



Research Directions

Office of Research Services

To lease or not to lease...

Miss Dorothea Zakrzewski, Ms Glenda Davis and Professor Roger Juchau from the School of Accounting are exploring decision-making processes involved in leasing aircraft through an Accounting and Finance Association of Australia and New Zealand Grant.



'Little current attention and limited empirical findings exist in Australia on the process of lease-purchase decision making by firms, particularly from an accounting perspective', says Miss Zakrzewski. 'Lease accounting and the developments in this area have been subject to interest and criticism by industry and regulators. Investment in aircraft is a major undertaking for air service providers and carries considerable risk when aircraft are operated on thin, sometimes marginal regional routes. Most aircraft are subject to complex long-term lease agreements in the belief that operating, investing and financing benefits flow to the lessee.'

This study aims to provide a better understanding of the factors involved in aircraft lease-purchase decision-making from a regional airline perspective and consider the impacts of the decision on financial outcomes. Much of the existing literature on lease accounting is theoretical in nature, with little attention being given to the practical accounting perspectives of the decision-making processes involved when determining the financial and management benefits of leasing, rather than purchasing aircraft outright.

A mixed method approach will be taken in this project. Data will be being collected through surveys sent to regional air service operators in Australia to obtain an overall understanding of aircraft financing in the regional aviation industry. To uncover the processes and underlying investment and financial knowledge needed to make the financing choice about aircraft acquisition, semi-structured interviews will be conducted with representatives from one regional airline. The airline chosen has recently been involved in the acquisition of aircraft. The results will also be compared with current financial theory to add to practical knowledge of how and why organisations make leasing decisions. The consequences of the decision to reporting requirements and on bottom-line performance will also be explored.

The findings will provide useful tools for air operators and other companies with similar large capital expenditures on individual items of plant.

Project Title: The aircraft lease-purchase decision and financial reporting

Funding has been set at: \$3,703

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