GREATER THAN 75%? (Yes or No) _______________

D - ASSET INFORMATION & 90% PAYMENT TEST: *** (Test Completed at DOA) ***

Note: Provide all data, if applicable and available. *Asterisk = Required Data
If Renewal, adjust from the original to the current Fair Market Value.

* IS THERE A BARGAIN RENEWAL OPTION? (Yes or No) _______________
   IF YES AMOUNT: _____ and DATE: _____

* PENALTY AMOUNT (If Any) = _____ OR Circle: NO PENALTY
* REASON FOR PENALTY: ☐ EARLY TERMINATION ☐ FAILURE TO RENEW ☐ OTHER
   EXPLAIN OTHER ________________________________

* INCREMENTAL BORROWING RATE: (Prime Rate at Add/Renew Date) = ____ %
* CURRENT FAIR MARKET VALUE: (Best Estimate Required) = _____
ESTIMATED SALVAGE VALUE: = _____
GUARANTEED RESIDUAL VALUE: (If Any) = _____
UNGUARANTEED RESIDUAL VALUE: = _____

ESTIMATED ECONOMIC LIFE (Years/Months): TOTAL = ___ / ____ REMAINING = ___ / ____

ASSET AMORTIZATION LIFE: YEARS ____ MONTHS ____

AMORTIZATION DATES: START = ___ / ____ / ____ END = ___ / ____ / ____
OR CHECK: ☐ N/A

Note: If title passes or if bargain purchase option, asset should be amortized (depreciated) over its remaining economic life. If it does not pass either of the above tests, but is a capital lease, then the asset should be amortized over the term of the lease.

***** RESULTS OF CLASSIFICATION TESTS: ☐ CAPITAL LEASE ☐ OPERATING LEASE *****