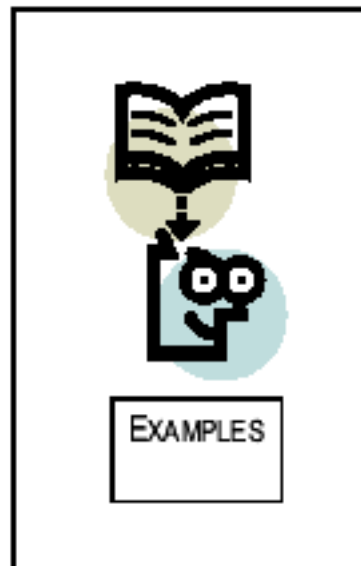

CapInvest



Using CapInvest to Address Common Situations

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Introduction

The examples on the following pages illustrate the use of CapInvest to solve day-to-day analytical requirements of a financial institution. A transaction is presented first. This is followed by the necessary steps to develop the transaction using CapInvest.

Examples illustrate the use of the Lease Pricing Module, the LOAN / HP Module and the Profiling module. The profiling module can be used for both LOAN / HP and Leasing transactions.

The examples in these pages are illustrative of the power and flexibility of CapInvest in addressing day-to-day analytical requirements. To address a specific problem, break down the problem into a form that can be inputted into CapInvest.

For example, say you want to compute a lease rental or loan repayment in such a way that the borrower pays three equated installments as down payment followed by the same monthly equated installment during the rest of the term.

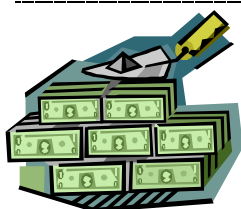
You cannot simply calculate the monthly repayment, multiply the same by 3 and arrive at the answer – doing so would only increase the cost of finance to the borrower, since all that you are doing is moving forward three installment payments that would have been paid towards the end of the term.

Rather, what you want is an equated monthly installment being paid all through the lease term and an amount that is three times this installment as deposit, while satisfying the rate of return requirements for the transaction.

Solving this problem is easy – go to the profiling module, input the financial parameters for the transaction, set payment mode as Advance, set the rental factor to 3 for period 1 and the rental factor 1 for the remaining periods – and you have answer in the base rental that is computed by the model.

To verify the mathematical accuracy of the answer, take a look at the amortization report, which sets out the statement of account for the transaction.

Use CapInvest to creatively to solve any problem that you encounter in the course of your work.



Lease Rental

Lease Start Date	23-Jun-02	
Cost of Asset	74,000	
Sales Tax	6.50%	Paid by Lessor
Delivery Charges	2,400	Paid by Lessee
Installation Charges	5,000	Paid by Lessee
Future Value	0	Lessee will pay whole amount via lease rental; there is no balloon or future value
Lease Pricing Rate	25%	Annual Rate
Lease Term	3 Years	
Payment Frequency	Quarterly	
Payment Type	Advance	The other option is to pay at the end of the payment period - in arrears

The first step in generating a lease proposal is to prepare the capitalized value of the lease asset to be financed. This is calculated as follows:

Cost of Asset	74,000	
Add Sales Tax	4,810	Paid by Lessor
Delivery Charges	0	Paid by Lessee
Installation Charges	0	Paid by Lessee
Capitalized Value	78,810	

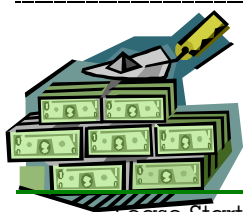
CapInvest Entries

Lease Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Cost of Asset	78,810	Capitalized Cost of Asset
Future Payment	0	Lessee will pay whole amount via lease rental; there is no balloon or future value
Lease Pricing Rate	25%	Rate is entered as Annual Rate
Lease Term	3	Term is entered as number of Years
Payment Frequency	Quarterly	Select Quarterly from the drop-down list
Payment Type	Advance	Select Advance from the drop-down list
LEASE RENTAL		Click the small gray button in the lease rental cell to compute the period lease rental

In addition to the above, enter auxiliary information for the lease, such as, name of the lessee, description of lease asset, tax year end, depreciation rate, and so on.

Calculating the Lease Rental

After inputting the required items as in above, click the small gray button in the right corner of the lease rental cell to compute the lease rental using the variables provided. The required quarterly lease rental is 8,968.93



Balloon

Lease Start Date	23-Jun-02	
Cost of Asset	74,000	
Sales Tax	6.50%	Paid by Lessor
Delivery Charges	2,400	Paid by Lessor
Installation Charges	5,000	Paid by Lessor
Lease Rental	3000	Lessee wishes to pay an amount of 3,000 only as monthly rental due to cash flow constrains.
Lease Pricing Rate	25%	Annual Rate
Lease Term	3 Years	
Payment Frequency	Monthly	
Payment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

The first step in generating a lease proposal is to prepare the capitalized value of the lease asset that is to be financed. This is calculated as follows;

Cost of Asset	74,000	
Add Sales Tax	4,810	Paid by Lessor
Delivery Charges	2,400	Paid by Lessor
Installation Charges	5,000	Paid by Lessor
Capitalized Value	86,210	

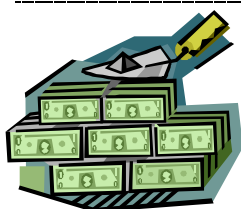
CapInvest Entries

Lease Start Date	23-Jun-02	
Cost of Asset	86,210	Capitalized Cost of Asset
Lease Pricing Rate	25%	Rate is entered as Annual Rate
Lease Rental	3000	Amount that the lessee wishes to pay periodically
Payment Frequency	Monthly	Select Monthly from the drop-down list
Loan Period	3	
Payment Type	Arrears	Select Arrears from the drop-down list
Balloon		Click the small gray button in the Balloon Cell to compute the future value to be paid by a lessee

In addition to the above, enter auxiliary information for the lease, such as, name of the lessee, description of lease asset, tax year end, depreciation rate, and so on.

Calculating the Future Value / Balloon

After inputting the required items as in above, click the small gray button in the right corner of the Balloon cell to compute the value to be paid by lessee on conclusion of the lease term, using the variables provided. The required future value or balloon for this lease is 22,597.67, with a monthly lease rental of 3,000; if the lessee decides to pay the whole of the lease via monthly lease rentals, set the balloon to 0 and click the gray button in the lease rental cell – the monthly lease rental in this case would be 3,427.69 with no balloon payment.



Lease Term

Lease Start Date	23-Jun-02	
Cost of Asset	74,000	
Sales Tax	6.50%	Paid by Lessor
Delivery Charges	2,400	Paid by Lessor
Installation Charges	5,000	Paid by Lessor
Lease Rental	3000	Lessee wishes to pay an amount of 3,000 only as monthly rental due to cash flow constrains.
Lease Pricing Rate	25%	Annual Rate
Future Value	0	Lessee does not wish to pay any balloon.
Payment Frequency	Monthly	
Payment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

The first step in generating a lease proposal is to prepare the capitalized value of the lease asset that is to be financed. This is calculated as follows;

Cost of Asset	74,000	
Add Sales Tax	4,810	Paid by Lessor
Delivery Charges	2,400	Paid by Lessor
Installation Charges	5,000	Paid by Lessor
Capitalized Value	86,210	

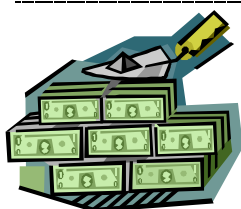
CapInvest Entries

Lease Start Date	23-Jun-02	
Cost of Asset	86,210	Capitalized Cost of Asset
Lease Rental	3000	Enter the requested lease rental
Lease Pricing Rate	25%	Rate is entered as Annual Rate
Balloon	0	Lessee does not wish to pay a balloon
Payment Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
LEASE TERM		Click the small gray button in the lease term cell to compute the lease term given other variables

In addition to the above, enter auxiliary information for the lease, such as, name of the lessee, description of lease asset, tax year end, depreciation rate, and so on.

Calculating the Lease Term

After inputting the required items as in above, click the small gray button in the right corner of the Lease Term cell to compute the lease term for this lease, using the variables provided. The required lease term is 3.69 years or 3 years and 8 months approximately, with a monthly lease rental of 3,000 and with no balloon.



Principal Value

Lease Start Date	23-Jun-02	
Lease Rental	4,500	Lessee wishes to pay an amount of 4,500 only as monthly rental
Lease Pricing Rate	25.00%	Annual Rate
Lease Term	3 Years	
Balloon	25,000	Lessee will pay 25,000 on end of lease term
Payment Frequency	Monthly	
Payment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

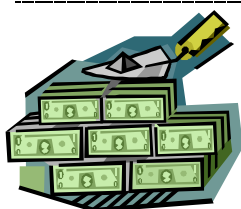
CapInvest Entries

Lease Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Lease Rental	4500	Enter the requested lease rental
Lease Pricing Rate	25.00%	Rate is entered as Annual Rate
Balloon	25,000	
Lease Term	3 Years	Term is entered as number of Years
Payment Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
ASSET VALUE		Click the small gray button in the Asset Value cell to compute the value of asset to be financed.

In addition to the above, enter auxiliary information for the lease, such as, name of the lessee, description of lease asset, tax year end, depreciation rate, and so on.

Calculating the Value of Asset to be financed

After inputting the required items as in above, click the small gray button in the right corner of the Asset Value cell to compute the value to be financed, using the variables provided. The value to be financed by this lease is 125,080.08, with a monthly lease rental of 4,500 and a balloon of 25,000



Operating Lease

Lease Start Date	23-Jun-02	
Cost of Asset	74,000	
Sales Tax	6.50%	Paid by Lessor
Delivery Charges	2,400	Paid by Lessor
Installation Charges	5,000	Paid by Lessor
Residual Value	45%	Operating Lease will have a residual of 45% of cost of asset available via re-sale of asset
Lease Pricing Rate	29%	Annual Rate
Lease Term	3 Years	
Payment Frequency	Monthly	
Payment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

The first step in generating an Operating Lease proposal is to prepare the capitalized value of the lease asset to be financed. This is calculated as follows:

Cost of Asset	74,000	
Add Sales Tax	4,810	Paid by Lessor
Delivery Charges	2,400	Paid by Lessor
Installation Charges	5,000	Paid by Lessor
Capitalized Value	86,210	

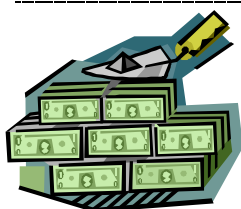
CapInvest Entries

Lease Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Cost of Asset	86,210	Capitalized Cost of Asset
Balloon	33300	45% of cost of asset, i.e., 74000
Lease Pricing Rate	29%	Rate is entered as Annual Rate
Lease Term	3	Term is entered as number of Years
Payment Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
LEASE RENTAL		Click the small gray button in the lease rental cell to compute the period lease rental

In addition to the above, enter auxiliary information for the lease, such as, name of the lessee, description of lease asset, tax year end, depreciation rate, and so on.

Calculating the Lease Rental

After inputting the required items as in above, click the small gray button in the right corner of the lease rental cell to compute the lease rental using the variables provided. The required quarterly lease rental is 3,021.98; if you look at the amortizable table report, you will find that the calculated lease rental has correctly recovered the investment in the lease less the residual value of 33,300.



Installment

Loan / HP Start Date	23-Jun-02	
Loan / Cost of Asset	74,000	
Sales Tax	6.50%	Financed by Lender
Delivery Charges	2,400	Financed by Borrower
Installation Charges	5,000	Finance by Borrower
Future Payment	0	Borrower will pay whole amount via installments; there is no balloon or future value
Loan / HP Rate	25%	Annual Rate
Loan Period	3 Years	
Repayment Frequency	Quarterly	
Repayment Type	Advance	The other option is to pay at the end of the payment period - in arrears

The first step in generating a Loan / HP proposal is to prepare the capitalized value of the Loan / asset to be financed. This is calculated as follows:

LOAN / Cost of Asset	74,000	
Add Sales Tax	4,810	Financed by Lender
Delivery Charges	0	Financed by Borrower
Installation Charges	0	Financed by Borrower
Capitalized Value	78,810	

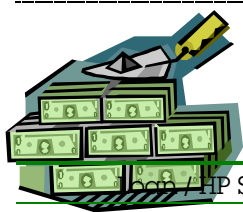
CapInvest Entries

Contract Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Asset Value / LOAN	78,810	Capitalized Cost of Asset / LOAN Requirements
Future Payment	0	Borrower will pay whole amount via installments there is no balloon or future value
Loan / HP Rate	25%	Rate is entered as Annual Rate
Loan Period	3	Period is entered as number of Years
Repayment Frequency	Quarterly	Select Quarterly from the drop-down list
Repayment Type	Advance	Select Advance from the drop-down list
Installment		Click the small gray button in the Period Installment cell to compute the repayment installment

In addition to the above, enter auxiliary information for the transaction, such as, name of the borrower, description of asset, and so on.

Calculating the Repayment Installment

After inputting the required items as in above, click the small gray button in the right corner of the Period Installment cell to compute the installment using the variables provided. The required quarterly repayment is 8,968.93



Balloon

Loan / HP Start Date	23-Jun-02	
LOAN / Cost of Asset	74,000	
Sales Tax	6.50%	Financed by Lender
Delivery Charges	2,400	Financed by Lender
Installation Charges	5,000	Financed by Lender
Installment	3000	Borrower wishes to pay an amount of 3,000 only as monthly installment due to cash flow constrains.
Loan / HP Rate	25%	Annual Rate
Loan Period	3 Years	
Repayment Frequency	Monthly	
Repayment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

The first step in generating a Loan / HP proposal is to prepare the capitalized value of the asset / borrowings to be financed. This is calculated as follows;

LOAN / Cost of Asset	74,000	
Add Sales Tax	4,810	Financed by Lender
Delivery Charges	2,400	Financed by Lender
Installation Charges	5,000	Financed by Lender
Capitalized Value	86,210	

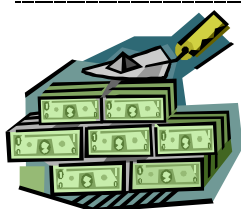
CapInvest Entries

Contract Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Asset Value / LOAN	86,210	Capitalized Cost of Asset
Finance Rate	25%	Rate is entered as Annual Rate
Loan Period	3	Term is entered as number of Years
Installment	3000	Amount that the lessee wishes to pay periodically
Payment Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
Future Payment		Click the small gray button in the Balloon Cell to compute the future value to be paid by borrower

In addition to the above, enter auxiliary information for the transaction, such as, name of the borrower, description of asset, and so on.

Calculating the Future Payment

After inputting the required items as in above, click the small gray button in the right corner of the Future Payment cell to compute the value to be paid by borrower on conclusion of the contract, using the variables provided. The required future value or balloon for this transaction is 22,597.67, with a monthly installment of 3,000; if the borrower decides to pay the whole of the borrowings / HP via monthly installments, set the future value to 0 and click the gray button in the lease rental cell – the monthly installment in this case would be 3,427.69 with no balloon payment.



Repayment Period

Contract Start Date	23-Jun-02	
Asset Value / LOAN	74,000	
Sales Tax	6.50%	Financed by Lender
Delivery Charges	2,400	Financed by Lender
Installation Charges	5,000	Financed by Lender
Installment	3000	Borrower wishes to pay an amount of 3,000 only as monthly installment due to cash flow constrains.
Finance Rate	25%	Annual Rate
Future Value	0	Borrower does not wish to pay any balloon.
Payment Frequency	Monthly	
Payment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

The first step in generating a financing proposal is to arrive at the value of the transaction being financed. This is calculated as follows;

LOAN / HP	74,000	
Add Sales Tax	4,810	Financed by Lender
Delivery Charges	2,400	Financed by Lender
Installation Charges	5,000	Financed by Lender
Capitalized Value	86,210	

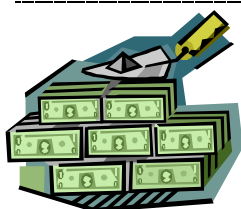
CapInvest Entries

Contract Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Loan / Asset Value	86,210	Capitalized Cost of Transaction
Installment	3000	Enter the requested installment
Finance Rate	25%	Rate is entered as Annual Rate
Future Payment	0	Lessee does not wish to pay a future payment
Payment Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
LOAN / HP TERM		Click the small gray button in the lease term cell to compute the lease term given other variables

In addition to the above, enter auxiliary information for the transaction, such as, name of the borrower, description of asset, and so on.

Calculating the LOAN / HP Term

After inputting the required items as in above, click the small gray button in the right corner of the Loan Period cell to compute the term for this transaction, using the variables provided. The required term is 3.69 years or 3 years and 8 months approximately, with a monthly installment of 3,000 and with no balloon.



Principal Value

Contract Start Date	23-Jun-02	
Installment	4,500	Borrower wishes to pay an amount of 4,500 only as monthly installment
Finance Rate	25.00%	Annual Rate
Loan Period	3 Years	
Balloon	25,000	Borrower will pay 25,000 on end of financing term
Payment Frequency	Monthly	
Payment Type	Arrears	The other option is to pay at the beginning of the payment period - in advance

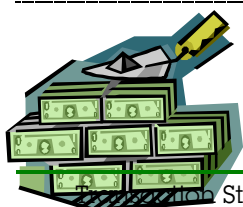
CapInvest Entries

Contract Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Installment	4500	Term is entered as number of Years
Finance Rate	25.00%	Rate is entered as Annual Rate
Balloon	25,000.00	
Loan Period	3 Years	Term is entered as number of Years
Payment Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
LOAN / HP		Click the small gray button in the LOAN / Asset Value cell to compute the value of asset to be financed.

In addition to the above, enter auxiliary information for the transaction, such as, name of the borrower, description of asset, and so on.

Calculating the Value of Transaction to be financed

After inputting the required items as in above, click the small gray button in the right corner of the Loan / Asset Value cell to compute the value to be financed, using the variables provided. The value to be financed by this transaction is 125,080.08, with a monthly installment of 4,500 and a balloon of 25,000



Profiled Repayments

Loan Start	23-Jun-02	
LOAN / Asset	74,000	
Sales Tax	6.50%	Financed by Lender
Delivery Charges	2,400	Financed by Lender
Installation Charges	5,000	Financed by Lender
Future Value	0	Borrower / Lessee will pay whole amount via installments; there is no balloon or future value
Pricing Rate	25%	Annual Rate
Borrowing Term	3 Years	
Payment Frequency	Monthly	
Payment Type	Advance	The other option is to pay at the end of the payment period - in arrears

Step 1: Gather Profiling Requirements of Borrower

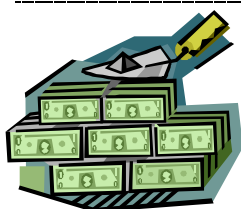
Year 1	Year 2	Year 3
Zero in Months 1-4	Twice the normal installment in Months 1-4	50% increase in each month starting from month 1 of year 3
Normal in Months 5-8	25% increase for remaining months	
50% increases in Months 9-12		

Step 2: Arrive the capitalized value of the loan / investment

Cost of Asset	74,000	
Add Sales Tax	4,810	Financed by Lender
Delivery Charges	2,400	Financed by Lender
Installation Charges	5,000	Financed by Lender
Capitalized Value	86,210	

Step 3: Prepare a profiling grid of user requirements:

	Year 1 Profiling	Year 2 Profiling	Year 3 Profiling
Month 1	0.0	2.00	1.5
Month 2	0.0	2.00	2.0
Month 3	0.0	2.00	2.5
Month 4	0.0	2.00	3.0
Month 5	1.0	1.25	3.5
Month 6	1.0	1.50	4.0
Month 7	1.0	1.75	4.5
Month 8	1.0	2.00	5.0
Month 9	1.5	2.25	5.5
Month 10	2.0	2.50	6.0
Month 11	2.5	2.75	7.0
Month 12	3.0	3.00	7.5



Profiling Examples

Step 4: Enter Profiling and Profiling Factors to compute base repayment / rental

Start Date	23-Jun-02	Enter this date in the following format: 23-jun-2002
Asset / Loan Value	86,210	Capitalized Cost of Asset
Future Payment	0	Lessee will pay whole amount via lease rental; there is no balloon or future value
Pricing Rate	25%	Rate is entered as Annual Rate
Loan Term	3	Term is entered as number of Years
Frequency	Monthly	Select Monthly from the drop-down list
Payment Type	Arrears	Select Arrears from the drop-down list
Profiling Grid		Enter the profiling factors into the profiling grid

Step 5: See the Base Repayment

Step 6: Multiply the Base Repayment value by the profiling factor for each repayment period to arrive at the repayment schedule for the transaction.

Step 5 and Step 6 need not be performed by the user - you can click reports to view the repayment schedule, which computes the repayment using the rules set out in Step 6

To check the accuracy of the computations, see the amortization table report which breaks down the transaction into opening balance, interest on outstanding balance, repayments, and closing balance.



End of Examples