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The determinants of financing by leasing
Case study: Housing Bank for trade and Finance-Algeria
« Leasing direction»

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Abbreviation List

ALC	:	Arab Leasing Corporation
ANDI	:	Agence Nationale du Développement des Investissements
ASL	:	Algerian Saoudi Leasing
BADR	:	Banque Algérienne du Développement Rural
BDL	:	Banque de Devellopement Rural
BEA	:	Banque Extérieure d'Algérie
VAT	:	Value added tax
MLA	:	Maghreb Leasing Algérie
SOFINANCE	:	Société Financière d'Investissement, de Participation et de Placement
ROA	:	Rate on asset
USD	:	united States dollar
DZD	:	Algerian dinar
IASB	:	International Accounting Standards Board.
AICPA	:	American Institute of Certificate Public Accountants.
FASB	:	Financial Accounting Standards Board.
GAAP	:	Generally Accepted Accounting Principles.
ABC	:	Arab Banking Corporation-Algeria.
TAIC	:	The Arab Investment Company.
SME	:	Small and Medium-size Enterprises.
SMI	:	Small and Medium Industry.
TPA	:	Tax on professional Activities.
IFC	:	International financial corporation.
CNEP	:	Caisse Nationale d'Epargne et de Prévoyance.
CNMA	:	Caisse Nationale de la Mutualité Agricole.
CPA	:	Crédit Populaire d'Algérie

General introduction

General introduction

Development and success of each enterprise are highly bound to its finance and the evolution within the frame of its means of production .The latter is the main factor and marker of production's capacity and the pillar of profitability increase.

Nowadays, Firms should adapt itself to market requirements in order to assure long term survival, where competition is ruthless and because competitiveness is imposing higher levels of performance to comply with the international standards of investment.

The Algerian Firms use the right equipment in order to overtake its economic life as a matter of cost of acquisition and clear away obstacles in the process of searching for the best financing tools.

Despite these obstacles, firms have to reach their alternative development through solutions to classical credits without mortgaging most of its investment.

Among the new methods of financing suggested by credit companies is financing by « Leasing » called in French« Crédit-bail ». This method realizes big success in these last years. Leasing is an attractive package to finance investments in both movable and immovable properties.

It is a simple and flexible technique suggested to firms. It is considered more as a means of competitive financing than a bank credit. It helps all firms especially the young ones, it is the lung of the economic growth and the development of small and medium firms (SME).

This formula was developed in USA in 1952 with the creation of the first company of leasing, in Morocco is the first country which used leasing in 1965 and after 20 years, Tunisia followed the Moroccan example.

In Algeria, after the short publication of the law n° 90/10 in 14 April 1990 about money and credit, with the creation of « Algerian Saudi Leasing » (ASL), was created by « Banque Extérieure d'Algérie » or (BEA) and the group « Dallah Al Baraka ».

In 1997, the first company specialized in leasing is (SALEM); it is an Algerian company in furniture leasing.

General introduction

1. Choice and interest of theme:

Although leasing was introduced in Algeria for 18 years, it is still behind other forms of credits and by investors, this fact led us to study leasing both from theoretical and practical point of view.

2. The objectives of this work:

The objective of this research is to firstly define the concept of « leasing », and secondly to address the issues to the practice of leasing in Algeria, and to show the evolution of this mode of financing in Algeria, and to show why leasing is chosen by Algerian firms.

We discuss if this mode of financing can participate in the development of firms especially SME which are the principal actors of the creation of wealth in our country.

3. Problem:

My research paper is dedicated to study the leasing, wherein we will be seeing the practice of leasing in Algeria. The main question which should be highlighted in this regard and which this modest research is trying to answer: **What are the reasons pushing the Algerian investors to choose the financing through leasing formula instead of the financing through classical credit formulas?**

This problematic opens the doors to raise other questions such as:

- What's leasing?
- Is leasing a good and adequate financing means for Algerian firms?
- What does the firm require to finance its investments through leasing?

4. Hypotheses:

To come up with answers to the listed questions above, we are going to represent a group of hypotheses which are:

- ❖ Leasing is an agreement based on movable or immovable goods, matching with purchase option for a set price.

General introduction

❖ Leasing is a new technic of financing, it permits the transfer of advantages to the lessor (the leasing company) and to the lessee (User of the leased asset)

❖ Financing by leasing is quick and easy to use in establishment of firms of any size.

5. Research methodology:

My research is based on two methodological approaches: «descriptive approach», in first and second chapter. The key goal of this approach is to take a deep look at the fundamental meaning of this technic.

And the second approach is the «analytical approach» in the third chapter especially, by using statistical method (SPSS), to respond to the fundamental Problematic.

6. The structure work:

My research work is structured in three chapters, and each chapter includes three sections.

The first chapter will be dedicated to an overview of leasing and it includes general notions and fundamentals characteristics of leasing as a method of financing.

To be followed by the second chapter. This reveals the different aspects of leasing, including the legal form and the accounting form, and to highlight on practicing of leasing in Algeria, by market of leasing in Algeria and its aspects in our country, finally we conclude with the third chapter.

The third chapter is a case study on Housing bank for trade and finance, to close us in Algeria's leasing, which reveals how leasing is treated through the different procedures and requirements. This chapter will be concluded with a benchmarking study between leasing and other forms of credits which are the classical credit.

Chapter 1

Presentation of leasing and its characteristics

Chapter one: Presentation of leasing and its characteristics

Introduction:

A firm often borrows money to finance the acquisition of an asset needed for its operations. There is an alternative approach that might accomplish the same goal which is defined as to «lease» the asset. In leasing, the firm commits to make fixed payments to the owner of the asset for the rights to use the asset, and this operation consists of three persons.

As a financial product, leasing presented advantages and disadvantages which distinguish it from other modes of financing.

To know all that we must initiate this chapter by some basic notions, history and definitions about leasing, and some typologies, and some characteristics that makes the firms especially (SME) to build a strong capital asset by this new technic.

SECTION 1: History and definitions of leasing

1. History:

1.1 Origin and appearance:

« In 1984, while the leasing industry was reeling from the third major tax change in four years, archaeologists found clay tablets from the ancient Samarian city. They discovered that these tablets documented farm equipment leases from the year 2010 BC... »¹.

Like we can see here, the leasing is existed for a long time; it has appeared first with Samarian civilization and Babylonia. That makes us to contemplate that leasing is an old method used in finance, thus, it means that this financing way has been developing with time.

Fifty years later, the king of Babylonia in his famous Code of Hammurabi, legislated the first leasing laws. The ancient civilizations of Egypt, Greece and Rome enter in leasing transactions of real and personal property, while the Phoenicians actively promoted leasing by rental ships to local merchants.

The first shows of leasing in the United States in the 1700's designed to finance the use of horse-drawn wagons. By the mid-1800, railroad tycoons, were battling to extend their private railroads across the country, required a huge amount of new capital. Most banks, however, considered railroad financing risky and refused to lend to the emerging transportation industry.

In the early 1900's, companies began to act as lessors for this equipment by leasing it out while maintaining title to it. Often, the lessees would be the shippers who wanted to control over their shipments without any responsibilities of ownership. This method introduced the operating or true lease concept. Meanwhile, other manufacturers were looking for additional ways to sell their merchandise.

1.2 Development and internationalization of leasing :

Leasing returned to popularity during World War II. Manufacturers entered into cost-plus contracts with the government. These contracts allowed the manufacturer to recover actual costs plus a guaranteed profit. In order to minimize costs, many of these companies leased special purpose machinery

¹ www.slideshare.net/pk18july/the-history-of-leasing; (Jeffrey Taylor frequently writes on leasing subjects and has been published in the Molloy Monitor, Asian Leasing Journal, Journal of Equipment Lease)

Chapter one: Presentation of leasing and its characteristics

from the government. Companies discovered that they could return the equipment to the government at the end of the lease, thus protecting themselves against owning technically obsolete equipment when the war ended.

In the 1950's, consumers started to demand a vast array of goods. They wanted speed, convenience and mobility. Manufacturers utilized leasing to help overhaul old operations quickly and create new facilities for the production of new products like televisions, advanced communications equipment and airplanes.

People all around of the world know the meaning of leasing in investment life, because the leasing is the most popular method of financing in the world, consequently most of firms used leasing as a mean of financing.

Leasing has grown tremendously in popularity and today it is the fastest growing form of capital investment. The popularity of leasing is evidenced in the fact that 546 of 600 companies surveyed by the AICPA¹ in 1996 disclosed lease data. Prior to the 1950s in the USA, leasing was generally associated with real estate-land and buildings. Today, however, it is possible to lease virtually any kind of fixed asset. In 1984 about 20 percent of all new capital equipment acquired by businesses in the USA was financed through lease arrangements.²

In 2002, Leasing achieved 199 billion Euros, which represent an increase of 3, 43 % in real value than the last year. From 1994 to 2002, leasing sector was more increasing with yearly rate of growth equal to 11%. All this is represented in these two graphs³:

Source: www.Leaseurope.com

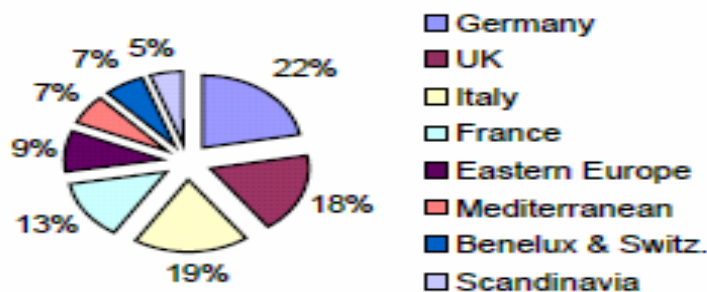


Figure n°1: Distribution of leasing in Europe

¹ Institute of Certified Practicing Accountants.

² Determinants of Financial Leasing in Jordan (Finance & Banking Department, Mu'tah University, Jordan)

³ www.Leaseurope.com.

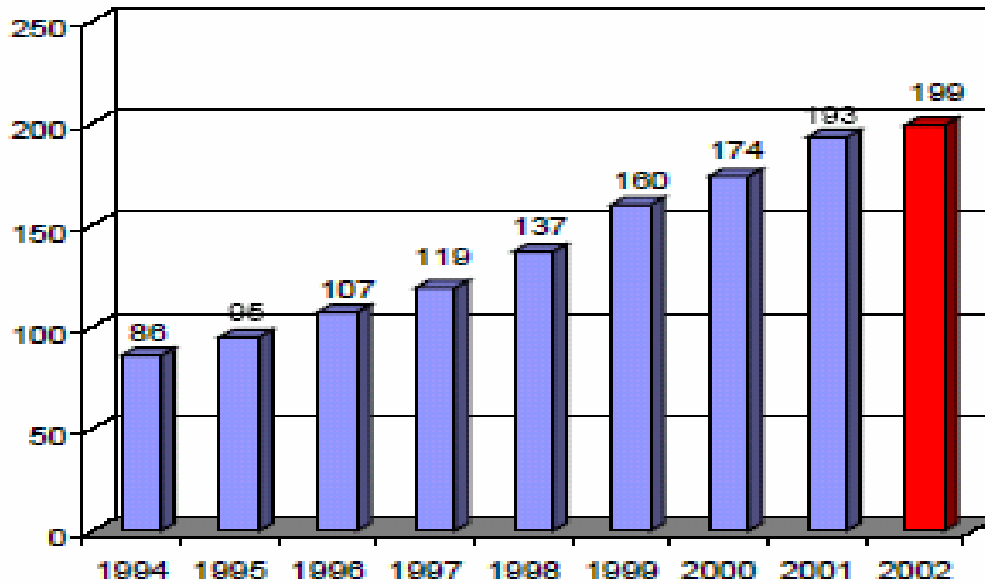


Figure n°2: Evolution of Leasing in Europe

Since then, leasing is the most popular method of financing not only in the USA, but also globally. It is estimated that leasing, in the late 90s, provides about one-eighth of the world's equipment financing requirements.

In 2004, financial leasing was the fastest rising way of financing fixed assets all over the world. It was raised by 26% counting around 580 billion dollars. The USA part count \$241 billion taking over the funds provided through the USA banks credit, bonds and equity. In addition, in the USA it shows that fixed assets were purchased by the biggest 500 companies, 35% of these assets financed by leasing in 2004.¹

Nowadays, Leasing is more increasing in the world, for example in USA especial in New York City's tech industry continue its strong growth, with an increase in leasing activity.

The technology sector has become one of the fastest growing sectors in New York City's office market, with total leasing volume for the sector growing by more than 2000 percent from 2008 to 2013. Last year, the tech sector recorded the largest growth among the sectors and beat its own five-year average by more

¹ Shamsi Bawaneh, Mohammad Al-Shiab «Determinants of Financial Leasing in Jordan», Finance & Banking Department, Mu'tah University, Jordan.

than five percent, like we see in this diagram there has been a large increasing in growth of leasing¹.

Figure n°3: Evolution of leasing from 2011 to 2014 in New York City's tech (USA)



Source: New York City's Tech Office Leasing Doubles

In Algeria, leasing appeared only recently at 1990 and began to develop after the implementation by the Government of a legal and a fiscal framework, favoring its evolution and which gave birth to the leasing companies like (ASL, SALEM, ALC...).

2. Definitions:

2.1 General Definition:

In USA and United Kingdom "Leasing" and in Latin "Credit -bail", in Arab "Idjar"... ». There are a lot of means of leasing in each area of the world, and each mean includes a different definition of leasing, in general there are three poles Anglo-Saxon, French translation and "Idjar" for Arab nation. In France and UK, when we say leasing so there is a purchase option and this option determine by the value of the goods in the market.

¹ <http://www.worldpropertychannel.com/north-america-commercial-news/new-york-tech-office-space-jones-lang-lasalle-twitter-google-amazon-ibm-january-2014-midtown-south-8042.php>

Chapter one: Presentation of leasing and its characteristics

These terms represent different names for the same economic meaning: put an arrangement with investors of goods to pay rents for irrevocable period.

In vocabulary Anglo-Saxon, term leasing means the renting match with purchase option at the end of renting period, and the price of option determine according to value of the goods in the market.

In French translation, name of leasing is credit- bail or «contrat de location» it must match with purchase option for a set price.¹

Leasing is an agreement where the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Therefore, leasing is a contractual agreement between the lessor and the lessee that gives the lessee the right to use specific property, owned by the lessor, for a specific period of time in return for stipulated, and is generally periodic. An essential element of the lease agreement is that the lessor conveys less than the total interest in the property.

Note that every lease transaction has three parties: The user of the leased asset is called the lessee, while the owner of the property, usually the leasing company, is called the lessor, and the third element is the manufacture. (The supplier). Term lessee is pronounced « less-ee » not «lease-ee» and lessor is pronounced « less-or ».²

According to « OTTAWA » convention of 28 May 1988, there was a removing of certain legal impediments to the international financial leasing of equipment, while maintaining a fair balance of interests between the different parties of transaction, therefore the desirability of formulating certain uniform rules relating primarily to the civil and commercial law aspects of international financial leasing.

In the first article, Ottawa convention defines leasing as an operation which one party (the lessor), on the specifications of another party (the lessee), enters into an agreement (the supply agreement) with a third party (the supplier), capital goods or other equipment (the equipment) on terms approved by the lessee so far as they concern its interests.

2.2. Characteristics of leasing transaction:

¹ GERVAIS Jean-François. «Les Clés du Leasing », Edition d'organisation, janvier 2004, p 05

² Louis C. Gapenski. Healthcare Finance: an Introduction to Accounting and Financial Management Aupha Press, 3rd Ed, 2005. p562

Chapter one: Presentation of leasing and its characteristics

The financial leasing transaction referred to in the previous paragraph is a transaction which includes the following characteristics:

- The lessee specifies the equipment and selects the supplier without relying primarily on the skill and judgment of the lessor.
- The lessor will acquire equipment by a leasing agreement, to the knowledge of the supplier.
- The rentals payable under the leasing agreement are calculated so as to take into account in particular the amortization of the whole or a substantial part of the cost of the equipment.

This Convention applies to financial leasing transactions in relation to all equipment save that which is to be used primarily for the lessee's personal, family or household purposes. ¹

2.3. Leasing Basics:

1- Lessee wants to take or to acquire equipment or goods and to keep the purchase option for the final acquisition.

2- The lessor or company of leasing purchases goods for the renting to client.

3- The supplier (manufacturer or the seller) gives for lessee what they want from goods, with conditions between supplier and the lessee. The supplier could be Insurance companies or Government².

In the end of contract, lessor gives a purchase option for the lessee, which can help this last to obtain the equipment.

2.4. Leasing elements:

Leasing is a legal rent to the standard equipment. The duration of the contracts is function of the depreciation period of tax funded materials (slightly shorter if necessary). Contracts are accompanied by a residual value (option to purchase at lease end) usually between 1% and 6% of the original equipment duty-free price. Leasing rents are payable (at the beginning of period) and may be linear or digressive, most often quarterly term.

- ◆ **Amount:** The Bank buys equipment from the 100% TTC.

¹ Ottawa convention(Article1)

² ABIDI. M, «Le Leasing Mobilier : Mode de Financement des PME/PMI », Revue CONVERGENCE N° 6, décembre 2000, Revue éditée par la BEA, Alger, p 23

◆ **Rent:** The payments of rents in pre-calculate flexibility of operation. Represent the consideration (usually monetary) for the lease transaction; this is what the lessee pays to the lessor.

The meaning of lease rentals is what the lessee pays to the lessor, but these rentals change from one kind to the other for example between financial lease and operating lease, the first one, the rentals recover the lessor's principal.

◆ **Rate:** Function of the fixed rates of the Bank, the commercial proposal is always done on the amount of the rent. The residual value is in the order of 1 to 6% of the initial value¹.

◆ **Duration or a lease period:** The term of lease period is the period for which the agreement of lease shall be in operation. In some jurisdictions, it is an essential element in a lease operation. At the end of this period the lessee has to return the asset (although lease terms may mean that this « Right » is not likely to be exercised).

It may also be necessary, depending on local jurisdictions, to include within the contract a certain period at the start of the lease where the lessee may be given a right of cancellation. Beyond this period, the lessee may be given a right of renewal. It is important to note that a lease cannot be viewed as a lease if it is possible to interpret it as a sale of an asset to the lessee.

◆ **The leased asset:** The leased asset must be non-consumable. Legislation can impose some restrictions to this general rule. Therefore, anything that cannot be owned or hold title cannot be leased, because to act as a lessor one needs to buy the asset first.

The leased assets should be something that can be owned, a something which cannot be consumable but can be amortized because all of that help to facilitate operation lease, and to put the lessor in good situation when he provides the asset, so the lease asset must be a strong thing to avoid destroying this asset².

2.5. Working of lease operation:

Therefore, «leasing is a financing operation at 100% in a particular, material or equipment rental by the lessor (the leasing company or the owner) to the

¹ JEAN-Marc Béguin. Arnaud Bernard, Livre outils Finance: Essentiel des techniques bancaires, Éditions d'Organisation Groupe Eyrolles, Paris, 2008, P253.

² MATTHEW Fletcher, RACHEL Freeman, Murat Sultanov, and Umedjan Umarov, Leasing in Development Guidelines for Emerging Economies, INTERNATIONAL FINANCE CORPORATION 2005.

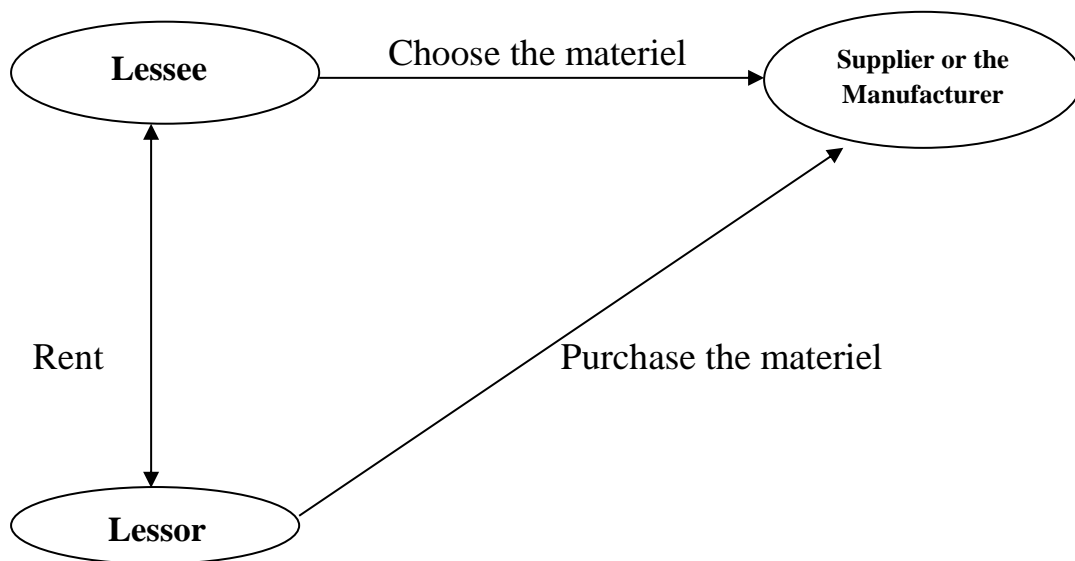
Chapter one: Presentation of leasing and its characteristics

lessee (user), which the lessor sale at the end of contract with unilateral promise, for a price set when signing contract (call option) ».¹

In practice, the leasing is a tripartite operation between:

- A lessee, equipment operator.
- Supplier of material or the manufacturer.
- A financial company (lessor), owner of equipment.

Figure n°4: Working of lease operation



Source: Pascal. PHILIPPOSIAN, *Le crédit-bail et le leasing*, Ed. Organisation, SEFI, 1998, p 23.

Section two: Typology of leasing

Leasing takes several forms for each kind (movable and immovable property), the most important are: (1) operating leases, and (2) financial leases.

All of them include a different meaning of leasing and its elements, and each one of them represents leasing by many explications.

¹ Pascal. PHILIPPOSIAN, *Le crédit-bail et le leasing*, Ed. Organisation, SEFI, 1998, p.23.

1- Operating leases:

«Operating leases is when the lessor is responsible for insurance, taxes, and upkeep. May be it is cancelable by the lessee on short notice... »¹.

In this type, the lessor is responsible for anything happens to the asset like maintenance and other things. This kind has several important characteristics:

First of all, with an operating lease, the payments received by the lessor are frequently not sufficient to permit the lessor to fully recover the cost of the asset. A primary reason is that operating leases are often relatively short-term (The lease life may be much shorter than the economic life of the asset). For example, if you lease a car for two years, the car will have a large residual value at the end of the lease, and the lease payments you make will pay off only a fraction of the original cost of the car. The lessor in operating lease expects to either lease the asset again or sell it when the lease terminates.

A second characteristic of an operating lease is that it often requires that the lessor maintain the asset. The lessor may also be responsible for any taxes or insurance. Of course, these costs will be passed on, at least in part, to the lessee in the form of greater lease payments.

The third and perhaps most interesting feature of an operating lease is the cancelation option. This option can give the lessee the right to cancel the lease before the expiration date. If the option to cancel is exercised, the lessee returns the equipment to the lessor and stops to make payments.

The value of a cancelation clause depends on whether technological and/or economic conditions are likely to make the value of the asset to the lessee less than the present value of the future lease payments under the lease.

Operating leases (Usually a shorter-term lease); sometimes called «service leases» generally provide both financing and maintenance.

Operating leases typically require the lessor to maintain and service the leased equipment, with the cost of maintenance built into the lease payments.²

¹Richard A. BREALEY & Stewart C. MYERS & Alan J. MARCUS, Fundamentals of Corporate Finance, Alternate Fifth Edition, Fundamentals of Corporate Finance, Third Edition, By The McGraw-Hill Companies, 2001, P 548 & p550.

²Louis C. Gapenski, op. Cite, p562.

2- Financial leases:

«A financial lease is the other major type of lease... ». In this type of leasing the payment can recover the cost of lease asset; the different between operating and financial leases is amortized or-payout lease, one is fully amortized (financial lease) and the other one partially amortized (operating lease). Sometimes financial leases called by capital leases.

With a financial lease, the lessee is usually responsible for insurance, maintenance, and taxes. It is also important to note that a financial lease generally cannot be canceled, at least not without a significant penalty. In other words, the lessee must make the lease payments or face possible legal action.

The characteristics of a financial lease are:

- Particularly the fact that it is fully amortized.
- Make it very similar to debt financing.
- The name is a sensible one.

There are three types of financial leases that are of particular interest:

Tax-oriented leases, leveraged leases, and sale and leaseback agreements.

2.1. Tax-Oriented Leases:

A lease in which the lessor is the owner of the leased asset for tax purposes is called a tax-oriented lease. Such leases are also called tax leases or true leases. In contrast, a conditional sales agreement lease is not a true lease.

Here, the lessee is the owner for tax purposes. Conditional sales agreement leases are really just secured loans. The financial leases we discuss in this material are all tax leases.

Tax-oriented leases make the most sense when the lessee is not in a position to use tax credits or depreciation deductions that come with owning the asset. The lessee can benefit because the lessor may return a portion of the tax benefits to the lessee in the form of lower lease costs.¹

2.2. Leveraged Leases:

A leveraged lease is a tax-oriented lease in which the lessor borrows a substantial portion of the purchase price of the leased asset on a non-recourse

¹ Richard A. BREALEY & Stewart C. MYERS & Alan J. MARCUS, op. Cite, P. 549

basis, meaning that if the lessee stops making the lease payments, the lessor does not have to keep making the loan payments. Instead, the lender must proceed against the lessee to recover its investment. In contrast, with a single-investor lease, if the lessor borrows to purchase the asset, the lessor remains responsible for the loan payments regardless of whether or not the lessee makes the lease payments.

2.3. Sale and Leaseback Agreements:

«Is a special type of financial lease, often used with real estate, which can be arranged by a user that currently owns some asset...»¹.

Sale and Leaseback Agreements is a kind of financial lease, in this type the user plays two roles one of them is to sell the asset to another person and the second role is to lease the property back with predetermine period, so this is the meaning of sale and leaseback.

Here, the user sells the asset to another party and simultaneously executes an agreement to lease the property back for a stated period under specific terms. In a sale and leaseback, the lessee receives an immediate cash payment in exchange for a future series of lease payments that must be made to rent the use of the asset sold. After that the lessee takes cash from sale of the asset and still uses the asset.

Therefore, sale and leaseback occurs when a company sells an asset it owns to another party and immediately leases it back. In a sale and leaseback, two things happen:

- The lessee receives cash from the sale of the asset.
- The lessee continues to use the asset.

Financial leases are almost the same as sale-and-leaseback arrangements, the major difference being that the leased equipment is new and the lessor buys it from a manufacturer or a distributor instead of from the user-lessee. A sale-and-leaseback may, then, be thought of as a special type of financial lease.

As in any operation of leasing, lease operation consists of two contracts, the contract of sale and the contract of credit-lease, which are signed by the undertaking concerned and the lessor.²

¹ Louis C. Gapenski, op. Cide, p563.

² SIGONNEY. A, La PME et son financement, Ed. Organisation, Paris, 1994, p. 126.

3. Other forms of leasing:

3.1. Nature of the contract object:

The legislative history leads to expand the scope of the regulation, and then gives two types of leasing depending on the nature of the property:

- Movable leasing.
- Real estate (immovable) leasing.

3.1.1. Movable leasing:

Concerning the rental of goods, equipment and tooling. The firm concerned generally chooses its equipment from a supplier. It is then intended to a leasing company that buys from the supplier in place ,lessor takes the firm place and rents it to the lessee (firm) over a period determined (usually from 3 to 7 years). At the end of this period, the firm has the right to waive the rental, to renew the contract, or to acquire equipment at a price that takes into account payments during the lease. The user must also be affixed to the property rented a plate indicating the property of the lessor. This property cannot be changed without the agreement of the lessor and any damage must be reported to the owner who also reserves a right of inspection.¹

3.1.2. Real estate (immovable) leasing:

Following the success of movable leasing, it quickly became interesting to extend this method of financing in buildings for industrial and commercial use (shop, warehouses, factories...).Real estate leasing is the leasing by a financial institution of real estate professional use to a company, which can eventually become owner of all or part of these leased assets, and the expiry of the lease at the latest.

¹ BOUYACOUB Farouk, «L'Entreprise et le Financement Bancaire », Ed *Casbah*, Alger, 2000, p 256.

Chapter one: Presentation of leasing and its characteristics

Table n°1: Movable-Immovable leasing

	Movable leasing	Real estate leasing
Professional Object	Chattel for professional use	Properties in professional use
Contract duration	Amortization of material	Depreciation of the building
Revocable period	No	> 7 years
Purchase option	Weak amount	Symbolic amount

Source : www.cofitem-cofimur.fr

3.2. The nationality of the contract parties:

3.2.1. Leasing national or internal:

Leasing considered as national if the lessor and tenant reside in the same country.

3.2.2. International or cross-border leasing:

Leasing considered international if the lessor and lessee implanted in different countries, which is subject to different regulations.

Leasing is distinguished from other forms of unilateral leasing by the existence of a promise of sale from the outset of the contract by the lessor to the lessee.

Leasing differs from other operations that are close (analogies of the leasing), such:

a) The Renting:

It's a simple commercial contract (service) incorporating, in addition to disposition of the property, various services, such as maintenance charged to the lessor.

This legal obligation does not exist on leasing, even though it may be offered to the tenant and its load with a policy of insurance. The framework

Chapter one: Presentation of leasing and its characteristics

called him the « full service ». It is the short-term rental where the lessor leases the property to various companies successively, the activity of the renting company is essentially hardware while the leasing company is distinguished by its financial activity.

b) Hire - purchase:

It's a rental contract accompanied by a reciprocal promise for sale to the lessor and the lessee. Unlike leasing, lessee doesn't have the option to buy at the end of lease. It is committed to acquire the property after conclusion of the contract of hire. By contrast the ownership is transferred at the end of the lease.

c) Rental with promise of sale or lease with option to purchase (LOA):

It is a rental contract accompanied by a unilateral promise of sale from the outset by the lessor to the lessee, and there for a simple purchase option that it can exercise or not at the end of lease. By simplification, leasing is intended for businesses and professionals, while rental with purchase option is reserved for individuals.¹

Table n° 2: Comparison between leasing, simple rent and lease with Option

	Leasing	Simple rent	LOA
Addressee	Legal persons professionals	All clients	Private
Owner	Lessor	Tenant Company	Tenant Company
Purchase option	YES	NO	YES
Usul duration	fiscal Amortization	2 years at least	Contractual
Object	Movable or Immovable goods	Movable or Immovable goods	Movable goods

Source : Pascal PHILIPPOSIAN, « Le crédit-bail et le leasing », Ed. Organisation, SEFI, 1998, p.26.

¹ Eric GARRIDO, « Le cadre économique et réglementaire du crédit-bail, Ed. Revue, Banque, 2002, p.96.

d) The sale with reservation of title clause:

It is a contract of sale by which ownership of the property is transferred to the buyer upon conclusion of the contract subject that it performs effectively price. It is a sale and not a rental property with deferred payment.

e) The installment sale:

In the contract of sale, the property is transferred to the buyer upon the signing of the contract of sale, and payment of the price is made according to schedule. Previous operations are not the definition of leasing that had to undergo some adjustments to particular cases.

Section three: characteristics of leasing

1. Advantages of leasing:

The financial leasing can play a very important role in developing financial markets and in providing finance to firms, especially small-scale-ones (SME) that face problems of obtaining credit from banks.

Financial leasing companies have a dual role, as on one side they complement the banking sector with increasing the range of products and services but on the other side they compete with the banking sector, forcing it to be more efficient and responsive to the needs of their customers. Leasing has been used in many countries as a means of expanding enterprises' access to credit.

Advantages of leasing in emerging markets lie in its separation of ownership from economic use.

A. For the lessor:

Ownership provides stronger security. In countries where security laws are not well developed or enforced by judges, secured lending of the type offered by banks can involve considerable collateral risk.

Leasing offers the advantage of simpler procedures for repossession, because ownership of the asset already lies with the lessor.

Lessors can pass on tax benefits associated with their depreciation to lessees via reduced financing costs.

The lessor is more secure in case of failure of repayment, especially if the repossession procedure is simple.

B. The lessee:

Lies in allowing SMEs to have access to capital for investment. In addition, leasing enables the lessee to leverage off the purchasing strength of specialized lessor companies.

However, for larger enterprises with adequate collateral, they would be a bank loan, suppliers' credit, capital markets, and internal funds. With a leasing industry, small and larger enterprises would seek leasing for equipment purchase as their financing options in addition to the other alternatives.

Leasing is perceived as a substitute for debt to firms that are «too risky or are unable to access conventional debt markets».

Leasing could play an important role in enhancing financial intermediation, induces competition in the financial sector, and hence promote investment and economic growth. Gains acquired by the lessee include:

- 👍 Less strict requirements for historical balance sheets, giving to newly established small-scale firm's access to finance.
- 👍 Little cash required as leasing can finance a higher percentage of the capital cost of equipment than bank borrowing.
- 👍 Lower transaction costs despite the relatively high spreads of leasing.
- 👍 Provision of medium- and long-term financing for the purchase of equipment.
- 👍 Tax incentives as lessees can offset their full lease payments against income before tax, compared to just interest on bank loans.
- 👍 Leasing could be a less risky transaction. Being able to retain ownership of the leased asset.
- 👍 The specialized nature of leasing companies, combined with their scale, can also lead to a higher level of efficiency. They can offer efficiencies in dealing with government bureaucracies to negotiate and secure investment incentives, import licenses.¹

¹ FINANCIAL LEASING IN MENA REGION: AN ANALYSIS OF FINANCIAL, LEGAL AND INSTITUTIONAL ASPECTS

👍 A strong leasing market can also benefit financial sector development more generally by broadening the financial markets.

👍 It's has a sufficient credit history.

2. Usefulness of Leasing:

As any mode of financing leasing detects some disadvantages both for the lessee and for the lessor.

A. For the lessee:

👎 If the company is not able to profit from the savings in tax, it is an expensive means.

👎 During all the period of hiring, the lessee is not a Master of the rented goods; consequently the credits likely to be used as guarantees to the creditors are reduced.

👎 In its recourse to leasing, the company assumes important and irrevocable financial expenses in the medium term. Any cancellation is excluded, even if the investment were to prove not very profitable.

👎 Leasing against (especially psychologically) some contractors, officer general of the small businesses, appreciate better to have in their balance sheet their assets, assets which they use, to translate their business assets, they then hesitate to resort to leasing that guarantees them yet their future ownership by the purchase option ¹.

👎 Financial downtime of equipment: the tenant has the option to own at the end of the irreducible period of the contract and cannot therefore take advantage of a market opportunity (increased) to sell with a plus-value or to refinance itself.

👎 Credit institutions now take into account leasing commitments in the same way as liabilities carried on the balance in their assessment of the level of indebtedness of a company.

👎 The main long reproach to leasing is the cost that is higher than that of a medium or long term credit. In fact, the comparison in terms of rates is difficult because leasing is not a typical credit and its cost does not only depend on the rent money, it is also function of the services rendered

¹ GERVAIS Jean-François, op. Cite, p 19

(speed of financing, financing 100%, flexibility of rents...), the nature of the well-funded and the amount of the transaction.

👉 Also, comparing institutions, leasing companies and banks have additional management fees due to the fact that leasing involves a triangular relationship between: supplier, lessor and lessee making more expensive leasing.

B. To the lessor:

Credit lessor in the event of default by the lessee is subject to the vagaries of the market: credit lessor to get rid as soon as possible to equipment that cannot operate itself, is not necessarily to have the skills to get the best price.

👉 Especially if the tenant does not become owner at the end of the contract, the lessor is particularly sensitive to aspects maintenance, monitoring, insurance of the equipment that guarantee a return, wanted or not, equipment in a satisfactory condition. The lessor must therefore endeavor to obtain guarantees and some control of the condition of the equipment.

👉 **Responsibility:** the lessor, the owner; also, it is held financially responsible for damage caused by the lessee operator during the operation of the equipment. It is therefore important to have insurance covering it in its capacity as owner.

3. Risks of leasing:

As any operation of credit, the lessor must protect themselves against certain risks associated with the operation of the leasing. These are mainly related to:

- The leased equipment, the object of the contract.
- Lessee and his future.
- The rate of interest.

3.1. Risks related by equipment, the object of the contract¹:

First and most guarantees, the lessor resides in the beneficial ownership of the property which is the subject of the leasing contract. The main risks of lessor to equipment are commonly referred to under the names of:

¹ GARRIDO, Eric, op. Cite, p. 61 & 82

- **Composition risk:** due to the failure of the lessee during the contract, the lessor is then brought to recover the property, and sell it on the second-hand market. It is then imperative that the residual debt, it means the amount from the outstanding capital balance it not amortized by rents, or less than the market value of the property.
- **Risk of residual value:** in the event that the lessee would return the property at the end of contract to the lessor, without seeking to acquire it, should the financial residual value adopted for the determination of the amount of rent does not exceed the market value of the property, under penalty to reach a more or less significant loss to the lessor at the end of rental.

In practice, these risks vary depending on data relating to the nature of equipment, or to the characteristics of the supplier and to the structure of the second-hand market.

It means, misuse of a property by its tenant can participate in reducing the value of property before the end of the lease contract. Therefore the residual value risk is a risk of depreciation of the monetary unit during the contract period.

3.2. Lessee and their future:

As in any credit transaction, the quality of the debtor is important in the mounting of a leasing operation. But this importance is relative. Of course, assessment of the quality of the lessee is very close to that used for the granting of a traditional bank credit. For a major facility, should be the future of lessee details relating investment that it comes to finance, financial flows and the profit that he would release.

3.3 Risk of interest rate (or margin)¹:

The gross margin of a lessor has two distinct components: financial margin and margin for resale.

- I. Financial margin:* is comparable to a margin of intermediation Banks. It's the difference between the percentage of internal rate (or implicit rates) to the leasing contract, and the cost of returns of capital invested in the acquisition of the property, expressed as a percentage, as an interest

¹ GARRIDO, Eric, op.cide, p. 61 & 82

rate. It is this rate differential which must generate the income necessary to cover the administrative costs of the lessor, and lift the bulk of its profit as the cashing of rents during the contract.

II. Margin for resale: corresponds to the difference between the resale price of a recovered leasing or at lease end and the amount of capital outstanding, unamortized by rent (i.e. the sum of the fees remaining unpaid over the financial residual value). As we saw previously, this component is very random, because the future normally is very remote at the time: it varies depending on the nature of the property, of the supplier quality, of the second-hand market. There is a risk that must be reduced to a minimum.

Therefore, in a leasing transaction, the main cost to the credit institution is that capital funded to acquire the property covered by the contract.

Conclusion:

Among all financing products available in the world, leasing has a real popularity insofar as the development of its use has affected the four corners of the world with a penetration of more and more importance. This growth is due to its flexibility as well as the diversification of its formulas, which is perfectly adapted to the needs of firms.

This triangular character operation is based on two contracts:

- Sales contract concluded between the leasing company and the supplier, for the acquisition of the leased property.
- Leasing contract concluded between the leasing company and its client, whereby the leasing company will rent the property purchased for the latter.

In the next chapter I will be dealing with the aspects of leasing, particularly the legal and tax aspect and the other aspects like accounting aspects, and for the third section we will introduce leasing operation in Algeria, all that is done with the attention to explain the resort of this financial method in our country.

Chapter 2

*The different aspects of
leasing and its practice in
Algeria comparing with
some others*

Chapter two: The different aspects of leasing and its practice in Algeria comparing with some others

Introduction:

The wide distribution of leasing is explained largely by the variety of financial motivations, and many related services to it as well as the application of economic flexibility.

A number of reasons seemed to point to the appropriateness of a legal process on leasing specifically designed for use in developing countries and transition economies. Accounting translation of a leasing operation differs, depending on whether one takes an economic approach or legal of the original contract.

This chapter deals with the elements of legislation, and supervision. These are critical elements, because if we make effective changes within the leasing sector, these changes will be necessary in the existing legislative framework.

This chapter will also be reserved for the presentation of the various provisions governing the leasing in Algeria, on the legal, tax aspect, and then the accounting aspect.

Finally, we will move to the presentation of the market for this new financial product in Algeria.

To do this, we will use the following approach:

- The legal aspect of leasing.
- The accounting Aspect of leasing.
- Leasing in Algeria.

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Section one: The legal aspect of Leasing

1. Generalities:

Leasing is essentially a financial instrument that works basically on its legal framework; its success rests on how well leasing legislation relates to legislation on finance.

*« First, there was UNIDROIT's own pioneering work in the field of leasing, whether through its sponsoring of the UNIDROIT Convention on International Financial Leasing... ».*¹

This convention used to build a strong relation between countries to make rules that help these countries to dealing with leasing.

The legal treatment of leasing operates from a country to the other with a different way; Case law and legislation hesitate to define the lease agreement perhaps for its complexity. So for that, there are a lot of interpretations in each country. So for that, I would like to represent some features of this product in some countries.

1.1. In France

Under French law, a fundamental distinction is made between:

✓ The mere of a simple lease without an option to purchase a granted to the lessee (location simple).

The mere lease of property is subject to the civil code's rules (Article 1709)

✓ Leasing of asset with an option to purchase given to the lessee within the leasing agreement at a residual known value (credit – bail and location avec option d'achat _LOA).

Leasing for professional needs is subjects to Articles L 313-7 to L 313-11 and R 313-3 to R 313-4 of the monetary and financial code whereas LOA (for private needs) is subject to article 311-2 of the consumer code. As this leases are considered to be credit arrangements to performance of such activity is also subject to banking monopoly.

¹Martin Stanford ,UNIDROIT's Preparation of a Model Law on Leasing: the Crossing of New Frontiers in the Making of Uniform Law. 2009. P 580.

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Leasing operation can be carried out in France, on a regular basis only by entities properly licensed by (banque de France) for such purpose as credit institution (Article L511-5 of the monetary financial code).

2. United kingdom:

There are no provisions under English law imposing restriction on leasing business and any person that can enter into a valid legal contract can legally enter into leasing transactions, so there is no problem to make leasing agreement.

There are nevertheless, many other legislative or regulatory restrictions. This may have an impact upon the nature of a lessor's business.

The legal nature of equipment leasing is different from a lease of real property. An equipment lease is strictly speaking a contract of bailment or hire. It confers upon the lessee a contractual right to possession of the relevant equipment, subject generally retention by the lessor of the legal right of ownership of that equipment together with reversionary right of possession at the end of the lease term.

Given the general commercial nature of leasing transactions, there are no legislative provisions relating specifically to the form or content of lease documentation. In relation to specific types of lease transaction there may well, however, be legislation to contracts of a particular types that will dictate elements of the form of documents.¹

3. Arab countries:

3.1. In Egypt

The leasing was established in Egypt by Law 95 for the year 1995 with further amendments in late 2003. Amendments allow the leasing of all assets, including cars that were not permitted under the previous law; and land as long as it is attached to a productive activity. In terms of institutional set up, since June 2004 leasing companies (lessors) have come under the General Authority

¹ Leaseurope, A joint Leaseurope and KPMG assets Finance tax network publication, P 167 & P 585.

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for Free Zones and Investment (GAFI)¹, which is affiliated to the Ministry of Investment.

The law grants leasing companies a five-year tax holiday on the profits that arise from their leasing activity. Such tax concessions seem to have been exploited mainly as a tax shelter for large corporations, through the establishment of captive companies. Not only are lessors exempted but lessees also manage to get a tax exemption equivalent to net savings from rentals created on the income statement, inflating expenses for the tenure of the lease. This has been exacerbated with the changes made in the standard format of the registration contract in July 2003, which increased the time required from one week to a three to six months period.

3.2. Morocco:

The Ministry of Finance must approve their license after approval of the Credit Institutions Committee. According to Article 21 of the 1993 Banking Law, the Ministry of Finance will notify applicants whether they are granted the license or not within six months of receiving an application.

- Law No. 1- 93-147 of July 6th, 1993 – referred to as the Banking Act is the law regulating the leasing industry as it regards the activities of all credit establishments and their control.
- Article 8 of the Banking Act defines the leasing transactions as «transactions of renting of capital goods, equipment or tools, or of immovable property for commercial use with the possibility for the lessee of acquiring at a date fixed with the owner and not later than on expiry of the lease, all or part of the leased goods, at an agreed price taking account of at least part of the rental payments».

Leasing in Morocco include the low efficiency of the legal and the judicial systems. The efforts of authorities make concerning legal improvements would only benefit the economy in the long run².

¹ General Authority for Free Zones and Investment.

²SAHAR Nasr, Financial leasing in MENA region: An analysis of financial, legal and institutional aspects.

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2. The obligations of the participants in leasing operation

The legal nature of leasing requires three stakeholders of the following obligations:

2.1. The lessor obligations:

Lessor has legal financial obligations and obligations related to the property:

- ❖ The lessor must return the funds directly to the supplier as provided in the contract. Then, he undertakes to meet the payment deadlines granted to the user of the property. He should not claim the rents before their term.
- ❖ The lessor may purchase additional insurance for its own account. He can also integrate in his offers package or maintenance costs and insurance premiums are included in rent
- ❖ Financial conditions such as rebates, discounts and deadlines for payments negotiated by the lessee from the supplier must be kept into account in the calculation of rents.
- ❖ The legal obligation of the lessor is to publish the contract at the registry of the commercial court of the lessee seat. They must not be deceived by the financial surface of the lessee; the slip of publication must be as precise as possible.
- ❖ The lessor essentially has a duty of abstention. They undertake to do nothing that could interfere with the use and exploitation of the property by the lessee.
- ❖ The lessor also has the obligation to transfer the ownership of the property to the lessee, at the end of the contract, if the latter opts for the acquisition.

2.2. The obligation of the lessee:

- ❖ He must in return for the right of enjoyment, pay on the dates agreed, the rent fixed by the contract.
- ❖ The leasing contract can be charged to the lessee the obligation of maintenance as well as giving the lessor the right to check the status of leased assets.

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- ❖ They are required to use the property rented in accordance with the agreed use and conservation, the lessee has the obligation to insure the property against any risk reducing its use.
- ❖ They have the obligation to do not a modification or sublet or the mortgage without the lessor's consent.
- ❖ At the end of the contract, the lessee shall hold the property leased, if he does not throw the option of purchase on the agreed date or in the event of non-renewal of lease.

2.3. The obligation of the supplier:

- ❖ The obligation of supplier is to deliver goods to the lessee. This is realized by the signature of the «minutes of receipt of the material » jointly by the lessee and supplier. This report finds that the property is delivered and complies with the command.
- ❖ The supplier assumes an obligation of guarantee against latent defects to the benefit of the lessee in case of inadequacy or failure of the equipment.
- ❖ Finally, the supplier has the obligation of transfer the title of ownership to the lessor on the instructions of the lessee.¹

3. Tax aspect of leasing:

During the first six years of its introduction in Algeria, many tax measures taken by public authorities to encourage this new mode of financing. These measures were undertaken and established this in the different laws of finance from 1994. These are reflected as follows:

a. Finance Act 1994

▪ Article 135:

Equipment imported as part of an international leasing benefit from the system of temporary admission for the duration of the lease, which cannot exceed 5 years.

b. Finance Act 1996

▪ Article 58 :

Purchasing of buildings under leasing operations is exempt from tax of land publicity.

¹ Eric GARRIDO, op. Cite, P88.

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▪ ***Article 112 :***

In the operations of financial leasing and operating lease, the lessor is deemed fiscally and has legal ownership of leased property and as such, he is the holder of the right to practice the amortization of this property.

The lessee has the right of deduction from the taxable benefit of rent paid to the lessor.

▪ ***Article 113 :***

In an operation of international leasing, foreign exchange gains generated by financial flows in a currency are subject to income tax.

c. The Finance Law for 2001

▪ ***Article 11 :***

The payment of 60% on the amount of the sums paid as rent, in a contract of international leasing, to persons not established in Algeria.

The base of the withholding tax which is reduced by 60% for amounts paid as rent to persons not established in Algeria.

d. Additional Finance for 2001 Act

▪ ***Article 02 :***

Under contract of financial leasing, banks, financial institutions and leasing companies are allowed to practice the depreciation straight-line or declining assets, over a period equal to the duration of the leasing contract.

▪ ***Article 05 :***

Is excluded from the taxable basis to business tax « The activity professional tax (APT) or (TAP) », the part corresponding to the reimbursement of the principal under the contract of leasing. In other words, only the interests received by the sponsoring organization are taxable to the TAP.¹

¹ laws of finance from 1994 to 2010

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e. The Finance Law for 2003

▪ Article 61 :

Equipment falling within the scope of the investment benefit of tax and customs advantages provided by order No. 01 - 03 of August 20, 2001, relative to the promotion of investment, when they are acquired by a lessor under contract of financial leasing agreement by a promoter with increasing of benefit.

From this Act, all the fiscal and quasi-fiscal advantages provided by Ordinance No. 03/11 of 20 August 2001 on the development of investment, which benefits the lessee are also reported to the lessor.

f. Finance Act for 2004

▪ Article 10 :

Even acts relating to real estate acquisitions by banks and financial institutions governed by Ordinance No. 03/11 of 26 August 2003 on the currency and credit, a credit-real estate lease, for the financing of investment, are exempted from the tax of land publicity.

g. Finance Act for 2006

▪ Article 08 :

The system of linear depreciation for activities with leasing of coefficients as follows:

- 1.5 for the goods (excluding furniture and office equipment and passenger vehicle) depreciable for a period of less or equal to 5 years.
- 2 for depreciable property for a period greater than 5 years and less than or equal to 10 years.
- 2.5 for depreciable property during a period longer than 10 years and less than or equal to 20 years.

▪ Article 30 :

Removal of the requirement of the repayment of the VAT deducted in respect of disposal of leasing, if the transfer takes place before five years.¹

¹ laws of finance from 1994 to 2010

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h. Finance Act 2007

Reduction the tax on profits of corporations from 30% to 25%.

i. Finance Act 2009

▪ Article 31 :

Provides for the exemption of rents paid through the leasing of the value added tax from the date of the enactment of this law until December 31, 2018.

j. The Finance Law for 2010

▪ Article 27 :

Prior to the finance Act provisions 2010 relating to the rules of depreciation under leasing contracts continue to apply on a transitional basis, until 31 December 2012.

Thus, and as an exceptional measure, the lessor, continues to be deemed tax credit have legal ownership of the leased property that he holds to the amortization.

Economic owner of the property within the meaning of the new accounting standards, lessee has the right of deductibility from taxable profit of rent paid to the lessor credit.

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k. The tax system¹

Taxation depends on the nature of the well-funded, there are two situations: furniture leasing and real estate leasing. The taxation of leasing in Algeria can be summarized as follows:

Table n°3: Movable leasing tax

<i>I. Tax situation during the purchase of the property</i>	
<i>Leasing company</i>	
VAT on purchase deductible from that collected in respect of taxable business. Inscription of the property under assets in the balance sheet. Depreciation on the basis of the purchase duty-free price.	
<i>I. Tax situation during the rental period</i>	
<i>Leasing company(lessor)</i>	<i>Lessee (user)</i>
Rental income are taxable goods to: 4. VAT on the amount of collected rents. 5. The (TAP) on the Bank margin of cashed rents. 6. The (IBS) for companies with share capital. 7. (IRG) for companies in person or individual businesses in the category of BIC.	VAT paid at the company's leasing in addition to the rent is deductible from the VAT payable on taxable business. Rents paid are deductible expenses from taxable profit.

¹ According to instructions of General Directorate of taxes «taxation of the leasing».

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Table n°4: Taxation of real estate (Immovable) leasing.

<i>I. Tax situation during the purchase of the property</i>	
<i>Leasing company</i>	
<p>VAT on purchase if the building is new construction or if it is acquired from a natural or legal person whose business consists of the purchase of property for resale (merchants of goods). (Trade Act).</p> <p>No VAT if the building is purchased from an individual. (Civil Act); Registration fees. Registration of the real estate asset in the balance sheet.</p> <p>Depreciation on the basis of the acquisition price.</p>	
<i>I. Tax situation during the rental period</i>	
<i>Leasing company(lessor)</i>	<i>Lessee (user)</i>
<ul style="list-style-type: none"> ■ VAT on receipts. ■ (TAP) on margin seen on the cashed rent. ■ Property tax on business properties. ■ (IBS) for companies with share capital. ■ (IRG) for persons companies or individual businesses in the BIC category. 	<p>VAT paid on the letting of immovable property is deductible VAT collected in respect of taxable business.</p> <p>Rents paid are deductible expenses from taxable profit.</p>

Section two: The accounting Aspect of leasing

The accounting for lease transactions has a number of complexities, which derive partly from the range of alternative structuring available to the parties. For example, in many cases leases can be configured to allow manipulation of the tax benefits, with other features such as term and interest rate adjusted to achieve the intended economics of the arrangement. Leases can be used to transfer ownership of the leased asset, and they can be used to transfer some or all of the risks of ownership. In any event, the accounting objective is to have the economic substance of the transaction dictate the accounting treatment.

The accounting for lease transactions is one of the best examples of the application of the principle of substance over form, as set forth in the IASC's

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Framework for the Preparation and Presentation of Financial Statements. If the transaction effectively transfers ownership to the lessee, the substance of the transaction is that of a sale and should be recognized as such even though the transaction takes the form of a lease.¹

1. Leasing contract (IAS 17)

In September 1982, the international Committee of the accounting standards «IASB» published the international "IAS 17" standard of accounting for leases. From this standard we can distinguish different types of contracts.

1.1. Classification of leasing contracts according to IAS 17:

The classification of rentals contracts depends on the reality of transaction rather than the form of the contract. The distinction between simple lease contract and lease financing is the degree of risk transfer and the economic future benefits arising from the use of the leased asset:

- A. Lease financing (financial leasing):** it is a lease agreement that would transfer to the lessee substantially all risks and rewards incident to ownership of an asset with or without transfer of ownership at the end of contract.²
- B. Lease (operational leasing):** It is an agreement whereby the lessor transfers to the lessee for a fixed period, the right of use of an asset in Exchange for payment or series of payments.

1.1.1. Classification criteria ³

To be re-qualified in finance lease contract, lease must meet one of the following conditions (paragraph 10 IAS 17):

- The asset transferred to the lessee at the end of contract.
- The lessee has an option to purchase the asset at a price sufficiently less than its fair value when the option may be lifted ;
- Duration of contract is when the service life of asset is close; i.e. that the duration of the contract, by principle than the life expectancy of many, it sensible covers almost all of the latter, there is no transfer of property.

¹ Abbas Ali Mirza & Barry J. Epstein, Wiley IAS 2003: Interpretation and Application of International Accounting Standards, By John Wiley & Sons, USA, 2003, chapter 14.

² ROBERT J.F., MECHIN F., PUTEAUX H., « Normes IFRS et PME », Ed. DUNOD, Paris, 2004, p. 71.

³ KADDOURI. Amar, « Cours de comptabilité financière selon les normes IAS/IFRS », ENAG EDITIONS, Alger 2009, p189.

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- The present value of the minimum lease payments in respect of the rental amounts to almost of the fair value of the leased asset.
- The nature of the leased assets is such that only the lessee can use them without making them major changes.
- The lessee assumes the charges relating to possible termination of the contract.
- Profits and losses due to the change in residual value are borne by the lessee.
- The lessee has the ability to continue the lease for a second period, subject of substantially rent less than the market price.

The discount rate used for calculation the present value of the minimum lease payments in respect of the rental, is the implicit interest rate of contract, and failing the lessee marginal borrowing rate:

- ➔ All other leases are leases (*operating lease*).
- ➔ The classification occurs at the beginning of the contract and cannot be changed later.

1.2. The accounting treatment :

There are two classifications that apply to a lease transaction in the financial statements of the lessee. They are as follows:

1. Operating.
2. Finance.

1.2.1. Operating lease :

The accounting treatment accorded an operating lease is relatively simple; rental expense should be charged to income as the payments are made or become payable. IAS 17 stipulates that rental expense be "recognized on a systematic basis that is representative of the time pattern of the user's benefits, even if the payments are not on that basis. «In case the lease payments are being made on a straight-line basis» (i.e., equal payments per period over the lease term), recognition of the rental expense would normally be on a straight-line basis. However, if the lease agreement calls for either an alternative payment schedule or a scheduled rent increase over the lease term, the lease expense should still be recognized on a straight-line basis unless another systematic and

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rational basis is a better representation of actual physical use of the leased property.

In the case of an operating lease there is no balance sheet recognition of the leased asset because the substance of the lease is merely that of a rental. There is no reason to expect that the lessee will derive any future economic benefit from the leased asset beyond the lease term. There may, however, be a deferred charge or credit on the balance sheet if the payment schedule under terms of the lease does not correspond with the expense recognition, as suggested in the preceding paragraph.

1.2.2. Financial lease:

According to IAS 17, the lessee shall record a finance lease as an asset and an obligation (liability) at an amount equal to the lesser of the fair value of the leased property at the inception of the lease, net of grants and tax credits receivable by the lessors, or the present value of the minimum lease payments. For purposes of this computation, the minimum lease payments are considered to be the payments that the lessee is obligated to make or can be required to make, excluding contingent rent and executory costs such as insurance, maintenance, and taxes.

The minimum lease payments generally include the minimum rental payments, and any guarantee of the residual value made by the lessee or a party related to the lessee. If the lease includes a bargain purchase option (BPO), the amount required to be paid under the BPO is included in the minimum lease payments. The present value shall be computed using the incremental borrowing rate of the lessee unless it is practicable for the lessee to determine the implicit rate computed by the lessor.

The lease term to be used in the present value computation is the fixed, no cancelable term of the lease, plus any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, provided that it is reasonably certain, as of the beginning of the lease, that lessee will exercise such a renewal option.

1.2.3. Depreciation of leased assets:

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The depreciation of the leased asset will depend on how the lease qualified as a finance lease. If the lease transaction met the criteria as either transferring ownership or containing a bargain purchase option, the asset arising from the transaction is to be depreciated over the estimated useful life of the leased property.

Thus, the leased asset is to be depreciated (amortized) over the shorter of the lease term or its useful life if title does not transfer to the lessee, but when it is reasonably certain that the lessee will obtain ownership by the end of the lease term, the leased asset is to be depreciated over the asset's useful life.

The manner in which depreciation is computed should be consistent with the lessee's normal depreciation policy for other depreciable assets owned by the lessee, recognizing depreciation on the basis set out in IAS 16. Therefore, the accounting treatment and method used to depreciate (amortize) the leased asset is very similar to that used for an owned asset. The leased asset should not be depreciated (amortized) below the estimated residual value.

At the inception of the lease the asset and liability (relating to future rental obligation) are recorded in the balance sheet of the lessee at the same amounts. However, since the depreciation charge for use of the leased asset and the finance expense during the lease term differ due to different policies being used to recognize them, it is likely that the asset and related liability balances would not be equal in amount after inception of the lease.¹

→ **Entries skip at the beginning of contract:**

	D	C
Leased equipment	XXX	
Lease obligation		XXX

¹ Abbas Ali Mirza & Barry J. Epstein, op. Cite, chapter14.

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→ **The following entry will be made at the end of each year:**

	D	C
Depreciation expense	XXX	
Accumulated depreciation		XXX

→ **The scriptures pass at the end of year:**

	D	C
Lease obligation	XXX	
Accumulated depreciation	XXX	
Cash		XXX
Leased equipment		XXX

2. Leasing contract (FAS)

Accounting for rentals according to FAS or “SCF” (financial accounting system) contracts is not essentially different from the standard IAS17; these differences concerning the nomenclature of the accounts used are naturally adapted to the Algerian system. SCF define the leasing contract and the lease contract in article 135-1, which States: «... A lease contract is an agreement whereby a lessor transfers to the lessee for a fixed period the right of use of an asset in Exchange for a payment or a series of payments.

Leasing is a contract with the transfer to the lessee substantially all risks and rewards incident to ownership of an asset with or without transfer of ownership at the end of contract.

Simple lease contract means any contract lease other than a finance lease contract...».

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Thus, this new accounting system classifies leases in, financial lease and simple lease according to the economic reality; it means that the reality of transaction through the following cases:

- Ownership of the asset is transferred to the lessee at the end of the rental period.
- Lease gives the lessee the option to purchase the asset at a price sufficiently lower than the fair value at the date on which the option may be thrown so that, from the beginning of the lease, there is a reasonable certainty that the option will be exercised.
- The length of rental covers most of the duration of economic life of the assets even if there is no transfer of ownership.
- At the beginning of the lease, the present value of the minimum lease payments in respect of the rental amounts at least to almost all of the fair value of the leased asset.
- The leased assets are a specific, and only the lessee can use them without making any major changes.

This below accounting treatment concerns a financial contract of leasing.

2.1. Accounting treatment for the lessee:

A leasing contract is accounted by the lessee as a purchase on credit, in accordance with the following general principles¹:

- Registration of capital to the assets in the balance sheet property.
- Accounting for the debt corresponding to the liabilities (debts on finance lease contract), in accordance with the general rules of accounting of a loan (initial recognition at fair value or at the present value of future disbursements, and accounting at each year-end with amortized cost).
- Accounting of a financial cost and a gradual repayment of the loan.
- Accounting for depreciation of the fixed asset and, where applicable, impairment losses.
- Recognition of any deferred taxes related to the restatement of contracts.

¹ Article 135-2 of the Ministerial Decree of July 26, 2008, laying down rules for evaluating and accounting, content and presentation of the financial statements as well as nomenclature and the rules of operation of accounts. (Official journal No. 19 of 2009-03-25).

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Since the takeover by the lessee, the property is recorded by debiting an asset account and crediting the account of debts on finance lease contract.

When the payment of the fees provided in the contract, the amount of the fee is registered:

- Credit a cash account.
- Thus, by debiting the account debts on contract of leasing (sub-account 167) for part repayment of a share.
- By the flow of a financial costs account for party, interests on the other.

In the accounts of the lessee the leased asset is depreciated according to the rules concerning capital.

On the other hand, if there's no a certainty to become owner of the property at the end of lease, the asset must be fully depreciated over the shorter term of the lease contract and its useful life.

2.2. Accounting treatment for the lessor:

The leased property is recorded in the assets (for the financed amount) to the account loans and receivables and liabilities in debts. Financial income is recognized in product as the royalty payments by the lessee, so each user charges made subject to a posting in the lessor as follows:

- Credit the account of financial products (account n°763« Income from receivables »).
- Credit loan account concerned by repayment of capital (account n°274 « Loans and receivables on leasing contracts»).
- Charge cash account.

At the end of the contract, depending on the intended use, the property thus taken may appear in stocks of the lessor (for a next sale) or in its capital (if the lessor intends to use the property itself or will propose it in lease to other third

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parties), or else the lessee exercises the purchase option and keeps the property in its capital.¹

Section three: Leasing in Algeria

1. Market of leasing in Algeria

After its introduction in Algeria, we find that leasing is a remarkable evolution characterized by entry progressive new leasing companies (leasing offer), and by the increase in the use of companies and professionals to this new mode of financing (leasing request).

1.1. The offer of leasing in Algeria:

To better understand the evolution of this technic of financing in Algeria, we considered it essential to present the financial actors who perform this activity and practicing of leasing by these actors.

1.1.1. Algerian Saoudi leasing (ASL)²

ASL holding is an international leasing company whose head office is located in Luxembourg, incorporated on 21 November with a registered capital to the tune of \$ 20 million.

It aims to finance property imported equipment for professional use by residents or practicing economic operators in Algeria.

Given that the BEA, Algerian shareholder, has a network of agencies spread across the whole of the national territory, it brings the ASL from its network operation, of the knowledge of its customers and provides active support for the smooth running of its operations. Properties funded by the ASL are generally:

- The equipment of heavy transport, including ships and aircraft but also equipment of side dishes likes the centenarians, cranes and trolleys.
- Computer equipment necessary for the management of the companies.
- Medical equipment.

1.1.2. Bank «AL BARAKA» of Algeria

¹ Article 135-2 of the Ministerial Decree of July 26, 2008, laying down rules for evaluating and accounting, content and presentation of the financial statements as well as nomenclature and the rules of operation of accounts. (Official journal No. 19 of 2009-03-25)

² Activity report of ASL, 1998, p.2.

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This is one of the first banks which practiced the leasing in Algeria, its field of activity concerns not specific sectors.

1.1.3. The Algerian company of movable leasing «SALEM».

The SALEM is a subsidiary of the National Fund of mutuality agricultural «CNMA», approved by decision of the Bank of Algeria no 97/03 28 June 1997 «the withdrawal of approval n ° 97-03 issued to the Algerian leasing company furniture leasing company SALEM SPA, dated 28 June 1997»¹.

Its capital is set at 1.65 billion from DZD detained at the rate of 1 billion of DZD by the CNMA and 650 million of DZD by the BADR, the CPA, the CNEP Bank and SOFINANCE.

The SALEM SPA is the first financial institution specialized in leasing in Algeria, its primary objective was to establish agricultural mutuality in an agricultural financial group which keeps its mutual status and provide financial services: insurance, banks, leasing. This company was financing the agricultural sector (traction equipment, harvest, etc.), the sector of the food industry (mills, canneries seafood, etc.) and fisheries sector (trawlers, sardines, etc.).

1.1.4. The financial investment of participation and Investment Corporation «SOFINANCE»

SOFINANCE, it is corporation, and is a public financial institution licensed by the Bank of Algeria on January 09, 2001, with a registered capital of 5 billion of DZD.

Its purpose includes all trades developed by the Universal Bank (financial intermediation, encourage the creation and development of companies) excluding deposits clients and management of means of payment.

Financed by leasing mainly:

- Public works and buildings equipment.
- Industrial vehicles.
- Machines

¹Official Journal n ° 60 of October 19, 2008, p. 27.

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1.1.5. Arab Leasing Corporation (ALC)

Arab Leasing Corporation is a financial institution established on 06 October 2001, but its activity began on February 20, 2002. Its capital is set at 758 million from AD; it is underwritten by the following shareholders¹ :

- Arab Banking Corporation-Algeria (ABC-Algeria) : 34%
- The Arab Investment Company (TAIC) : 25%
- CNEP bank: 20%
- DIGIMEX² : 09%
- International Financial corporation (IFC)³: 07%
- ALGEMATCO : 05%

The purpose of (ALC) is to carry the furniture financial leasing operations in order to contribute to the development of Algerian companies and provide assistance to the liberal professions by financing medium-term in accordance with the regulations in force.

Its field of intervention concerns mainly constructions, public works, transport, the processing industry and also the medical field.

1.1.6. Maghreb Leasing Algérie « MLA »

MLA is a new financial institution to Tunisian and European capital, approved by the CMC in October 2005. It commenced operations in May 2006.

MLA has a share capital of 3 500,000,000 DA, Algerian subsidiary of the Tunisian «Tunisia leasing Group» financial institution (TLG). It has as main shareholders:

- Tunisie Leasing⁴: 36%
- La banque tunisienne Amen Bank⁵: 25%
- Dutch FMO : 20%
- Proparco, branch of the French agency of development : 10%
- Maghreb Private Equity Fund : 5%
- CFAO: 4%.

¹ Activity report of ALC, 2005.p.1.

²It excretes in imploration and distribution of building materials.

³It is a subsidiary of World Bank.

⁴ Leasing leader in Tunisie.

⁵ Second private bank in Tunisia.

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It targets first funding for expansion of SME's and the liberal professions by the acquisition of the necessary equipment for their business.

1.2. Demand for leasing in Algeria

After the promulgation of Ordinance No. 96/09 January 1, 1996, businesses and Algerian companies are authorized to use the leasing for the acquisition of their equipment.

This product is intended in particular to small and medium enterprises, as well as the liberal professions. Large companies can also use.

1.2.1. SME/SMI :

Small and medium-sized enterprises "SMEs" and small and medium industries "SMI" is a very important part of the economic fabric Algerian.

These are often confronted with several obstacles for growth and financing, because access to bank financing in the medium term for this category of companies remains limited due to the inadequacies of equity on the one hand, and the constraints imposed by the Bank on the other side. i.e.:

- The requirement of guarantees often impossible.
- Rate of interest and the repayment terms binding.
- The refusal of risk-taking by banks.
- The cumbersome administrative procedures.

Faced with these problems, leasing appears as the most appropriate solution.

Indeed, the core business activities of SME/SMI through leasing in Algeria are agriculture (especially for the acquisition of tractors and combine harvesters), fishing (mainly for the financing of the trawlers), agriculture (for the financing of processing machinery), and transport (for the acquisition of rolling stock).

1.2.2. Liberal professions

Due to the benefits of leasing, professions have found leasing more adequate funding to expand their markets and develop their trade Fund.

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In different sectors of liberal professions, the medical sector which is the leader. These are generally physicians and dentists who access to financing by leasing of equipment for professional use. This formula, it allows them to:

- Renew their equipment at their own pace without worrying about their depreciation.
- Clearly identify operating costs: the invoice is transparent, it indicates the effective and actual cost of the operation of the equipment, to pay fixed.

1.2.3. Large business

Large companies are also dealing with leasing, because it is the appropriate means to satisfy their needs, and because the different benefits that their available, it allows to balance the activity with the mode of investment cycle and also gives the possibility to increase and renew their production capacity.

In Algeria, sectors of activity of large companies that use the leasing are most often:

- The sector of hydrocarbons for the acquisition of drilling equipment.
- The public works sector, for the acquisition of loaders, dumpers, excavators, bulldozers, mixers, trailers and semi-trailers.
- The industry sector for the acquisition of cranes, forklifts, large machines comply with their activity.

2. Legal aspect of leasing in Algeria

«Leasing is one of the modes of financing recently introduced in Algeria...».
The legal framework governing this activity was implemented in 1996 by order 96/09 January 10, 1996.

The regulatory framework of the leasing consists of two executive decrees and settlement Bank of Algeria. It comes to:

- The Decree Executive No. 06-90 20 February 2006 laying down the procedures for advertising furniture (movable) leasing.
- The Decree Executive No. 06-91 of 20 February 2006 laying down the procedures for advertising of real estate (Immovable) leasing operations.
- Regulations No. 96-06 laying down the modalities of establishment of leasing companies and the conditions of their approval.

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And there is in Algerian regulation some main tax measures in favor of the credit lease financing:

- Deductibility of the taxable profit of the paid rent to the lessor (law of finance 1996).
- Exclusion from the scope of the (TPA) from the amount of rents collected relating to the amortization of credit financial lease (finance complementary 2001 Act) operations.
- Alignment of the period of depreciation of fixed assets on contract of financial leasing (finance complementary 2001 law).
- Benefit of equipment falling within the scope of realization of investment, tax and customs benefits provided by Ordinance No. 01-03 August 20, 2001, relative to the development of the investment, when these equipment are acquired by a lessor under financial leasing contract credit agreement with a developer who enjoys the aforementioned benefits (Act of Finance 2003).
- Authorization of banks, financial institutions and corporations engaged in leasing operations to align the tax depreciation of assets acquired under leasing financial depreciation of the credit (Finance 2008 Act).
- (VAT) Exemption of acquisition transactions by banks and financial institutions in leasing (law of Finance 2008) operations.
- The (VAT) exemption for the rents paid by credit, lease on agricultural machinery and those relating to agricultural products in Algeria (complementary finance law 2009) activity¹.

¹ Article 135-1 of the Ministerial Decree at July 26, 2008, laying down rules for evaluating and accounting, content and presentation of the financial statements as well as nomenclature and the rules of operation of accounts. (Official journal No. 19 of 2009-03-25).

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Conclusion:

The development and the emergence of leasing reflect the interest it brings to companies, it is as well as in some countries, having a particular framework, this financing technic could play a leading role particularly important in the development of certain sectors of activity where this product is used to satisfy specific needs.

Through this theoretical part, we presented the leasing, its principles, its different features and aspects in some countries and in our country, explaining the use of undertakings in this product, in fact it is a technic much more complex than a simple series of rents followed by an option to purchase at the end of the contract.

From this chapter, we have achieved the following results:

- The accounting treatment of a leasing operation is explained by IAS 17 and the FASB according to economic ownership, in order to give an economic image to the company.
- The legal context of leasing is explained by Ordinance No. 96/09, 1996.
- Leasing market in Algeria dominated by banks and private financial institutions.

The practice of this technic of financing in Algeria especially in Housing Bank for trade and finance. In order to represent this mode of financing and determine the reasons of choosing this new technic of financing, will be studied in the next chapter.

Chapter 3

*Practical case: financing
by leasing in Housing
Bank for trade and
finance-Algeria*

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

Introduction:

In Algeria, there are a few firms dealing with leasing because leasing is new in our country. The first company of leasing in Algeria is ASL holding, in 29 November 1990, and the next one is SALEM established at 1997, and after that a lot of banks are specialized in leasing like Housing Bank for Trade & Finance – Algeria.

The Housing Bank for Trade & Finance – Algeria, started its activities in October 2003, to offer various financial products and among them leasing.

Housing Bank for Trade & Finance – Algeria starts its first leasing research in 2007. In the same year a proposal for the establishment of the activity that was presented to the board of directors of the Bank. The decision to launch the activity was taken in June 2010 followed by the establishment of the Directorate of the leasing in March 2011. First operation was performed in September 2011.

In this chapter we must see the presentation of Housing Bank for Trade & Finance – Algeria and the treatment of leasing in this bank and then make a benchmarking study including financing by Leasing vs. financing through classical credit.

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

Section one: Presentation of Housing bank for trade and finance-Algeria and its activities

1. General presentation:

1.1. Company constitution:

The Housing Bank for Trade & Finance – Algeria relies, besides the capital experience of its parent bank, on capital is starting from 2.4 billion Algerian dinars or about \$ 30 million US and brought to 10 billion dinars, or about 150 million USD. This capital held by financial institutions with is a rich track record in the field of investment.

Source: Activity report

<i>Shareholders</i>	<i>No. of Shares</i>	<i>%</i>
<i>The Housing Bank for Trade & Finance - Jordan</i>	<i>6,117,075</i>	<i>61.17%</i>
<i>Capital Investment Holding Company - Bahrain</i>	<i>2,382,925</i>	<i>23.83%</i>
<i>Libyan Arab Foreign Investment Holding Company - Algeria</i>	<i>1,500,000</i>	<i>15.0%</i>
<i>Total</i>	<i>10,000,000</i>	<i>100.0%</i>

Table n°5: Main Shareholders as on 31/12/2012

- **The Bank's Shareholders:**

- Paid in Capital: DZD 10 000 000 000.
- Share Nominal Value: DZD 1000.

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

Source: Activity report of housing bank

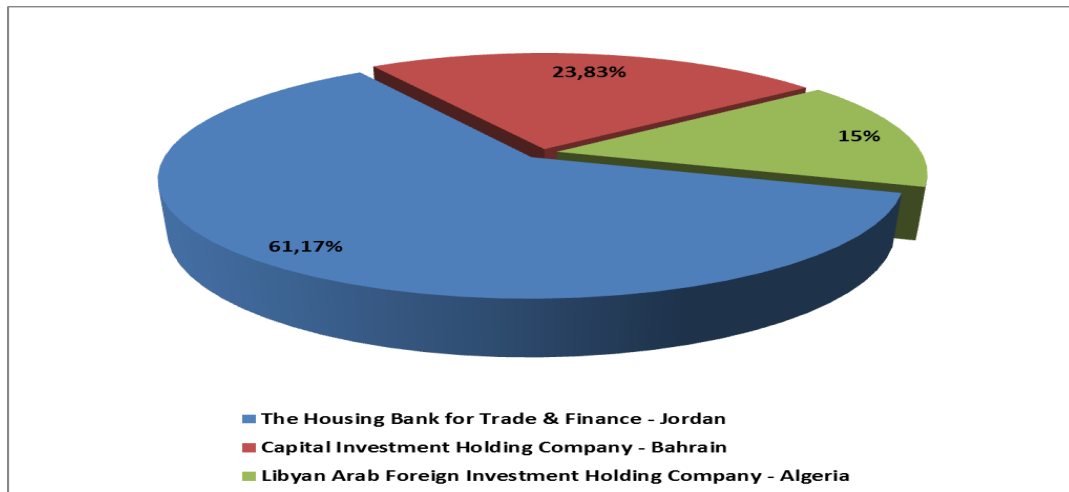


Figure n°5: presentation graphic of company constitution

1.2. Addresses of Head Office & Departments:

To do its job, Housing bank for trade and finance- Algeria exist in 16; street Ahmed Ouaked, Dely Ibrahim – Alger, and it also has many branches in Algeria, which are:

1. Blida Branch → Street of Larbi Tebessi N°61 – Blida.
2. Oran Branch → 10, Coop El Bahia, Hai Essalem ex Saint Hubert-Oran.
3. Setif Branch → 20, Boulevard du 1er Novembre 1954 – Sétif.
4. Dar El Beida Branch → 59 rue Mohammed Khemisti, Dar El Beida, Alger

2. The objectives and missions of Housing Bank

2.1. Objectives of Housing Bank:

- The Housing Bank for Trade & Finance - Algeria is based on a wealth of experience and knowledge acquired during more than thirty years in the financial and banking field.
- Housing Bank Algeria invests the Algerian market with the ambition to earn the trust of its customers, for mission to offer its customers products and banking services modern, quality and consistent with their needs and expectations.

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

- Its policy is to implement a system of quality management to ensure a steady growth of its results and occupy a significant place on the market. To do this, it is fixed as currency satisfies its customers, promote its staff and develop teamwork.¹

2.2. Missions of Housing bank:

A. Offer to customers, businesses and individuals, modern, quality banking services and products and meet their needs and expectations.

B. Participate in the promotion of banking and financial activity in Algerian market. Satisfy customers, promote our staff and develop teamwork.

2.2.1. Activities of the Housing bank for trade and finance:

Whether you are individual, business, or enterprise, Housing Bank Algeria offers a wide range of products and services.

This includes products of the housing bank for trade and finance-Algeria, and those activities are:

- ❖ Financing products:
 - Import financing
 - Leasing
 - Purchase raw materials and good
 - International VISA CARD
 - Investment credit.
- ❖ Placement products:
 - Dinars placement.
 - Currencies placement.
- ❖ E-Services:
 - Monétique.
 - E-Mailing.
 - Web Banking.
 - SMS Banking.

¹ Housing bank activity report.

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3. Organization and performance of Housing Bank:

During my training period in Housing Bank specially in leasing department, I got in touch with the organization of this department or direction and some other directions.

This is some function of each department:

- **Agency Director:**

Director of agency his mission is to implement the action plans to achieve the goals of the Agency (in terms of resources, jobs, recovery of debts, market share).

- **Credit Department:**

Director of Credit his mission is to find the balance between prudence meanwhile financial commitments of the Bank and the imperatives of turnover in the granting of credits

- **Leasing Manager:**

The Director of Leasing has for mission to implement the policy of the Bank faced of leasing, to develop the commitments by the leasing portfolio and ensure the best conditions of security.

- **Risk Management Department:**

The Director of risk Management is to ensure the collaboration with operational structures than the major risks to which the Bank is well identified and proposes the appropriate devices to cover. It verifies the effectiveness of the internal control of the Bank and makes reports and recommendations on the subject to the Executive Director.

- **Finance Department:**

Finance director, his mission is to establish the financial strategy and overseeing the financial management of the Bank. Its main mission is to optimize the financial management of the Bank.

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• **Audit Department:**

Control and Internal Audit Director is to assist the Bank to discover the facts, identify deviations from repositories, identify potential problems, assess risks, and diagnose the causes leading to recommendations for action.¹

3.3. The Bank's Financial Performance:

With the exception of the exercises «2011 and 2012», where the results of the Bank, although positive, accuse a decline due to a policy of caution and expectations continued for provisions, financial indicators of the Bank registered during this period have a permanent increase which reflects the good financial health of the institution.

Source: Balance sheet of the bank

Item	2012	2011
Blance Sheet		
Total Assets	40,550,336,160	30,285,334,009
Total Liabilities	40,550,336,160	30,285,334,009
Income Statement		
Profit for the year	1,440,520,019	1,089,339,048
OFF BALANCE SHEET		
Obligations	29,254,074,291	20,661,899,206
Guarantees	19,606,799,941	13,638,818,479

Table n°6: Financial situation of Housing Bank

3.3.1. Operations results

During 2012, the Bank was able to achieve net profits before tax amounting to DZD2017.3 million, an increase of DZD498.1 million or 33% over 2011; whilst net profits after tax amounted to DZD1440.5million, an increase of DZD351.2 million or 32% over the previous year. This growth in profits asserts

¹ Bank flowchart

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

the Bank's capability to invest its funds with high competency and in line with the strategy it pursues through activating the long term banking relations with its customers, developing business with them and attracting more new customers from various targeted economic sectors.

Source: Housing bank activity report.

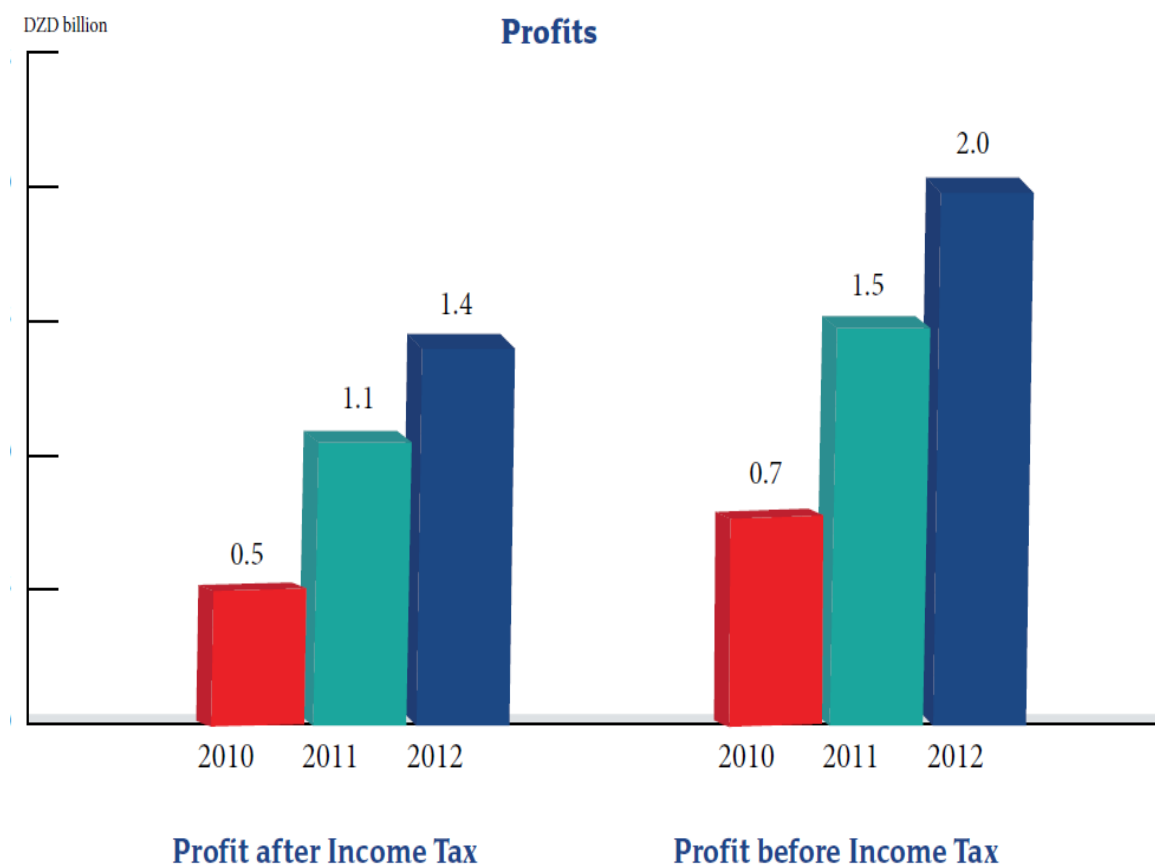


Figure n°6: Profits of the bank during 2010 to 2012

The details of the operating results achieved by the Bank during 2012 are as follows:

- Net income increased from DZD2.5 billion during 2011 to DZD3.1 billion during 2012, an increase of DZD556 million or 22%.
- Net interest income increased from DZD703 million during 2011 to DZD845 million during 2012, an increase of DZD142 million or 20%.
- Net commission income increased from DZD1.1 billion during 2011 to DZD1.3 billion during 2012, an increase of DZD230 million or 21%.

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

3.3.2. Financial Position:

The Bank's assets grew by DZD10.3 billion or 34% since the end of 2011 to reach DZD40.6 billion at the end of 2012. Such increase has been achieved as a result of increase in the customers' deposits and increase credit portfolio. It is worth mentioning in this context that the Bank retains a balanced combination of fund sources and the uses thereof within its liquidity management system.

3.3.3. Customers' Deposits:

During 2012, the balance of Customers' deposits with the Bank increased by DZD5.3 billion, or 44% from the balance at the end of 2011 to reach DZD17.3 billion at the end of 2012.

3.3.4. Credit Portfolio:

The credit portfolio increased by DZD1.9 billion or 19% from the end of 2011 to reach DZD11.8 billion at the end of 2012. It is worth mentioning in this context that the off balance sheet commitments witnessed a significant increase in both outward L/Cs and L/Gs.¹

Section two: Procedures of leasing treatment

1. Leasing in Housing Bank for trade and finance- Algeria

The bank has a portfolio about 50 contracts that generally represent a close commitment of 550 million dinars. Customers of the bank are primarily the companies of BTP; they are present also in manufacturing industries such as leather or paper processing, and in medical equipment.

To use financing by leasing we must choose a contract, Housing bank offered Standard contract, which is common to the whole of the professions. Their duration on the other hand is variable and can spread from 2 to 5 years depending on the type of equipment financed. It is as well as for the hardware, for reasons of technological obsolescence, the times are closer to 2 years while for equipment to the construction industry, they are generally close to 5 years. However, everything is negotiable with the client on the basis of a standard folder which is very simplified compared to what is required for example for a

¹ Housing bank activity report.

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classic investment financing. Rents can be monthly or quarterly and are calculated according to the repayment ability of the client.

1.2. Characteristics of leasing in housing Bank:

Leasing is a technic of financing which utilizes three principal actors:

- ▬ The supplier that is a manufacturer or salesman.
- ▬ The lessor in fact the bank which bought the goods to rent it for its customer.
- ▬ The tenant or the lessee who takes in hiring the goods by reserving the option definitively to acquire it at the end of the leasing agreement.

2. General conditions of financing:

It is advisable to specify initially, that the mode of financing by leasing type that the housing bank for trade and finance-Algeria, proposes to set up relates to the goods (material and equipment) of professional or industrial use.

With the financing by leasing the material and following equipment are eligible:

3. Vehicles of tourism of strictly professional use.
4. Commercial vehicles for the goods and passenger transport.
5. Machines and materials of public works.
6. The equipment of handling and drilling.
7. The medical equipment and materials.
8. Industrials equipment.

2.1. Shares to be financed:

The operation of leasing is financed at 100% by housing bank, however one 1st strong rent could be required taking credit going from 5% to 20% according to the study of the risk

2.2. Financial Conditions of installation:

2.2.1. Duration of the credit:

This one will relate to medium term and from this fact it will vary from 02 to 05 years according to the nature of the equipment or material to finance.

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2.2.2. The margin rate:

Majority of the financial operators in the field of leasing are very reluctant to display their margin rate. This is not the policy pursued by Housing Bank Algeria. In particular that with application of the new accounting standards IFRS, the client is implicitly consider as the owner of the equipment which is the subject of the leasing contract. For this reason, the margin rate should be displayed clearly. It is also more often subject of negotiation with the client and varies depending on the risk associated with the contract. In general, it stands at around 12% what remains very moderate compared to the practice of the market in which is not uncommon to find margins that far exceed this rate.

2.2.3. Rent:

Are established by taking account of the amount and the duration of leasing and can be constant, linear, decreasing according to the activity of taking credit. The rents applied by Housing bank is monthly or quarterly and they can have in the long term fallen or has to fall.

2.2.4. Residual value:

This one will be able to be fixed or to lie between 1% and 2% of the amount to acquisition of material or the equipment.

2.2.5. Methods of payment of the rents:

The payment of the rents will be carried out by the handing-over with the cashing of the promissory notes held by housing bank.

2.2.6. Agency fee of the files of leasing:

An agency fee is planned for engagements in leasing; this one will be posted on our conditions of bank.

2.2.7. The limit operational time:

The deadline of use would not know exceeded one year from the date of signature of the authorization ticket.

2.2.8. Fees registration (taxes) and of inscription (CNRC):

Must to apply in accordance with the regulation into force on the matter, are with the load of the lessee and will be compensated by the agency fees of the file.

2.2.9. The collection of guarantees: Leasing has many risks which are:

- The risk binds by the quality of the lessee.
- The risk associated with the quality of the good that was chosen by the lessee.
- The risk associated with the depreciation of the equipment.

3. The different phases of treatment:

3.1. Procedures of treatment the requesting of financing by leasing:

Firstly, the lessee must provide a file made up of indicated hereafter in double specimen and must be deposited either on the level of one agencies or the level of the sales management or the direction of leasing.

The file of the lessee must contain what follows according to the legal nature of the applicant

After that, implementation of the decisions of financing: In the event of agreement of the committee of credit and the reception of the ticket of authorization, the installation of financing in leasing will follow the following procedures:

- To inform the lessee.
- To invite the taking credit (lessee) to sign the contract of leasing.
- To establish the final bill book of rents payments and the residual value and the expenses.
- To confirm the order with the supplier and to fix a possible date of removal material or the equipment.
- To follow the delivery of the equipment or the materials.
- To subscribe insurance in all risks for financed material whose expenses will be with the load of the taking credit.

3.2. Procedures to receive goods financed by leasing:

3.2.1. The signing of contract the supplier of equipment:

Funding will not know a beginning of consumption than after completion of all the formalities prescribed in the authorization ticket.

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3.2.2. Delivery the property:

The Bank may instruct the client to receive and install the equipment as well as to carry out all the administrative procedures or other related.

A verbal trial of provisional acceptance of material, jointly between the lessor and the lessee and the supplier in triplicate. This document once signed, allows the Bank to precede the payment of supplier.¹

3.2.3. The commissioning of equipment:

During this phase of the operation the Bank must ensure that it has:

- ✓ Collected the required guarantees.
- ✓ Affixed to the equipment an inventory number.

3.2.4. Maintenance of equipment:

The lessee, as stipulated in the leasing contract, is responsible for the periodic maintenance of the equipment.

3.2.5. Payment of rent:

Rents are paid according to the periodicity set out in the payment schedule and the leasing contract.

The account of the lessee must be sufficiently funded to ensure periodic rents without incident.

Any delay in settlement over a period of 48 hours will be brought to the knowledge of the client by mail with acknowledgement of receipt; to regularize its situation otherwise recovery through legal channel will be started within a week.

3.2.6. End of the contract:

At the end of leasing contract, branch of leasing in collaboration with the Department followed by commitments and the directorate of legal affairs, will proceed the transfer of material to the residual value in accordance with a schedule for payment of rents and leasing contract.

¹ Leasing direction report

3.3. The credit-lease contract:

3.3.1. The mandatory terms of the leasing contract:

Under the terms of the above-mentioned Ordinance to leasing, the leasing contract mentioned expressly in its object:

- The guarantee to lessee of uses and enjoyment of the leased property for a minimum period and at a fixed price in advance, as was the owner.
- Insurance to the credit perception of a lessor amount of a rents term called «irrevocable period» during which it can be put at the end of the lease, unless otherwise agreed parties.
- The possibility for the lessee to acquire the property leased to a residual value taking into account rental income, if he decides to exercise the option of purchase.

3.3.2. The proxy clause of the leasing contract:

These clauses are important and they are protective of the interests of the Bank.

Leasing offers the possibility to transfer to the lessee all rights, obligations, benefits, drawbacks and risks associated with the ownership of the property financed by leasing and the exemption of credit lessor's obligation generally chargeable to the lessor.

Thus it should be charged to the lessee credit all obligations which usually the owner of the leased property. It must provide:

- The installation of the leased property at its expense and risk.
- The obligation of maintenance and repair.
- The obligation of insurance in all risks.

3.4. Transit operations:

Customs clearance and transit operations will be entrusted to a freight forwarder, which can chose by mutual agreement with the buyer credit of equipment, the supplier shall transmit to the Housing Bank:

- Fax delivery particulars (name of ship, packing list...)

- By express mail (DHL, TNT, UPS...), a complete set of clearance documents in addition to those transmitted by the banking channel. This information will be provided to the freight forwarder to repair the file of customs clearance and thus avoid delays which could be detrimental to the Bank and the buyer credit such as demurrage, charges.
- **Control & coordination :** The leasing Directorate shall designate an agent who will be responsible for:
 - Monitoring of import operations.
 - Relations with the insurance company and the freight forwarder.
 - Coordination with the lessee for the removal of the material or equipment reception.

3.5. Accounting treatment for the leasing:

The accounting scheme of the leasing operations with margin recorded in the mobilization of the credit as well as accounting for leasing acquired by import transactions is as follows:

3.5.1. Material codes:

Housing bank is involved in financing credit-lease of equipment and materials listed and codified as follows:

- Equipment rolling stock (trucks & buses): category A.
- Commercial vehicles: category B.
- Machinery and equipment for public works: category C.
- Lifting, handling and drilling equipment: category D.
- Machines, tools and miscellaneous equipment: category E.
- Medical equipment: category F.

3.5.2. Clients codes :

The customer of the Bank is identified by its current account opened with one of the agencies. This account must be included on all invoices of leasing rents, correspondence and business records to share with clients benefiting from the leasing.¹

¹ Leasing direction report

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3.5.3. Accounting for the commissions study and case management:

DEBIT	CREDIT	REMARKS
220 140 Customers current account		No collected VAT case of exemption.
	704 350 Commissions of studies and files management (commission) 341 140 Collected VAT. 704 353 Commissions of studies and files management (no taxes).	Exemption Case

3.5.4. Accounting for the mobilization of the leasing operation:

DEBIT	CREDIT	REMARKS
205 100 leasing (main +margin).		
	340 900 short term leasing operation (main) 365 100 leasing margin (margin).	

3.5.5. Regulation of rents on credit – lease:

DEBIT	CREDIT	REMARKS
220 140 Current account of customers (main + margin + VAT)		Non collected VAT case of exemption
	205 100 Leasing (main + margin) 341 140 Collected VAT on margin	
365 100 kept margin (for the margin)		
	704 300 leasing margin with taxes Or	
	704 303 leasing margin without taxes	Case of an client is exempted from VAT

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3.5.6. Accounting (tax) registration and publication fees:

DEBIT	CREDIT	REMARKS
604 340 costs of recording the lease contract.		
	261 050 short term leasing operation (provision).	

3.5.7. Regulation with advances:

DEBIT	CREDIT	REMARKS
220 140 Customers current account (main + margin) (Period+ commissions).		
365 100 Kept lease margin (For the rest margin).		
	205 100 Leasing.	
	341 140 Collected VAT.	
	704 370 taxable margin on payment by anticipation of lease operation.	There is VAT calculate case of exemption.
	704 373 non-taxable margin on payment by anticipation of lease operation	For clients they have a VAT exemption.

Section three: A benchmarking study: Financing through Leasing vs. financing through classical credit.

1. Practical case treated by Housing bank for trade and finance-Algeria

1.1. Construction of the sample:

The construction of the two sub-samples raises the dual problem of representativeness and the homogeneity of the two sub-samples. So that the indicator of risk can be applied to a company, the sample from which it is established must be representative of the economy: from the point of view of the sectors of activity, the size of the companies but also of the relationship between the number of leasing firms and classical credit companies.

The target population is incorporated companies in several sectors of activity, domiciled at the Housing Bank. These companies have all benefited at least a credit in the period 2012.

The sample contains 25 companies including 9 firms (36%) are using leasing and 16 firms financed by classical products (64%).

The sample covers the whole of the national territory from different states (Wilayate) of Algeria and contains only files accepted by the Bank which can skew the quality of the model

1.2. Selected ratios:

A first selection was carried out on the basis of the ratios most commonly used by analysts as being the variables explaining the use of leasing

1.3. Construction of classes:

After choosing the most discriminating ratios, we should set standards that allow locating each firm in its sector of activity and comparing competitors. This construction based on use of leasing by demanding him or her existence in the balance sheet.

1.4. Adjustment of the probability distributions:

We are interested in comparing the means of two (leasing firms: μ_1 , and classical credit firms: μ_2) and we use 2 independent samples with means (leasing firms, \bar{x}_1 , and classical credit firms, \bar{x}_2) to estimate this difference.

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Formula:

$$t = \frac{(\bar{x}_1 - \bar{x}_2) - (\mu_1 - \mu_2)}{S_{\bar{x}_1 - \bar{x}_2}}$$

It tells us the average distance between the sample difference ($\bar{x}_1 - \bar{x}_2$) and the population difference ($\mu_1 - \mu_2$) which is null under H_0 .

1.5. Hypothesis testing using an Independent Samples t-Test:

Firstly we want to know if there are any significant differences between the characteristics of firms using leasing and those using long term debt. After that we compare the means of leasing and non-leasing firms by excluding from both groups export-import firms.

1.5.1. Hypothesis 1:

H_0 = There is no difference in the mean of utilization equity in leasing firms and classical credit firms.

H_1 = There is a difference in the mean of utilization equity of the firms that use leasing and firms use classical products.

It means:

$H_0: \mu_1 - \mu_2 = 0$ ($\mu_1 = \mu_2$)

$H_1: \mu_1 - \mu_2 \neq 0$ ($\mu_1 \neq \mu_2$)

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Table n°7: Sample t-test to compare the mean of leasing firms and classical credit firms

Variable	mean 1	mean 2	Difference (mean1- mean2)	df	t-statistics	significance level	Decision
E /E+D	0.637	0.716	- 0.0784	23	-0.683	0.501	NS
D/E+D	0.3622	0.283	0.784	23	0.683	0.501	NS
Propriety Ratio	0.254	0.434	-0.180	23	-1.346	0.191	NS
ROE	0.357	0.1866	0.170	23	1.672	0.108	NS
Profit margin	0.670	0.031	0.638	23	1.457	0.159	NS
NN current asset/ Total asset	0.297	0.276	0.020	23	0.226	0.823	NS
Current ratio	1.154	3.168	-2.014	23	-1.061	0.3	NS
Quick ratio	0.223	2.047	-1.824	23	-1.203	0.241	NS
ROA	0.0795	0.0435	0.0359	23	1.271	0.216	NS
Cash/ Total asset	2.670	0.120	2.549	23	1.558	0.133	NS
Working capital/ Total asset	0.0889	0.290	-0.201	23	-2.218	0.037	**
Debt-Equity ratio	1.075	0.636	0.438	23	1.096	0.285	NS

Source: Established by the student

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Table n°8: significance levels

Pearson 2-tailed	Meaning
p < 0.1	*
p < .05	**
p < 0.01	***
NS	Non-significant level

Source: Established by the student

1.5.1.1. Comments and interpretations:

II. E/ E+D (Participation of equity in investment):

- The mean of classic credit firms is higher than leasing firms
- The t-test is not significant; indicating that the difference in mean of utilization of equity is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the level of use of equity for leasing firms and classical credit firms. There is no significant difference ($t = -0.683$ and $p = 0.501$).

We therefore accept the null hypothesis and reject the alternative hypothesis

III. D/ E+D (Participation of debt in investment):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant; indicating that the difference in mean of utilization of debts is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the level of debt for leasing firms and classical credit firms. There is no significant difference

($t = -0.683$ and $p = 0.501$).

We therefore accept the null hypothesis and reject the alternative hypothesis

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IV. Propriety Ratio = Shareholders fund / Total asset

- The mean of classic credit firms is higher than leasing firms.
- The t-test is not significant, indicating that the difference in mean of shareholder's fund is significant ($p > 0.1$).

An independent sample t-test was conducted to compare the Shareholders fund from the leasing firms and classical credit firms. There is no significant difference ($t = - 0.629$ and $p = 0.117$).

We therefore accept the null hypothesis and reject the alternative hypothesis

V. ROE = Net income / Equity (increasing in equity):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant; indicating that the difference in mean of equity increasing is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the equity increase from the leasing firms and classical credit firms. There is no significant difference ($t = 1.672$ and $p = 0.108$).

We therefore accept the null hypothesis and reject the alternative hypothesis

VI. Profit margin = Net income / Sales (handling expenses):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of profit margin is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the profit margin from the leasing firms and classical credit firms. There is no significant difference

($t = 1.457$ and $p = 0.159$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

VII. Non-current asset/Total of asset (Part of fix asset):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in the mean of fix asset is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the fix asset from the leasing firms and classical credit firms. There is no significant difference

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($t = 0.226$ and $p = 0.831$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

VIII. Current ratio = Current asset /current liabilities (Ability to pay current debt without resort to outside financing)

- The mean of classic credit firms is higher than leasing firms.
- The t-test is not significant; indicating that the difference in mean of current ratio is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the ability to pay current debt without having outside financing by leasing firms and classical credit firms. There is no significant difference ($t = 1.061$ and $p = 0.30$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

IX. QUICK RATIO = Quick assets / current liabilities (Quick asset is already in the form available cash):

- The mean of classic credit firms is higher than leasing firms.
- The t-test is not significant; indicating that the difference in mean of current ratio is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the quick ratio by leasing firms and classical credit firms. There is no significant difference

($t = - 1.203$ and $p = 2.41$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

X. ROA = Income / Total of asset (how well company is using its assets to make money):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of ROA is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the return on asset by leasing firms and classical credit firms. There is no significant difference

($t = 1.271$ and $p = 0.216$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

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XI. Cash / Total of assets (part of available from the whole of assets):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of cash is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the part of cash from asset by leasing firms and classical credit firms. There is no significant difference ($t = 1.558$ and $p = 0.133$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

XII. Working capital / Total of asset (Funds available to finance current business operations):

- The mean of classic credit firms is higher than leasing firms.
- The t-test is significant, indicating that the difference in mean of working capital is significant at ($p < 0.05$) and ($p < 0.1$).

An independent sample t-test was conducted to compare the funds they are available to finance current operations by leasing firms and classical credit firms. There is significant difference ($t = - 2.218$ and $p = 0.037$).

We therefore reject the null hypothesis and accept the alternative hypothesis.

XIII. Debt-Equity ratio = Debt / Equity: Measure of a company's financial leverage.

- The mean of classic credit firms is higher than leasing firms.
- The t-test is not significant; indicating that the difference in mean of debt on equity is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the financial leverage by leasing firms and classical credit firms. There is no significant difference ($t = 1.096$ and $p = 0.285$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

1.5.2. Hypothesis 2:

This cross tabulation shows that among 12 Imp-Exp firms only 2 firms use leasing, while among the non-import/export firms in my sample 7 out of 13 use leasing.

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Perhaps, it is more useful to compare the means of the two groups out of the 13 non import/export firms.

Table n° 9: Import-export * leasing Cross tabulation:

		Leasing		Total
		0	1	
Import-export	0	6	7	13
	1	10	2	12
Total		16	9	25

Source: Established by the student

H0 = There is no difference in the means of financial ratios in non-export & import about leasing firms and classical credit firms.

H1 = There is a difference in the mean of financial ratios in non-export & import firms that use leasing and firms use classical products.

It means:

$$H_0: \mu_1 - \mu_2 = 0 \quad (\mu_1 = \mu_2)$$

$$H_1: \mu_1 - \mu_2 \neq 0 \quad (\mu_1 \neq \mu_2)$$

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Table n°10: Sample t-test to compare the mean of non-Exp & Imp leasing firms and classical products firms

Variable	mean1	mean2	Difference (mean1- mean2)	df	t-statistics	significance level	Decision
E /E+D	0.773	0.551	0.221	11	1.639	0.129	NS
D/E+D	0.226	0.448	-0.221	11	-1.639	0.129	NS
Propriety Ratio	0.478	0.275	0.202	11	1.519	0.157	NS
ROE	0.068	0.372	-0.304	11	-2.077	0.062	*
Profit margin	0.026	0.080	-0.533	11	-1.176	0.265	NS
NN current asset/ Total asset	0.471	0.338	0.133	11	1.176	0.264	NS
Current ratio	2.006	1.174	0.831	11	1.295	0.222	NS
Quick ratio	0.955	0.154	0.801	11	2.325	0.040	**
ROA	0.028	0.086	-0.057	11	-1.234	0.243	NS
Cash/ Total asset	0.094	3.409	-3.314	11	-1.076	0.305	NS
Working capital/ Total asset	0.227	0.093	0.133	11	1.356	0.202	NS
Debt-Equity ratio	0.36	1.36	-1	11	-1.792	0.101	NS

Source: Established by the student

1.5.2.1. Comments and interpretations:

1) E/ E+D (Participation of equity in investment):

- The mean of classic credit firms is higher than leasing firms
- The t-test is not significant; indicating that the difference in mean of utilization of equity is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the level of use of equity for leasing firms and classical credit firms. There is no significant difference ($t = 1.639$ and $p = 0.129$).

We therefore accept the null hypothesis and reject the alternative hypothesis

2) D/ E+D (Participation of debt in investment):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of utilization of debts is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the level of debt for leasing firms and classical credit firms. There is no significant difference

($t = -1.639$ and $p = 0.129$).

We therefore accept the null hypothesis and reject the alternative hypothesis

3) Propriety Ratio = Shareholders fund / Total asset

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of shareholder's fund is significant ($p > 0.1$).

An independent sample t-test was conducted to compare the Shareholders fund from the leasing firms and classical credit firms. There is no significant difference ($t = 1.519$ and $p = 0.157$).

We therefore accept the null hypothesis and reject the alternative hypothesis

4) ROE = Net income / Equity (increasing in equity):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is significant, indicating that the difference in mean of equity increasing is significant ($p < 0.1$).

An independent sample t-test was conducted to compare the equity increase from the leasing firms and classical credit firms. There is a significant difference

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($t = -2.077$ and $p = 0.062$).

We therefore reject the null hypothesis for ($p = 5\%$ but not for $p = 10\%$) and accept the alternative hypothesis

5) Profit margin = Net income / Sales (handling expenses):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of profit margin is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the profit margin from the leasing firms and classical credit firms. There is no significant difference

($t = -1.176$ and $p = 0.265$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

6) Non-current asset/Total of asset (Part of fix asset):

- The mean of classic credit firms is higher than leasing firms.
- The t-test is not significant, indicating that the difference in the mean of fix asset is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the fix asset from the leasing firms and classical credit firms. There is no significant difference

($t = 1.176$ and $p = 0.264$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

7) Current ratio = Current asset /current liabilities (Ability to pay current debt without resort to outside financing)

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant; indicating that the difference in mean of current ratio is not significant at all levels ($p > 0.1$).

An independent sample t-test was conducted to compare the ability to pay current debt without have outside financing by leasing firms and classical credit firms. There is no significant difference ($t = 1.295$ and $p = 0.264$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

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8) QUICK RATIO = Quick assets / current liabilities (Quick asset is already in the form available cash):

- The mean of classic credit firms is higher than leasing firms.
- The t-test is significant, indicating that the difference in mean of current ratio is significant ($p < 0.05$) and ($p < 0.1$).

An independent sample t-test was conducted to compare the quick ratio by leasing firms and classical credit firms. There is significant difference

($t = 2.325$ and $p = 0.040$).

We therefore reject the null hypothesis and accept the alternative hypothesis.

9) ROA = Income / Total of asset (how well company is using its assets to make money):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of ROA is not significant ($p > 0.1$).

An independent sample t-test was conducted to compare the return on asset by leasing firms and classical credit firms. There is no significant difference

($t = -1.234$ and $p = 0.243$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

10) Cash / Total of assets (part of available from the whole of assets):

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of cash is not significant at all significant levels ($p > 0.1$).

An independent sample t-test was conducted to compare the part of cash from asset by leasing firms and classical credit firms. There is no significant difference ($t = -1.076$ and $p = 0.305$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

11) Working capital / Total of asset (Funds available to finance current business operations):

- The mean of classic credit firms is higher than leasing firms.
- The t-test is not significant, indicating that the difference in mean of working capital is significant ($p > 0.1$).

An independent sample t-test was conducted to compare the funds they are available to finance current operations by leasing firms and classical credit firms. There is no significant difference ($t = 1.356$ and $p = 0.202$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

12) Debt-Equity ratio = Debt / Equity: Measure of a company's financial leverage.

- The mean of leasing firms is higher than classic credit firms.
- The t-test is not significant, indicating that the difference in mean of debt on equity is not significant at all significance levels ($p > 0.1$).

An independent sample t-test was conducted to compare the financial leverage by leasing firms and classical credit firms. There is no significant difference ($t = -1.792$ and $p = 0.101$).

We therefore accept the null hypothesis and reject the alternative hypothesis.

2. A benchmarking study: Financing through Leasing vs. financing through classical credit

In this research we are examining the influence of financial features on the use of financial leasing. Using a population which contains 25 firms from different states (Willaya) of Algeria taken by Housing bank, and after that we reduce this population in 13 firms and their activities aren't export and import, because we found just 2 firms use leasing, so there are two results:

Firstly, we found evidence that working capital has a significant positive effect on the dependent variable. It mean that the capital amount for leasing firms required for the day to day expenses of the business activities, in other words leasing firms has necessary amount to cover the cost of operating activities.

Second result, we found two sings that return on equity effect on non-export and import leasing firms. This means, non-export and import leasing firms have

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

a profit for each dinar invested in the firm, and this is important to attract stockholders and potential investors to invest in these firms.

The second sign is the significance of quick ratio and this means that the leasing firms have the ability to meet their obligations. So in this case leasing firms have a strong financial health.

Chapter Three: Practical case: Financing by leasing in Housing Bank for trade and finance-Algeria

Conclusion:

After the study of a case practices in financing of an investment by leasing within Housing bank for trade finance-Algeria, we can say that this financial product is practically treated like any traditional bank credit. Indeed, the time of treatment of file, the banking margin, and term of contract has different steps from the other products.

Leasing is a technique of financing more making safe for the bank since it becomes owner of the good financed of with dimensions, and more interesting for the customer because its personal capital contribution is less important than the other forms of credit.

From this chapter, we concluded the following results:

- The treatment of request for leasing is carried out like all the operations of existing credit in Housing bank for trade finance-Algeria.
- The rate of margin applied of this financial product is generally very high by contribution with other modes of financing.
- From the practical case in housing bank we found leasing firms recover its cycle of business activity.
- Non-export and import leasing firms have a strong financial health and make profit to attract investors.

General conclusion

General conclusion:

In 1989 Algeria launched its economic by imposing market's economy rules, because it would provide an opportunity for stakeholders to consider the use of several mechanisms to finance the economy previously ignored or unknown, what has happened by the introduction of leasing with the law 90-10 / 14 April 1990 related to the currency and credit.

From the first chapter of the present work, it is clear that the multiple benefits of leasing and its diverse kind to the countless needs of the company have favored its development of this technique, even in developing countries as in Morocco and Tunisia, without being equipped with a specific framework.

The leasing in Algeria appeared only recently and began to develop after the implementation by the Government of a legal and a fiscal framework favoring its evolution and which gave birth to the leasing companies (SALEM, ALC...).

This financial product caters to all businesses and especially SMEs which constitute a very important Algerian economic part, generally characterized by eligibility which is reduced for the traditional bank loans and by the important potential growth.

Large companies for which leasing represents an opportunity to expand their debt capacity and enables rapid development; it is an advantageous alternative to investment financing.

The effective implementation of the leasing in Algeria has been after the publication of Act No. 96-09 about leasing and tax and regulatory adjustment introduced by the complementary finance law in 2001 concerning depreciation rules for leasing companies, to professional activity (T.A.P) tax, advantages granted to investors; without those adjustments, leasing could not be applied like we saw in the second chapter.

However, leasing is not known to the various economic operators; there is no culture of leasing and its design by Algerian lessors which makes it more restrictive and less interesting than the classic credit in the medium and the long term, which is detrimental to its development. Although the legislature has conferred upon the lessor a set of privileges and guarantees credit to minimize various risks.

General conclusion:

The Algerian lessor practice leasing attentively. Indeed, the framing of this mode of financing introduced recently. As the banker or the lessor who has no instruments for studies of funding (statistics, the Central of balances which is not operational, industry standards, reliable accounting documents). We also regret the absence of institutions or organs specialized in the evaluation of projects and companies to ensure their good financial situation, the viability and profitability of their projects, these latter elements constitute the best guarantee for donors.

The problem of the disposal assets after their recovery at the end of a contract or in case of disputes with the tenant is that leasing companies reduce their fields of intervention goods readily saleable on the market, such as rolling stock, and this at the expense of large projects.

This caution is that in the majority of cases these lenders don't grant 100% of financing and require the maximum of guarantees, thus discouraging investors to opt for leasing.

Regarding the case of the Housing Bank for Trade and Finance-Algeria in the third chapter where I made my internship, the practice of leasing is similar to a classic credit. The main advantages of this product as a 100%, guarantee reduced, the related funding and services are not available.

This manifests itself on the one hand by the Bank margin in force which does not differ from the other products, unlike what is practiced (leasing is more expensive) and on the other hand, conditions for reimbursement where the client benefits from deferred period and carries out the rental fees in arrears, in other words it allows the client to pay after he realizes profits, in return the Bank requires real or personal guarantees.

The contribution of leasing in the finance of the Algerian economy is very modest; the practice of this form of financing is still in its infancy. Its development is articulated in my opinion around the following points:

- Specialization of leasing companies (structures and appropriate organizations) in order to better know the markets on which they operate and the products they offer.
- We found financing by leasing the best way to cover the cost of operating activities.

General conclusion:

- Financing by leasing make firms have a strong financial health especially non-export and import firms.
- The improvement of the quality of service and the speed of the processing of applications for funding are two important expectations of the market.
- Learn from the experiences of other countries, such as the Moroccan and Tunisian.
- Easy access to banks and leasing companies to reliable information, to reduce the risk, or taking controlled risks.
- Establish a tax environment more favorable to leasing companies and businesses.

The development of this tool, will allow funding for many projects, involving the renovation or the renewal of equipment, the creation as well as the extension of production capacities, to meet many investment opportunities.

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Abstract

The lease or leasing is a simple and flexible technique for the company, a means of competitive funding to bank credit, an original product, allowing all companies especially the smallest among themselves to finance their investments and the expansion of their activity without provided tapping sound of their own funds.

Since its opening to the market economy, the Algerian economy is characterized by a need to revive these investments on the one hand, and to renew and upgrade a tool of efficient production especially for SMEs on the other hand. Faced with this situation imposing the search for new forms of financing that fits this context, Leasing found its place as a strategic tool of financing investments, after the publication of order 96/09 of 10 January 1996.

Despite the practice of this financial product in Algeria is overdue, but development of this technique is an alternative for growth for small businesses that looking for ways to finance their investments, and at the same time an expansion factor for large companies who have access to another source of financing.

Key words

- Financing.
- Leasing.
- Classical credit.

Appendix

Appendix

Appendix n°1 : UNIDROIT Convention on international financial leasing (Ottawa, May 28, 1988)

UNIDROIT CONVENTION ON INTERNATIONAL FINANCIAL LEASING

(Ottawa, 28 May 1988)

THE STATES PARTIES TO THIS CONVENTION,

RECOGNISING the importance of removing certain legal impediments to the international financial leasing of equipment, while maintaining a fair balance of interests between the different parties to the transaction,

AWARE of the need to make international financial leasing more available,

CONSCIOUS of the fact that the rules of law governing the traditional contract of hire need to be adapted to the distinctive triangular relationship created by the financial leasing transaction,

RECOGNISING therefore the desirability of formulating certain uniform rules relating primarily to the civil and commercial law aspects of international financial leasing,

HAVE AGREED as follows:

CHAPTER I - SPHERE OF APPLICATION AND GENERAL PROVISIONS

Article 1

1. - This Convention governs a financial leasing transaction as described in paragraph 2 in which one party (the lessor),

(a) on the specifications of another party (the lessee), enters into an agreement (the supply agreement) with a third party (the supplier) under which the lessor acquires plant, capital goods or other equipment (the equipment) on terms approved by the lessee so far as they concern its interests, and

(b) enters into an agreement (the leasing agreement) with the lessee, granting to the lessee the right to use the equipment in return for the payment of rentals.

2. - The financial leasing transaction referred to in the previous paragraph is a transaction which includes the following characteristics:

(a) the lessee specifies the equipment and selects the supplier without relying primarily on the skill and judgment of the lessor;

(b) the equipment is acquired by the lessor in connection with a leasing agreement which, to the knowledge of the supplier, either has been made or is to be made between the lessor and the lessee; and

(c) the rentals payable under the leasing agreement are calculated so as to take into account in particular the amortisation of the whole or a substantial part of the cost of the equipment.

3. - This Convention applies whether or not the lessee has or subsequently acquires the option to buy the equipment or to hold it on lease for a further period, and whether or not for a nominal price or rental.

4. - This Convention applies to financial leasing transactions in relation to all equipment save that which is to be used primarily for the lessee's personal, family or household purposes.

Article 2

In the case of one or more sub-leasing transactions involving the same equipment, this Convention applies to each transaction which is a financial leasing transaction and is otherwise subject to this Convention as if the person from whom the first lessor (as defined in paragraph 1 of the previous article)

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acquired the equipment were the supplier and as if the agreement under which the equipment was so acquired were the supply agreement.

Article 3

1. - This Convention applies when the lessor and the lessee have their places of business in different States and:

(a) those States and the State in which the supplier has its place of business are Contracting States; or

(b) both the supply agreement and the leasing agreement are governed by the law of a Contracting State.

2. - A reference in this Convention to a party's place of business shall, if it has more than one place of business, mean the place of business which has the closest relationship to the relevant agreement and its performance, having regard to the circumstances known to or contemplated by the parties at any time before or at the conclusion of that agreement.

Article 4

1. - The provisions of this Convention shall not cease to apply merely because the equipment has become a fixture to or incorporated in land.

2. - Any question whether or not the equipment has become a fixture to or incorporated in land, and if so the effect on the rights inter se of the lessor and a person having real rights in the land, shall be determined by the law of the State where the land is situated.

Article 5

1. - The application of this Convention may be excluded only if each of the parties to the supply agreement and each of the parties to the leasing agreement agree to exclude it.

2. - Where the application of this Convention has not been excluded in accordance with the previous paragraph, the parties may, in their relations with each other, derogate from or vary the effect of any of its provisions except as stated in Articles 8(3) and 13(3)(b) and (4).

Article 6

1. - In the interpretation of this Convention, regard is to be had to its object and purpose as set forth in the preamble, to its international character and to the need to promote uniformity in its application and the observance of good faith in international trade.

2. - Questions concerning matters governed by this Convention which are not expressly settled in it are to be settled in conformity with the general principles on which it is based or, in the absence of such principles, in conformity with the law applicable by virtue of the rules of private international law.

CHAPTER II - RIGHTS AND DUTIES OF THE PARTIES

Article 7

1. - (a) The lessor's real rights in the equipment shall be valid against the lessee's trustee in bankruptcy and creditors, including creditors who have obtained an attachment or execution.

(b) For the purposes of this paragraph "trustee in bankruptcy" includes a liquidator, administrator or other person appointed to administer the lessee's estate for the benefit of the general body of creditors.

2. - Where by the applicable law the lessor's real rights in the equipment are valid against a person referred to in the previous paragraph only on compliance with rules as to public notice, those rights shall be valid against that person only if there has been compliance with such rules.

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3. - For the purposes of the previous paragraph the applicable law is the law of the State which, at the time when a person referred to in paragraph 1 becomes entitled to invoke the rules referred to in the previous paragraph, is :

(a) in the case of a registered ship, the State in which it is registered in the name of the owner (for the purposes of this sub-paragraph a bareboat charterer is deemed not to be the owner);

(b) in the case of an aircraft which is registered pursuant to the Convention on International Civil Aviation done at Chicago on 7 December 1944, the State in which it is so registered;

(c) in the case of other equipment of a kind normally moved from one State to another, including an aircraft engine, the State in which the lessee has its principal place of business;

(d) in the case of all other equipment, the State in which the equipment is situated.

4. - Paragraph 2 shall not affect the provisions of any other treaty under which the lessor's real rights in the equipment are required to be recognised.

5. - This article shall not affect the priority of any creditor having:

(a) a consensual or non-consensual lien or security interest in the equipment arising otherwise than by virtue of an attachment or execution, or

(b) any right of arrest, detention or disposition conferred specifically in relation to ships or aircraft under the law applicable by virtue of the rules of private international law.

Article 8

1. - (a) Except as otherwise provided by this Convention or stated in the leasing agreement, the lessor shall not incur any liability to the lessee in respect of the equipment save to the extent that the lessee has suffered loss as the result of its reliance on the lessor's skill and judgment and of the lessor's intervention in the selection of the supplier or the specifications of the equipment.

(b) The lessor shall not, in its capacity of lessor, be liable to third parties for death, personal injury or damage to property caused by the equipment.

(c) The above provisions of this paragraph shall not govern any liability of the lessor in any other capacity, for example as owner.

2. - The lessor warrants that the lessee's quiet possession will not be disturbed by a person who has a superior title or right, or who claims a superior title or right and acts under the authority of a court, where such title, right or claim is not derived from an act or omission of the lessee.

3. - The parties may not derogate from or vary the effect of the provisions of the previous paragraph in so far as the superior title, right or claim is derived from an intentional or grossly negligent act or omission of the lessor.

4. - The provisions of paragraphs 2 and 3 shall not affect any broader warranty of quiet possession by the lessor which is mandatory under the law applicable by virtue of the rules of private international law.

Article 9

1. - The lessee shall take proper care of the equipment, use it in a reasonable manner and keep it in the condition in which it was delivered, subject to fair wear and tear and to any modification of the equipment agreed by the parties.

2. - When the leasing agreement comes to an end the lessee, unless exercising a right to buy the equipment or to hold the equipment on lease for a further period, shall return the equipment to the lessor in the condition specified in the previous paragraph.

Article 10

1. - The duties of the supplier under the supply agreement shall also be owed to the lessee as if it were a party to that agreement and as if the equipment were to be supplied directly to the lessee. However, the supplier shall not be liable to both the lessor and the lessee in respect of the same damage.

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Appendix No. 2: Act No. 90/10 of April 14 on the currency and credit (items 112, 116, 125 and 140)

ARTICLE 112 - Constitue une opération de crédit pour l'application de la présente loi tout acte à titre onéreux par lequel une personne met ou promet de mettre des fonds à la disposition d'une autre personne prend, dans l'intérêt de celle-ci, un engagement par signature tel qu'un aval, un cautionnement ou une garantie.

Sont assimilés à des opérations de crédits les opérations de location assorties d'options d'achat notamment les crédits bails.

ARTICLE 113 - Sont considérés comme moyens de paiement tous les instruments qui permettent à toute personne de transférer des fonds et ce, quel que soit le support ou le procédé technique utilisé.

ARTICLE 114 - Les banques sont des personnes morales qui effectuent à titre de profession habituelle et principalement les opérations décrites aux articles 110 à 113 de la présente loi.

ARTICLE 115 - Les établissements financiers sont des personnes morales qui effectuent à titre de profession habituelle et principalement les opérations de banque, à l'exclusion de la perception de la réception de fonds du public au sens de l'article 111.

ARTICLE 116 - Les banques et établissements financiers peuvent effectuer les opérations connexes à leurs activités telles que :

- 1 - les opérations de change
- 2 - les opérations sur or, métaux précieux et pièces ;
- 3 - le placement, la souscription, l'achat, la gestion, la garde et la vente de valeurs mobilières et de tout produit financier;
- 4 - le conseil et l'assistance en matière de gestion de patrimoine;

5 - le conseil et la gestion financière, l'ingénierie financière et, d'une manière générale, tous les services destinés à faciliter la création et le développement des entreprises en respectant les dispositions légales sur l'exercice des professions;

6 - les opérations de location simple de biens meubles et immeubles pour les banques et établissements financiers habilités à effectuer des opérations de location assorties d'options d'achat.

ARTICLE 117- Par dérogation aux dispositions concernant les souscriptions, les banques et les établissements financiers peuvent recueillir du public des fonds destinés à être placés en participations auprès d'une entreprise selon toutes les modalités légales telles qu'en actions, parts de sociétés, participation, commandite ou autres.

Ces fonds sont soumis aux conditions ci-après :

1) - ils ne sont pas considérés comme dépôts au sens de l'article 111 ci-dessus, les tiers en demeurent propriétaires ;

2) - ils ne sont pas productifs d'intérêts;

3) - jusqu'à leur placement, ils doivent être déposés auprès de la Banque centrale en un compte spécial relatif à chaque placement envisagé ;

4 - un contrat doit être signé entre chaque tiers et la banque précisée :

a) - le nom, l'objet, le capital, le siège et les organes de gestion de l'entreprise qui recevra les fonds ;

b) - le projet auquel ces fonds serviront;

c) - les conditions de partage des bénéfices et des pertes ;

d) - les conditions de cession des participations;

e) - les conditions de liquidation ou d'amortissement des participations par l'entreprise elle-même ;

f) - les conditions dans lesquelles la banque ou l'établissement financier

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- 4 - le conseil et l'assistance en matière de gestion de patrimoine;

5 - le conseil et la gestion financière, l'ingénierie financière et, d'une manière générale, tous les services destinés à faciliter la création et le développement des entreprises en respectant les dispositions légales sur l'exercice des professions;

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1) - ils ne sont pas considérés comme dépôts au sens de l'article 111 ci-dessus, les tiers en demeurent propriétaires ;

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a) - le nom, l'objet, le capital, le siège et les organes de gestion de l'entreprise qui recevra les fonds ;

b) - le projet auquel ces fonds serviront;

c) - les conditions de partage des bénéfices et des pertes ;

d) - les conditions de cession des participations;

e) - les conditions de liquidation ou d'amortissement des participations par l'entreprise elle-même ;

f) - les conditions dans lesquelles la banque ou l'établissement financier

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Appendix n°3 : Articles 112, 113, 135, 136, 137 and 138 of finance law for 1996

ARTICLE 130 - Toute modification des statuts d'une banque ou d'un établissement financier de droit algérien doit être agréée préalablement par le conseil si elle porte sur l'objet ou sur le capital de la société. Les autres modifications sont agréées préalablement par le Gouvernement.

Toute cession d'action d'une banque ou d'un établissement financier doit être autorisée par le Gouverneur dans les conditions prévues à un règlement qu'établira le conseil.

Les modifications des statuts des banques et établissements financiers étrangers, pour devenir exécutoires en Algérie, sont soumises au conseil lorsqu'elles portent sur l'objet de la société. Les autres modifications des statuts font l'objet d'une simple communication au Gouverneur. La modification de la dotation en capital de ces succursales doit être autorisée par le conseil.

ARTICLE 140 - Le retrait d'agrément est prononcé par le conseil :

1 - à la demande de la banque ou de l'établissement financier,

2 - d'office :

a) - lorsque les conditions auxquelles l'agrément est subordonné ne sont plus remplies,

b) - lorsqu'il n'a pas été fait usage de l'agrément pendant une durée de douze (12) mois,

c) - lorsque l'activité, objet de l'agrément, a cessé depuis six (6) mois.

Le retrait d'agrément peut aussi être prononcé par la commission bancaire à titre de sanction disciplinaire.

ARTICLE 141 - Toute banque ou tout établissement financier de droit algérien dont le retrait d'agrément a été prononcé entre en liquidation. Entrent aussi en liquidation, les succursales en Algérie de banques et

effective de l'activité et la responsabilité de la gestion de leurs succursales ainsi que leur représentation en Algérie.

ARTICLE 136 - Pour obtenir l'autorisation prévue à l'article 129 ou à l'article 130, les requérants indiquent au conseil le programme d'activité, les moyens techniques et financiers qu'ils entendent mettre en oeuvre ainsi que la qualité des apporteurs et, le cas échéant, celle de leurs garants. Ils remettent aussi au conseil une liste des principaux dirigeants et lui soumettent les projets de statuts des sociétés de droit algérien ou les statuts des sociétés étrangères, selon le cas, ainsi que l'organisation interne.

ARTICLE 137 - Une fois obtenue, l'autorisation prévue à l'article 129, la société de droit algérien peut être constituée et requérir son agrément comme banque ou établissement financier.

L'agrément est accordé si la société a rempli toutes les conditions d'établissement déterminées par la loi et les règlements ainsi que les éventuelles conditions spéciales dont l'autorisation est affectée.

Les succursales de banques et établissements financiers étrangers ayant été autorisées en vertu de l'article 130 sont agréées après avoir rempli les mêmes conditions.

L'agrément est accordé par décision du Gouverneur qui est publiée au Journal officiel de la République algérienne démocratique et populaire.

ARTICLE 138 - Le Gouverneur tient à jour une liste des banques et une liste des établissements financiers.

Chaque année, le Gouverneur publie ces deux (2) listes au Journal officiel de la République algérienne démocratique et populaire.

Toute modification est publiée.

Appendix

Appendix n°3 : Articles 112, 113, 135, 136, 137 and 138 of finance law for 1996

ALGERIE 31 décembre 1995	JOURNAL OFFICIEL DE LA REPUBLIQUE ALGERIENNE N° 32
<p>Art. 134. — L'article 229 bis de la loi n°79-07 du 21 juillet 1979 portant code des douanes est modifié et rédigé comme suit :</p> <p>"Art. 229 bis. — Les marchandises importées...(sans changement jusqu'à)... transformation des bâtiments de mer...(sans changement jusqu'à)...en suspension des droits et taxes.</p> <p>Après contrôle, par le service des douanes, de l'affectation des marchandises aux bâtiments de mer, le régime est apuré définitivement, selon le cas, par une mise à la consommation pour les bâtiments algériens, par une réexportation pour les bâtiments étrangers ou par une mise à la consommation exceptionnelle.</p> <p>Un arrêté du ministre chargé des finances, le ministre chargé des transports consulté, fixera les modalités de fonctionnement de ce régime".</p>	
<p>Art. 135. — Les opérations de crédit-bail international de biens mobiliers à usage professionnel comprennent des importations ou des exportations desdits biens dont le paiement est différé et sont soumises aux conditions de paiement applicables à ces opérations.</p> <p>Nonobstant les dispositions de l'article 178 du code des douanes, les importations et les exportations par crédit-bail sont soumises à un régime douanier suspensif des droits et taxes douaniers qui est celui de l'admission temporaire, pour les importations et ce, conformément à la durée du contrat de location qui sera déterminée par voie réglementaire.</p>	
<p>Art. 136. — A l'issue de la période irrévocable de location et en cas de levée de l'option d'achat par le crédit-preneur, ce dernier procède au dédouanement pour la mise à la consommation du bien acquis, sur présentation d'une facture d'achat.</p>	
<p>Art. 137. — Que le crédit-bailleur soit ou ne soit pas installé sur le territoire algérien, les formalités de douanes pour l'octroi du régime d'admission temporaire sont accomplies par le crédit-preneur en sa qualité d'utilisateur du bien loué par crédit-bail.</p> <p>Le crédit-preneur aura également à accomplir les formalités douanières soit pour la mise à la consommation, soit pour la réexportation du bien loué, à l'issue de la durée du régime d'admission temporaire.</p>	
<p>Art. 138. — Les biens importés ou exportés dans le cadre d'un contrat de crédit-bail sont dispensés des formalités de contrôle du commerce extérieur et des changes, en ce sens que leur entrée sur le territoire algérien ou leur sortie de ce territoire ne donne pas lieu à autorisation préalable ou à dérogation par les autorités administratives douanières compétentes; seule la domiciliation bancaire préalable de l'opération étant requise pour la régularité des transferts de capitaux vers l'étranger et de l'entrée de ces derniers en Algérie.</p>	
<p>Art. 139. — Les marchandises, visées par l'article 53 de la loi n° 88-33 du 31 décembre 1988 portant loi de finances pour 1989, l'article 73 de la loi n° 79-09 du 31 décembre 1979 portant loi de finances pour 1980 modifié et complété par les articles 100 de la loi de finances pour 1993, et l'article 102 du décret législatif n° 93-01 du 19 janvier 1993 portant loi de finances pour 1993, continuent à bénéficier de l'exonération des droits de douane pour une durée de trois (3) années à compter du 1er janvier 1996.</p> <p>Ne bénéficient de cet avantage que les marchandises non fabriquées en Algérie dont la liste est fixée par des textes réglementaires.</p>	
<p>Art. 140. — La quotité de 60 % prévue au tarif douanier institué par l'article 138 de la loi n° 91-25 du 18 décembre 1991 portant loi de finances pour 1992 est supprimée et remplacée par une quotité de 50 %.</p> <p>Le tarif douanier est modifié en conséquence.</p>	

Appendix

Appendix n°4 : Articles 2, 5, 20 of finance law for 2001

Loi de finances complémentaire 2001

PREMIERE PARTIE

VOIES ET MOYENS DE L'EQUILIBRE FINANCIER

CHAPITRE I

Dispositions relatives à l'exécution du budget
et aux opérations financières du Trésor
(Pour mémoire)

CHAPITRE II

Dispositions fiscales

Section 1

Impôts Directs et Taxes Assimilées

Art. 2 - Les dispositions de l'article 141 du code des impôts directs et taxes assimilées sont modifiées, complétées et rédigées comme suit:

"Art. 141 - - Le bénéfice net.... (sans changement jusqu'à)

3. Les amortissements (sans changement jusqu'à)... l'amortissement progressif.

Dans le cadre de contrat de crédit bail financier, les banques, les établissements financiers et les sociétés de crédit-bail, sont autorisés à pratiquer l'amortissement linéaire ou dégressif des actifs immobilisés, sur une période égale à la durée du contrat de crédit bail.
..... (le reste sans changement)

Art. 3 - Les dispositions de l'article 209 du code des impôts directs et taxes assimilées sont modifiées et rédigées comme suit :
"Art. 209-1 (sans changement)

Appendix

Appendix n°4 : Articles 2, 5, 20 of finance law for 2001

Loi de finances complémentaire 2001

2. Sont exemptées du versement forfaitaire, les indemnités d'assurance-chômage, ainsi que les pensions de retraite anticipée, et en général, les pensions et rentes viagères II. iii

3 (sans changement)

Art. 4 - Les dispositions de l'article 211 du code des impôts directs et taxes assimilées sont modifiées, complétées et rédigées comme suit:

"Art. 211 Le montant du versement forfaitaire est obtenu en appliquant au total des paiements annuels imposables, les taux ci-après :
- traitements, salaires, indemnités et émoluments, y compris la valeur des avantages en nature 5%".

Art. 5 - Les dispositions de l'article 220 du code des impôts directs et taxes assimilées sont modifiées et complétées par un paragraphe 5, rédigé comme suit:

"Art. 220 - N'est pas compris dans (sans changement jusqu'à)....

5 - la partie correspondant au remboursement du crédit dans le cadre du ~~contrat de crédit-bail financier~~".

Art. 6 - Les dispositions de l'article 222 du code des impôts directs et taxes assimilées sont modifiées et rédigées comme suit

"Art. 222 - Le taux de la taxe sur l'activité professionnelle est fixé comme suit

TAP	PART DE LA Wilaya	PART DE LA Commune	F.C.C.L	TOTAL
Taux général	0,59%	1,30%	0,11%	2%

..... (le reste sans changement)

Art. 7 - Il est créé au sein du code des impôts directs et taxes assimilées sous la section 3 un article 222 bis rédigé comme suit

Appendix

Appendix n°4 : Articles 2, 5, 20 of finance law for 2001

Loi de finances complémentaire 2001 x
mise en valeur du patrimoine artistique, à la défense de l'environnement
naturel ou à la diffusion de la culture.
Les modalités d'application du présent article sont fixées par voie
réglementaire.
Art. 19 - Les dispositions de l'article 99 du décret législatif n° 93-18 du 29
décembre 1993 portant loi de finances pour 1994, modifiées et complétées,
relatives à la taxe spécifique additionnelle, sont abrogées.

Art. 20 - Les équipements entrant dans le cadre de la réalisation de
l'investissement bénéficient des avantages fiscaux et douaniers prévus par le
décret législatif n° 93-12 du 5 octobre 1993 relatif à la promotion de
l'investissement, lorsqu'ils sont acquis par un crédit-bailleur, dans le cadre de
contrat de leasing financier conclu avec un promoteur bénéficiant des
avantages suscités.

Chapitre III

Autres dispositions relatives aux ressources

Section 1

Dispositions douanières

Art. 21 - Le tarif douanier comportera à compter du 1er janvier 2002, outre
l'exemption, trois quotités.

Art. 22 - Le taux de 45% de droit de douanes prévu au tarif douanier est
supprimé et remplacé par un taux de 40%.
Le taux de 40% s'appliquera aux marchandises précédemment soumises au
taux de 45%.

Section 2

Dispositions domaniales

Art. 23 - Les dispositions de l'article 46 de la loi n° 2000-06 du 27
Ramadhan 1421 correspondant au 23 décembre 2000 portant loi de finances
pour 2001, sont modifiées et rédigées comme suit :

Appendix

Appendix n°5 : Section 61 of finance law for 2003

JOURNAL OFFICIEL DE LA RÉPUBLIQUE ALGÉRIENNE N° 86

21 Chaoual 1423
25 décembre 2002

"Art. 199 O. — L'impôt sur les bénéfices miniers est assis, liquidé et recouvré dans les mêmes conditions que l'impôt sur les bénéfices des sociétés.

La déclaration et le paiement de l'impôt sur les bénéfices miniers sont effectués auprès de la structure chargée des grandes entreprises".

"Art. 199 P. — Par dérogation aux articles 199 B et 199 C ci-dessus et à titre transitoire, le paiement de la taxe sur l'activité professionnelle continuera à se faire auprès des recettes des impôts d'implantation de chaque entreprise, unité, établissement ou chantier".

Art. 61. — Les dispositions de l'article 20 de la loi n°01-12 du 27 Rabie Ethani 1422 correspondant au 19 juillet 2001 portant loi de finances complémentaire pour 2001 sont modifiées et rédigées comme suit :

"Art. 20. — Les équipements entrant dans le cadre de la réalisation de l'investissement bénéficient des avantages fiscaux et douaniers prévus par l'ordonnance n° 01-03 du Aouel Jourmada Ethania 1422 correspondant au 20 août 2001 relative à la promotion de l'investissement, lorsqu'ils sont acquis par un crédit-bailleur, dans le cadre de contrat de leasing financier conclu avec un promoteur bénéficiant des avantages suscités".

Art. 62. — Les dispositions des articles 47, 48 et 50 de la loi n° 01-21 du 7 Chaoual 1422 correspondant au 22 décembre 2001 portant loi de finances pour 2002, relatives au code des procédures fiscales, sont modifiées et rédigées comme suit :

"Art. 47. — Le revenu agricole ... (sans changement jusqu'à) tient compte des charges.

Le montant des charges d'exploitation réductible est déterminé par spéculation et par zone de potentialité conformément aux prescriptions de l'article 50 ci-dessous.

Le revenu agricole ... (le reste sans changement) ...".

"Art. 48. — Pour l'activité d'élevage, le revenu.....(sans changement jusqu'à) en tenant compte d'un abattement déterminé conformément aux prescriptions de l'article 50 ci-dessous".

"Art. 50. — Les tarifs visés aux articles 47 à 49 ci-dessus sont fixés, selon le cas, par zone de potentialité ou unité, ainsi que par wilaya et par commune ou un ensemble de communes, par une commission de wilaya composée du représentant de l'administration fiscale, de celui de l'administration chargée de l'agriculture et de celui de la chambre d'agriculture.

Les tarifs ainsi fixés sont homologués par décision du directeur général des impôts avant le 1er mars de chaque année pour les revenus de l'année précédente. A défaut, les derniers tarifs connus sont reconduits.

Les modalités d'application de cet article, notamment les critères de classification, sont définies par voie réglementaire".

Art. 63. — Sont exonérés de l'impôt sur le revenu global, pour une période de cinq (5) ans à compter du 1er janvier 2003, les produits des actions et titres assimilés cotés en bourse ou des obligations et titres assimilés d'une maturité égale ou supérieure à cinq (5) ans cotés en bourse ou négociés sur un marché organisé, ainsi que ceux des actions ou parts d'organismes de placements collectifs en valeurs mobilières.

Sont également exonérés de l'impôt sur le revenu global ou de l'impôt sur les bénéfices des sociétés, pour une période de cinq (5) ans à compter du 1er janvier 2003, les plus-values résultant des opérations de cession à titre onéreux des actions et titres assimilés cotés en bourse ou des obligations et titres assimilés d'une maturité égale ou supérieure à cinq (5) ans, cotés en bourse ou ayant fait l'objet de négociation sur un marché organisé.

Appendix

Appendix n°5 : Section 08 for 2006 finance Act

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Art. 7. — Les dispositions de l'article 156-2 du code des impôts directs et taxes assimilées sont modifiées et rédigées comme suit :

"Art 156-1. — (sans changement)"

2 - La retenue est effectuée (sans changement jusqu'à) la base d'imposition.

Pour le calcul de la retenue, les sommes versées en monnaie étrangère sont converties en dinars au cours du change en vigueur à la date de signature du contrat ou de l'avenant au titre duquel sont dues lesdites sommes. Le cours à retenir est celui de la vente de la monnaie étrangère considérée".

Art. 8. — Le paragraphe 1er de l'article 174 du code des impôts directs et taxes assimilées est modifié et rédigé comme suit :

"Art 174-1. — Est applicable de plein droit, pour toutes les immobilisations le système d'amortissement linéaire.

Dans le cadre des activités de crédit-bail, l'amortissement linéaire est assorti des coefficients ci-après :

— un coefficient de 1,5 peut être appliqué au taux d'amortissement linéaire des équipements exploités sous forme de leasing et dont la période d'amortissement n'excède pas cinq (5) ans, à l'exclusion du mobilier et matériel de bureau et des véhicules de tourisme ;

— ce coefficient est de 2 lorsque la période d'amortissement du matériel est supérieure à cinq (5) ans et inférieure ou égale à dix (10) ans ;

— il est de 2,5 lorsque la période d'amortissement du matériel est supérieure à dix (10) ans et inférieure ou égale à vingt (20) ans.

2 - Toutefois..... (sans changement jusqu'à) l'activité de tourisme".

Art. 9. — Il est créé au sein du code des impôts directs et taxes assimilées un article 182 bis rédigé comme suit :

"Art. 182 bis. — Les personnes physiques, les associations et sociétés domiciliées ou établies en Algérie et soumises à la déclaration fiscale doivent déclarer, en même temps que leur déclaration de revenus, les références des comptes ouverts utilisés dans le cadre d'une activité commerciale, dans un délai de deux (2) mois à compter de la date d'ouverture, d'utilisation ou de clôture de leurs comptes par elles à l'étranger. Chaque compte doit faire l'objet d'une déclaration distincte.

Le défaut de déclaration des comptes est sanctionné d'une amende fiscale de 500.000 DA par compte non déclaré.

Art. 10. — Il est créé au sein de l'article 191 bis du code des impôts directs et taxes assimilées un alinéa 2 rédigé comme suit :

"Art. 191 bis. — Les services en charge de l'urbanisme et de la construction doivent communiquer à la direction des impôts de wilaya du ressort de leur circonscription territoriale les informations relatives au recensement et à l'achèvement des opérations de construction, de démolition et de modification portant sur les immeubles".

Art. 11. — Il est créé au sein de l'article 192 du code des impôts directs et taxes assimilées un alinéa 3 rédigé comme suit :

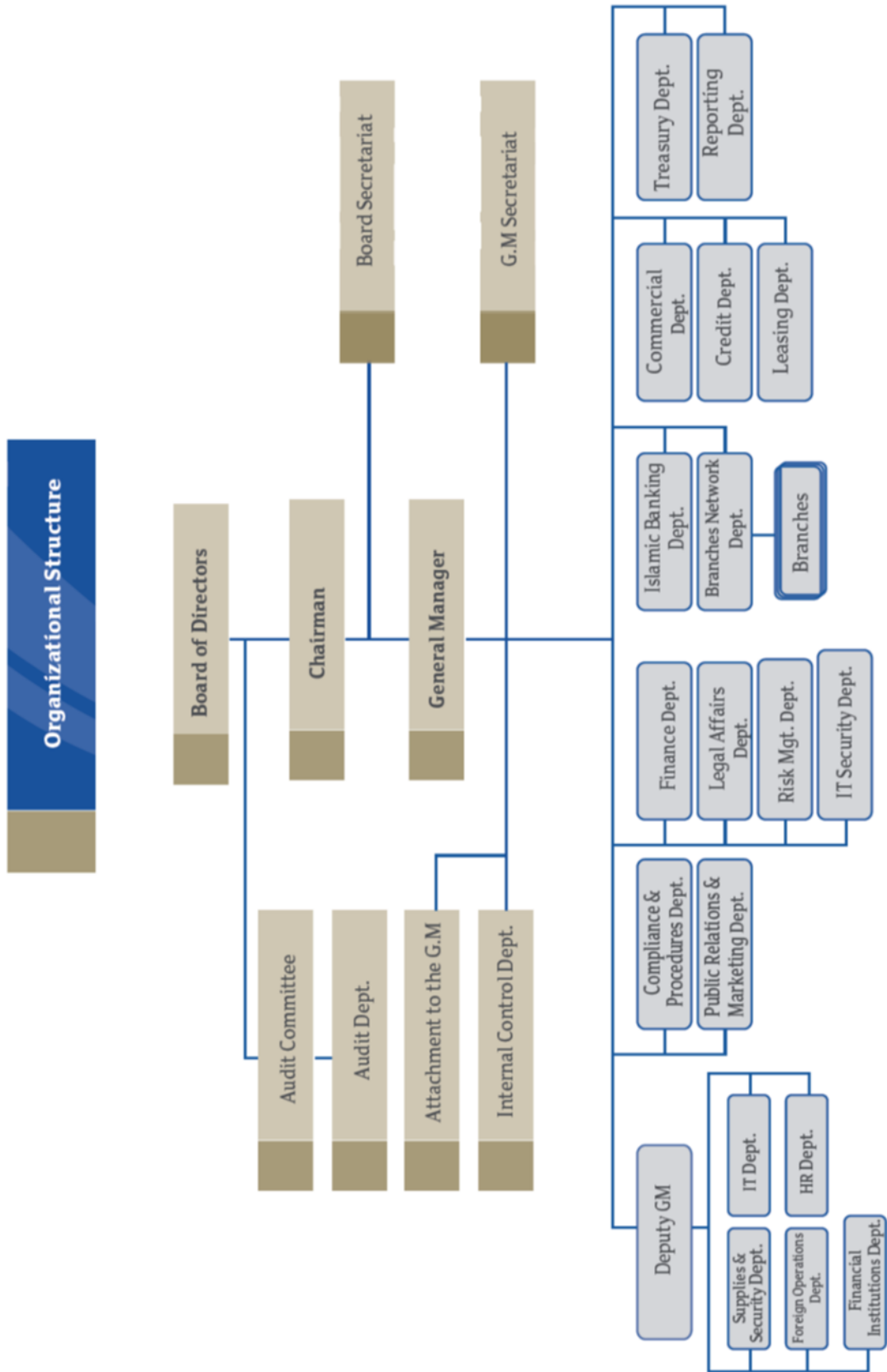
"Art 192-1. — Le contribuable(sans changement jusqu'à) fixées par l'article 322.

Si la déclaration n'est pas parvenue à l'administration dans un délai de trente (30) jours à partir de la notification par pli recommandé, avec avis de réception d'avoir à la produire dans ce délai, une majoration de 35 % est applicable.

..... (le reste sans changement)"

Appendix

Appendix n°6: Organizational Structure of Housing bank:



Appendix

Appendix n°7: Leasing direction report

A / Présentation et définition du leasing (crédit bail)

A.1/ Présentation :

Le LEASING est une technique de financement qui fait intervenir trois (03) acteurs principaux :

- Le fournisseur qu'il soit fabricant ou vendeur
- Le crédit bailleur en l'occurrence la Banque qui achète le bien pour le louer à son client.
- Le locataire (client) ou crédit preneur qui prend en location le bien en se réservant l'option de l'acquérir définitivement au terme du contrat de location.

Le droit de propriété du bien financé revient à la Banque durant toute la période du contrat de crédit bail (leasing), tandis que le droit de jouissance revient au locataire ou crédit preneur (Client).

Dans sa politique de financement en crédit bail (Leasing), notre banque optera pour le crédit bail financier, ainsi le contrat de crédit bail portera une clause d'option d'achat à une valeur résiduelle convenue contractuellement.

Dans ce cadre le crédit bailleur (^{Banque} client) recouvrera la totalité de son investissement ainsi que la marge bénéficiaire par l'intermédiaire des loyers perçus périodiquement.

A.2/ Définition du crédit bail (Leasing):

Le crédit bail est une opération de location d'un bien mobilier à usage professionnel assorti d'une promesse unilatérale de vente à l'issue du contrat.

Le crédit-bail est une technique contractuelle par laquelle une banque, acquiert, sur la demande d'un client (crédit-preneur), la propriété de biens d'équipement mobiliers à usage professionnel, en vue de les donner en location à ce dernier pour une durée déterminée contractuellement et en contrepartie de redevances ou de loyers.

Le crédit bail fait intervenir trois acteurs :

- 1- Le crédit bailleur qui est la banque ou l'établissement financier ;
- 2- Le crédit preneur qui est le client ;
- 3- Le fournisseur ou vendeur du bien objet de l'opération de leasing.

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Appendix n°7: Leasing direction report

- ✓ Les engins et matériels de travaux publics.
- ✓ Le matériel de manutention et de forage.
- ✓ Les équipements et matériels médicaux.
- ✓ Les équipements industriels.

2- Les quotités à financer :

L'opération de crédit-bail (leasing) est financée à 100% par notre banque, cependant un 1^{er} loyer fort pourra être exigé du crédit preneur (client) allant de 05% à 20% selon l'étude du risque.

3- Les conditions financières de mise en place :

- ✓ La durée du crédit : celle-ci portera sur le moyen terme et de ce fait elle variera de 02 à 05 ans selon la nature de l'équipement ou du matériel à financer.
- ✓ Le taux de marge: Le taux de marge à appliquer par la Housing Bank For Trade and Finance Algeria variera en fonction de la durée du crédit accordé, du montant du crédit et du risque encouru par la banque. Ce taux de marge sera fixé et révisé périodiquement par le biais de nos conditions de banque. Ce taux de marge appliqué tiendra compte du cout des ressources de la Housing Bank For Trade and Finance Algeria, des charges de fonctionnement et de gestion, de la marge et enfin de l'assurance crédit s'il ya lieu.
- ✓ Les loyers : sont établis en tenant compte du montant et de la durée du crédit-bail et peuvent être constants, linéaires, dégressifs en fonction de l'activité du crédit preneur ; les loyers appliqués par notre établissement sont soit mensuels ou trimestriels et ils peuvent être à terme échu ou à échoir.
- ✓ La valeur résiduelle : celle-ci pourra être fixe ou comprise entre 1% et 2 % du montant de l'acquisition du matériel ou des équipements.
- ✓ Les modalités de règlement des loyers : le règlement des loyers s'effectuera par la remise à l'encaissement des billets à ordre détenus par la Housing Bank For Trade and Finance Algeria.
- ✓ La commission de gestion du dossier de crédit-bail : une commission de gestion est prévue pour les engagements en Leasing, celle-ci sera affichée sur nos conditions de banque.

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Appendix n°7: Leasing direction report

1.2 / La mise en œuvre des décisions de financement:

En cas d'accord du comité de crédit et la réception du ticket d'autorisation, la mise en place du financement en crédit-bail (leasing) suivra le processus suivant :

- informer le crédit-preneur,
- inviter le crédit-preneur à signer le contrat de crédit-bail (leasing) tout en prenant en considération toutes les recommandations du comité de crédit,
- Etablir l'échéancier définitif de paiements des loyers,
- Etablir la chaine de billets à ordre pour les loyers et la valeur résiduelle et les faire signer et accepter par le crédit-preneur,
- S'il ya lieu recueillir les garanties exigées après leurs validation par la Direction juridique,
- Confirmer la commande au fournisseur et fixer une date éventuelle d'enlèvement du matériel ou de l'équipement,
- Suivre la livraison des équipements ou du matériel,
- Souscrire une assurance en tous risques pour le matériel ou l'équipement financé dont les frais seront à la charge du crédit-preneur (client),
- A la signature du Procès Verbal de réception provisoire, faire payer au crédit preneur le 1^{er} loyer si le contrat prévoit des loyers à échoir.

B.2/ La procédure de réception du bien financé par leasing :

B.2.1 - La signature du contrat de fourniture d'équipements :

Les financements ne pourront connaître un début de consommation qu'après l'accomplissement de toutes les formalités prescrites dans le ticket d'autorisation en tant que conditions bloquantes et reprises dans le paragraphe 2.2 de la page précédente.

B.2.2 - La livraison du bien :

La Banque peut mandater le client (crédit preneur), pour réceptionner et installer le matériel ainsi que pour effectuer toutes les démarches administratives ou autres y afférentes.

Un Procès Verbal de réception provisoire du matériel ou de l'équipement sera signé conjointement entre le Crédit-bailleur, le Crédit-preneur et le fournisseur en trois (03) exemplaires.

Ce document une fois signé, permet à la banque de procéder au paiement du fournisseur.

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Appendix n°7: Leasing direction report

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2.3 - La mise en exploitation du matériel :

durant cette phase de l'opération la Banque doit s'assurer qu'elle a :

- ✓ Recueillir les garanties exigées.
- ✓ Apposer sur le matériel ou l'équipement un numéro d'inventaire.

2.3 - Maintenance du matériel :

Le crédit preneur (client), comme stipulé dans le contrat de leasing, est chargé d'assurer l'entretien périodique du matériel.

2.4 - Paiement des loyers (échéances) :

Les loyers (échéances) sont payés selon la périodicité prévue dans l'échéancier de paiement et le contrat de leasing.

Le compte du crédit preneur (client), doit être suffisamment provisionné pour assurer le règlement des loyers périodiques sans aucun incident.

Tout retard de règlement dépassant un délai de 48 heures sera porté à la connaissance du client par courrier avec accusé de réception, l'invitant à régulariser sous huitaine sa situation faute de quoi le recouvrement par voie légale sera entamé.

2.5 - Fin du contrat :

À la fin du contrat de crédit-bail, la Direction du Leasing en collaboration avec le Département suivi des engagements et de la Direction des Affaires Juridiques, procédera à la cession du matériel à la valeur résiduelle conformément à l'échéancier de paiement des loyers et au contrat de crédit-bail (leasing).

2 / Le contrat de crédit-bail :

2.1 / Les clauses obligatoires du contrat de crédit bail mobilier :

Suivant les termes de l'ordonnance précitée relative au leasing, le contrat de crédit bail doit mentionner expressément dans son objet :

- la garantie au crédit-preneur (Client) de l'utilisation et de la jouissance du bien loué, pendant un délai minimum et à un prix fixé d'avance, comme s'il en était propriétaire ;

Appendix

Appendix n°7: Leasing direction report

E- Machines, outils et équipements divers : Catégorie E

- Groupes électrogènes : E.1
- Ponts-bascules : E.2
- Compresseurs Mobiles: E.3
- Compresseurs fixes : E.4
- Citernes fixes : E.5
- Stations de concassage : E.6

F- Equipements médicaux : Catégorie F

- Echographe : F.1
- Fauteuil dentaire : F.2
- Stérilisateur : F.3
- Electrocardiogramme : F.4

G- Codification de la clientèle :

La clientèle de la Housing Bank For Trade and Finance Algeria est identifiée par son compte courant ouvert auprès de l'une des agences de notre réseau d'exploitation. Ce compte courant doit obligatoirement être repris sur toutes les factures des loyers du crédit-bail, les correspondances et documents commerciaux que notre banque a ou aura à échanger avec la clientèle bénéficiant du crédit-bail.

H.1.2 : Comptabilisation des commissions d'étude et de gestion du dossier :

- Les Commissions seront comptabilisées au niveau de l'agence domiciliaire du crédit-preneur :

Débit	Crédit	Observations
-220 140 comptes courant clientèle (Commission + TVA)		Tva non calculées le cas d'exonération
	-704 350 commissions d'études et de gestion dossier crédit-bail (Commission) -341 140 TVA collectée (TVA) -704 353 commissions d'études et de gestion dossier crédit-bail (non taxable)	En cas d'exonération

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Appendix

Appendix n°7: Leasing direction report

H.1.3 : Comptabilisation de la mobilisation de l'opération de crédit-bail avec caution de bonne exécution :

2: Avec caution bancaire :

1. Règlement (Paiement) du fournisseur :

Au niveau de la Direction du Leasing :

Débit	Crédit	Observations
340 900 Opération CT Leasing attente de mobilisation (Principal)		
	- 261 050 Provision opération CT Leasing	

Au niveau de l'agence dely-ibrahim (101) :

Débit	Crédit	Observations
261 050 Provision opération CT Leasing		
	- 261 020 Provision pour chèque de banque	

2. Comptabilisation de la mobilisation de l'opération de crédit-bail :

Débit	Crédit	Observations
-205 100 Leasing (Principal + Marge)		
	- 340 900 Opération CT Leasing attente de mobilisation (Principal) - 365 100 Marge réservée Leasing (Marge)	

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[Signature]

Appendix

Appendix n° 7: Leasing direction report

3. Comptabilisation de la Garantie de bonne exécution (Cautions bancaires) :

a- A la réception de la Cautions bancaires :

Débit		Crédit		Observations
913 980	Contrepartie caution reçue fournisseur crédit Leasing			
			- 913 050	caution reçue fournisseur crédit Leasing

b- A la libération (main levée) de la Cautions bancaires :

Débit		Crédit		Observations
913 050	caution reçue fournisseur crédit Leasing (Montant de la caution)			
			- 913 980	Contrepartie caution reçue fournisseur crédit Leasing (Montant de la caution)

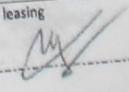

b- Avec retenue de bonne exécution :

1- Comptabilisation de la retenue de bonne exécution :

Débit		Crédit		Observations
340 900	Opérations CT Leasing attente de mobilisation (Montant de la transaction)			
			- 261 050	Provision opération CT Leasing (95% Mt transaction)
			- 341 740	Retenue de garantie fournisseur CT Leasing (05% Mt transaction)

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Appendix n° 7: Leasing direction report

Au niveau de l'agence dely-ibrahim (101) : émission chèque de banque :

Débit	Crédit	Observations
261 050 Provision opération CT Leasing		
	- 261 020 Provision pour chèque de banque	

c- Comptabilisation de la mobilisation de l'opération de crédit-bail :

Débit	Crédit	Observations
-205 100 Leasing (Principal + Marge)		
	- 340 900 Opération CT Leasing attente de mobilisation (Principal)	
	- 365 100 Marge réservée Leasing (Marge)	

c- Au niveau de la Direction du leasing à la libération de la retenue de bonne exécution:

Débit	Crédit	Observations
- 341 740 Retenue de garantie fournisseur CT Leasing (Montant de la retenue de garantie)		
Cas ou le fournisseur possède un compte Housing bank →	-220 140 Compte courant clientèle (Montant de la retenue de garantie)	
*Cas ou le fournisseur ne possède pas un compte Housing bank →	- 261 050 Provision opération CT Leasing (Montant de la retenue de garantie)	

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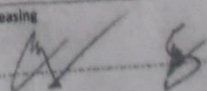
Contrôle et gestion du leasing

Direction des crédits

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Appendix

Appendix n°8: Table of data

	Legal satuts	Principal Activity	Activity Import/Export	Non Lease Import &Export	The use of leasing	Seniority	Location	Number of employees
1	SARL	Tannery	0	1	1	17	ALGIERS	/
2	SARL	Plastics transformation	0	1	1	29	ALGIERS	/
3	SARL	Company of guard & security	0	1	1	3	Oran	/
4	EURL	Plastics transformation	0	1	1	13	Blida	/
5	SARL	Manufacture of baby, sanitary napkins diapers	0	1	1	6	ALGIERS	/
6	SARL	Ready-mix concrete manufacturing	0	1	1	4	Oran	28
7	SARL	IMPORT & EXPORT	1	0	1	12	Oran	202
8	SPA	Import the wheat	1	0	0	9	Mostaganem	1100
9	SARL	IMPORT & EXPORT	1	0	1	14	Bejaia	193
10	SARL	Pharmaceutical products	0	1	1	16	ALGIERS	50
11	EURL	Wholesale trade of pharmaceuticals	0	0	0	15	Setif	125
12	SARL	IMPORT & EXPORT	1	0	0	17	ALGIERS	78
13	SARL	Consrruction company	0	0	0	8	ALGIERS	1729
14	SPA	IMPORT & EXPORT	1	0	0	11	ALGIERS	625
15	SARL	IMPORT & EXPORT	1	0	0	3	/	/
16	SARL	Electrical appliances and alalktromnzlet	0	0	0	18	Setif	623
17	SARL	IMPORT & EXPORT	1	0	0	12	ALGIERS	57
18	SARL	The first conversion of plastic material	0	0	0	13	Setif	400
19	SARL	IMPORT & EXPORT	1	0	0	16	JORDAN	34
20	SARL	The first transformation of non-ferrous metals	0	0	0	8	M'Sila	179
21	SARL	IMPORT & EXPORT	1	0	0	3	Setif	7
22	SARL	The first conversion of plastic material	0	0	0	3	Setif	25
23	SARL	Importing and paper convertig	1	0	0	4	ALGIERS	5
24	SARL	Import of pharmaceuticals products	1	0	0	15	ALGIERS	21
25	SARL	Import of vegetables and fruits	1	0	0	11	Mila	6

Appendix

Appendix n°8: Table of data

N°	Net Sales	Total Assets	Total of non Current Assets	Total of Current Assets	Net Income	Sharholders Number	E = Equity	D = Total of financial debts
1	250 234 405	986 841 994	569 152 870	417 689 124	53 577 731	4	583 422 674	152 460 172
2	591 229 025	846 703 553	412 703 400	434 000 153	13 002 901	2	304 904 646	177 648 373
3	89 504 106	38 779 772	1 752 927	37 026 845	12 770 199	3	13 867 951	0
4	50 835 354	106 232 177	35 456 164	70 776 013	1 449 027	1	6 322 606	18 860 693
5	3 239 378 583	2 101 357 511	949 707 651	1 151 649 860	193 181 796	5	614 447 019	402 952 961
6	226 373 573	264 448 526	101 649 873	162 798 653	20 079 653	4	25 513 814	46 544 895
7	14 379 918	4 010 957 000	475 935 000	3 535 022 000	77 871 000	3	274 493 000	0
8	372 797 000	2 061 619 000	470 903 000	1 590 716 000	51 807 000	6	2 811 556 000	3 886 785 000
9	5 995 991 000	1 711 124 000	159 531 000	1 551 593 000	67 031 000	4	296 740 000	954 686 000
10	2 076 887 000	1 123 214 000	205 487 000	917 727 000	103 837 000	3	323 165 000	48 800 000
11	2 674 898 000	1 275 498 000	358 895 000	916 603 000	26 265 000	1	133 893 000	130 000 000
12	2865190000	2 053 909 000	126 469 000	1 927 440 000	123 132 000	2	331 703 000	498 902 000
13	93 782 000	150 906 000	122 690 000	28 216 000	5 270 000	/	35 287 000	5 000 000
14	74 535 955 000	47 193 161 000	7 660 604 000	39 532 557 000	1 015 485 000	7	7 377 605 000	1 823 126 000
15	74 277 000	28 352 000	1 089 000	27 263 000	1 797 000	2	27 208 000	0
16	3 924 941 000	4 412 005 000	1 633 732 000	2 778 273 000	26 446 000	3	1 582 279 000	653 363 000
17	1 482 432 000	495 649 000	45 408 000	450 241 000	78 739 000	2	177 202 000	0
18	4 496 328 000	3 574 189 000	2 005 059 000	1 569 130 000	172 007 000	4	2 525 124 000	388 881 000
19	171 202 000	324 892 000	2 193 000	322 699 000	7 733 000	2	19 639 000	45 618 000
20	480 499 000	932 439 000	505 510 000	426 929 000	-57 666 000	2	579 501 000	285 828 000
21	7 270 000	28 723 000	14 642 000	14 081 000	-1 133 000	3	14 642 000	0
22	39 208 000	101 157 000	26 891 000	74 266 000	6 405 000	2	86 397 000	0
23	251 088 000	185 191 000	5 159 000	180 032 000	21 258 000	5	32 826 000	0
24	310 509 000	1 504 200 000	363 938 000	1 140 262 000	17 775 000	3	41 561 000	35 339 000
25	180 948 000	180 464 000	40 309 000	140 155 000	8 094 000	2	53 426 000	91 123 000

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Appendix n°8: Table of data

N°	Debt- Equiy Ratio : D / E	E+D	E / E+D	D / E+D	Proprietary Ratio = E / Total Assets	ROE = Net income / Equity	Profit Margin = Net income / Sales	Non current Asset / Total of assts
1	0,26	735 882 846	0,79	0,21	0,59	0,09	0,21	0,58
2	0,58	482 553 019	0,63	0,37	0,36	0,04	0,02	0,49
3	0,0	13 867 951	1	0	0,36	0,92	0,14	0,05
4	2,98	25 183 299	0,25	0,75	0,06	0,23	0,03	0,33
5	0,66	1 017 399 980	0,60	0,40	0,29	0,31	0,06	0,45
6	1,82	72 058 709	0,35	0,65	0,10	0,79	0,09	0,38
7	0	274 493 000	1	0	0,07	0,28	5,42	0,12
8	1,38	6 698 341 000	0,42	0,58	1,36	0,02	0,14	0,23
9	3,22	1 251 426 000	0,24	0,76	0,17	0,23	0,01	0,09
10	0,15	371 965 000	0,87	0,13	0,29	0,32	0,05	0,18
11	0,97	263 893 000	0,51	0,49	0,10	0,20	0,01	0,28
12	1,50	830 605 000	0,40	0,60	0,16	0,37	0,04	0,06
13	0,14	40 287 000	0,88	0,12	0,23	0,15	0,06	0,81
14	0,25	9 200 731 000	0,80	0,20	0,16	0,14	0,01	0,16
15	0	27 208 000	1	0	0,96	0,07	0,02	0,04
16	0,41	2 235 642 000	0,71	0,29	0,36	0,02	0,01	0,37
17	0	177202000	1	0	0,36	0,44	0,05	0,09
18	0,15	2 914 005 000	0,87	0,13	0,71	0,07	0,04	0,56
19	2,32	65 257 000	0,30	0,70	0,06	0,39	0,05	0,01
20	0,49	865 329 000	0,67	0,33	0,62	-0,10	-0,12	0,54
21	0	14 642 000	1	0	0,51	-0,08	-0,16	0,51
22	0	86 397 000	1	0	0,85	0,07	0,16	0,27
23	0	32 826 000	1	0	0,18	0,65	0,08	0,03
24	0,85	76 900 000	0,54	0,46	0,03	0,43	0,06	0,24
25	1,71	144 549 000	0,37	0,63	0,30	0,15	0,04	0,22

Appendix

Nº	loans & Financial debts (LTD or STD)	loans & Financial debts (Leasing)	Suppliers	Other Debts	Total of credits demanded	Lease amount demanded	LTD Amount demanded	STD Amount demanded
1	76 460 172	76 000 000	72 473 280	543 427	30 000 000	30 000 000	0	0
2	177 648 373	0	88 001 367	271 708 804	66 700 000	66 700 000	0	0
3	0	0	2 045 655	12 854 863	34 459 658,14	34 459 658,14	0	0
4	0	18 860 693	25 610 009	54 103 905	34 500 000	34 500 000	0	0
5	402 952 961	0	949 288 108	12 155 586	25 300 000	25 300 000	0	0
6	46 544 895	0	24 990 435	122 311 223	16 263 400	16 263 400	0	0
7	0	0	594 790 000	54 290 000		144 637 000	0	240000000
8	3 886 785 000	0	57 300 000	/	200000000	0	200000000	0
9	0	954 686 000	658 100 000	/	650 000 000	0	0	650 000 000
10	47 400 000	1 400 000	326 400 000	/	819 000 000	0	0	819 000 000
11	130 000 000	0	247 400 000	/	230 000 000	0	0	230 000 000
12	498 902 000	0	995 109 000		3000000000	0	3000000000	0
13	5 000 000	0	14 500 000	/	251 758 820,20	0	251 758 820,20	0
14	1 823 126 000	0	5 469 378 000	/	#REF!	0	1 000 000 000	2 000 000 000
15	0	0	60 000	1 100 000	60 000 000	0	60 000 000	0
16	653 363 000	0	778 900 000	/	465 000 000	0	0	465 000 000
17	0	0	160 200 000	/	400 000 000	0	0	400 000 000
18	388 881 000	0	527 500 000	/	#REF!	0	594 408 000	527 000 000
19	45 618 000	0	257 700 000	1 300 000	120 000 000	0	0	120 000 000
20	285 828 000	0	45 100 000	70 700 000	150 000 000	0	0	150 000 000
21	0	0	0	14 081 000	100 000 000	0	0	100 000 000
22	0	0	1 100 000	13 100 000	40 000 000	0	0	40 000 000
23	0	0	92 600 000	/	165 000 000	0	0	165 000 000
24	35 339 000	0	51 2 932 200	/	200 000 000	0	0	200 000 000
25	91 123 000	0	29 374 000	/	250 000 000	0	0	250 000 000

Appendix

N°	Working capital	Current Ratio	Quick Ratio	ROA	Cash on total assets	Working capital on total assets
1	166 729 976	166%	8,41%	5%	2,13%	16,89%
2	69 849 619	119%	4,29%	2%	1,84%	8,24%
3	12 115 024	149%	31,40%	33%	20,17	31,24%
4	-10 272 865	87%	14,17%	1%	10,81%	0%
5	67 692 329	106%	11,90%	9,2%	6,13%	3,22%
6	-29 591 164	85%	2,92%	8%	3,45	0%
7	-201 442 000	94,60%	16%	1,94%	6,04%	0%
8	604 326 000	161%	155%	2,50%	0,31%	29,31%
9	159 531 000	110%	35%	2,40%	3,54%	5,70%
10	166 484 000	122%	77%	9,20%	10,96%	14,80%
11	-95 002 000	91%	61%	2,10%	0,33%	0%
12	704 136 000	161%	117%	5,99%	9,85%	34,28%
13	-82 403 000	26%	25%	3,50%	1,13%	0%
14	1 540 127 000	104%	33%	2,15%	8,79%	3,26%
15	26 119 000	2383%	1876%	6,30%	40,56%	92,10%
16	602 011 000	127,60%	34,38%	0,59%	6,63%	13%
17	131 794 000	141%	72,61%	15,90%	25,50%	26,60%
18	908 946 000	238%	147%	4,80%	6,16%	25,40%
19	63 064 000	124%	114%	2,40%	6,12%	19,40%
20	505 510 000	218%	48%	0%	5,08%	39,10%
21	14 642 000	204%	51%	0%	16,71%	51%
22	59 506 000	503%	258%	6,30%	37,56%	58,80%
23	27 667 000	118%	70%	11,50%	12,36%	14,90%
24	-287 038 000	80%	38,23%	1,18%	7,95%	0%
25	104 240 000	390%	176%	4,48%	8,15%	57,76%

Appendix

Appendix n°9: Sample T-test for 25 firms (SPSS treatment)

Statistiques de groupe					
	Theuseofleasing	N	Moyenne	Ecart-type	Erreur standard moyenne
EED	,0	16	,71620018043646	,26022121351056	,06505530337771
	1,0	9	,63774171890730	,30239983204973	,10079994401664
DED	,0	16	,28379981956373	,26022121351056	,06505530337771
	1,0	9	,36225828109289	,30239983204973	,10079994401664
ProprietaryRatioETotalAssets	,0	16	,43433768683180	,37711361512395	,09427840378106
	1,0	9	,25409855063257	,17387996666160	,05795998888726
ROENetincomeEquity	,0	16	,18661251855960	,21120030330283	,05280007582578
	1,0	9	,35742316324393	,29873645667847	,09957881889289
ProfitMarginNetincomeSales	,0	16	,03144942597649	,07897361514722	,01974340378688
	1,0	9	,67022863431079	1,7805803870912	,59352679569714
NoncurrentAssetTotalofassts	,0	16	,27660418663550	,23003103574911	,05750775893735
	1,0	9	,29714426777329	,19275985764799	,06425328588273
CurrentRatio	,0	16	316,8250%	563,73385%	140,93346%
	1,0	9	115,4000%	27,44704%	9,14901%
QuickRatio	,0	16	204,7638%	450,29913%	112,57478%
	1,0	9	22,3433%	23,29967%	7,76656%
ROA	,0	16	4,3556%	4,28112%	1,07028%
	1,0	9	7,9511%	9,90706%	3,30235%
Cashontotalassets	,0	16	12,0744%	12,26382%	3,06595%
	1,0	9	267,0500%	665,75185%	221,91728%
DebtEquiyRatioDE	,0	16	,63656898698565	,73840865436586	,18460216359154
	1,0	9	1,0750406966196	1,276548066695	,42551602223191
Workingcapitalontotalassets	,0	16	29,0569%	25,89975%	6,47494%
	1,0	9	8,8989%	10,47792%	3,49264%

Appendix

	Hypothèse de variances inégales			-,238	19,33	,814	-,020540	,0862300	-,200811	,1597309
CurrentRatio	Hypothèse de variances égales	2,820	,107	1,061	23	,300	201,42%	189,80%	-191,22%	594,07%
	Hypothèse de variances inégales			1,426	15,12	,174	201,42%	141,23%	-99,38%	502,23%
QuickRatio	Hypothèse de variances égales	2,272	,145	1,203	23	,241	182,42%	151,62%	-131,24%	496,08%
	Hypothèse de variances inégales			1,617	15,14	,127	182,42%	112,84%	-57,900%	422,74%
ROA	Hypothèse de variances égales	2,096	,161	-1,271	23	,216	-3,5954%	2,828%	-9,4473%	2,2563%
	Hypothèse de variances inégales			-1,036	9,712	,325	-3,5954%	3,4714%	-11,361%	4,1706%
Cashontotalassets	Hypothèse de variances égales	10,135	,004	-1,558	23	,133	-254,97%	163,65%	-593,51%	83,563%
	Hypothèse de variances inégales			-1,149	8,003	,284	-254,97%	221,93%	-766,73%	256,78%
DebtEquiyRatioD E	Hypothèse de variances égales	5,485	,028	-1,096	23	,285	-,438471	,4001746	-1,26629	,3893525
	Hypothèse de variances inégales			-,945	11,08	,365	-,438471	,4638338	-1,45840	,5814619
Workingcapitalon totalassets	Hypothèse de variances égales	4,579	,043	2,218	23	,037	20,157%	9,087%	1,3593%	38,956%
	Hypothèse de variances inégales			2,740	21,57	,012	20,157%	7,3568%	4,8833%	35,432%

Appendix

Appendix n°10: data of non-Exp & Imp firms

	NON EX-IMP LEASE	E / E + D	D / E +D	Propriety Ratio	ROE = Net income / Equity	Profit margin = Net income / Sales	Non current asset / Total of asset	Current ratio	Quick ratio	ROA	Cash /Total of asset	Workin capital / Total of asset	Debt-Equity ratio
1	1	0,79	0,21	0,59	0,09	0,21	0,58	166%	8,41%	5%	2,13%	16,89%	0,26
2	1	0,63	0,37	0,36	0,04	0,02	0,49	119%	4,29%	2%	1,84%	8,24%	0,58
3	1	1	0	0,36	0,92	0,14	0,05	149%	31,40%	33%	20,17	31,24%	0
4	1	0,25	0,75	0,06	0,23	0,03	0,33	87%	14,17%	1%	10,81%	0%	2,98
5	1	0,6	0,4	0,29	0,31	0,06	0,45	106%	11,90%	9,20%	6,13%	3,22%	0,66
6	1	0,35	0,65	0,1	0,79	0,09	0,38	85%	2,92%	8%	3,45	0%	1,82
7	0	0,51	0,49	0,1	0,2	0,01	0,28	91%	61%	2,10%	0,33%	0%	0,97
8	0	0,88	0,12	0,23	0,15	0,06	0,81	26%	25%	3,50%	1,13%	0%	0,14
9	0	0,71	0,29	0,36	0,02	0,01	0,37	127,60%	34,38%	0,59%	6,63%	13%	0,41
10	1	0,24	0,76	0,17	0,23	0,01	0,09	110%	35%	2,40%	3,54%	5,70%	3,22
11	0	0,87	0,13	0,71	0,07	0,04	0,56	238%	147%	4,80%	6,16%	25,40%	0,15
12	0	0,67	0,33	0,62	-0,1	-0,12	0,54	218%	48%	0%	5,08%	39,10%	0,49
13	0	1	0	0,85	0,07	0,16	0,27	503%	258%	6,30%	37,56%	58,80%	0

Appendix

Appendix n°11: Sample T-test for 13 firms based on non- EXP & IMP activity (SPSS treatment)

Statistiques de groupe

	NONEXIMPLEASE	N	Moyenne	Ecart-type	Erreur standard moyenne
EED	,0	6	,7733	,17671	,07214
	1,0	7	,5514	,28725	,10857
DED	,0	6	,2267	,17671	,07214
	1,0	7	,4486	,28725	,10857
ProprietyRatio	,0	6	,4783	,29349	,11982
	1,0	7	,2757	,18338	,06931
ROENetincomeEquity	,0	6	,0683	,10458	,04269
	1,0	7	,3729	,34374	,12992
ProfitmarginNetincomeSales	,0	6	,0267	,09070	,03703
	1,0	7	,0800	,07303	,02760
NoncurrentassetTotalofasset	,0	6	,4717	,20721	,08459
	1,0	7	,3386	,20020	,07567
Currentratio	,0	6	200,6000%	167,91283%	68,55013%
	1,0	7	117,4286%	30,33621%	11,46601%
Quickratio	,0	6	95,5633%	90,78643%	37,06341%
	1,0	7	15,4414%	12,79292%	4,83527%
ROA	,0	6	2,8817%	2,44598%	0,99857%
	1,0	7	8,6571%	11,17122%	4,22232%
CashTotalofasset	,0	6	9,4817%	14,00312%	5,71675%
	1,0	7	340,9214%	749,87743%	283,42703%
WorkincapitalTotalofasset	,0	6	22,7167%	23,25566%	9,49408%
	1,0	7	9,3271%	11,27679%	4,26223%
DebtEquityratio	,0	6	,3600	,35031	,14302
	1,0	7	1,3600	1,31995	,49889

Appendix

Appendix n°11: Sample T-test for 13 firms based on non- EXP & IMP activity (SPSS treatment)

Test d'échantillons indépendants

		Test de Levene sur l'égalité des variances		Test-t pour égalité des moyennes						
		F	Sig.	t	ddl	Sig. (bilatérale)	Différence moyenne	Différence écart-type	Intervalle de confiance 95% de la différence	
									Inférieure	Supérieure
EED	Hypothèse de variances égales	1,902	,195	1,639	11	,129	,22190	,13537	-,07604	,51985
	Hypothèse de variances inégales			1,702	10,10	,119	,22190	,13035	-,06814	,51195
DED	Hypothèse de variances égales	1,902	,195	-1,639	11	,129	-,22190	,13537	-,51985	,07604
	Hypothèse de variances inégales			-1,702	10,10	,119	-,22190	,13035	-,51195	,06814
ProprietyRatio	Hypothèse de variances égales	3,313	,096	1,519	11	,157	,20262	,13340	-,09100	,49624
	Hypothèse de variances inégales			1,464	8,146	,181	,20262	,13842	-,11559	,52082
ROENetincomeEquity	Hypothèse de variances égales	7,307	,021	-2,077	11	,062	-,30452	,14659	-,62716	,01811
	Hypothèse de variances inégales			-2,227	7,264	,060	-,30452	,13676	-,62553	,01649
ProfitmarginNetincomeSales	Hypothèse de variances égales	,010	,922	-1,176	11	,265	-,05333	,04536	-,15318	,04651
	Hypothèse de variances inégales			-1,155	9,624	,276	-,05333	,04618	-,15679	,05012
NoncurrentassetTotalofasset	Hypothèse de variances égales	,024	,879	1,176	11	,264	,13310	,11317	-,11599	,38218
	Hypothèse de variances inégales			1,173	10,56	,267	,13310	,11350	-,11797	,38416
Currentratio	Hypothèse de variances égales	5,651	,037	1,295	11	,222	83,17%	64,204%	-58,140%	224,483%

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	Hypothèse de variances inégales			1,197	5,280	,282	83,171%	69,502%	-92,675%	259,01%
	Hypothèse de variances égales	12,103	,005	2,325	11	,040	80,121%	34,456%	4,283%	155,95%
Quickratio	Hypothèse de variances inégales			2,144	5,170	,083	80,121%	37,377%	-15,015%	175,25%
	Hypothèse de variances égales	2,327	,155	-1,234	11	,243	-5,775%	4,680%	-16,078%	4,5272%
ROA	Hypothèse de variances inégales			-1,331	6,665	,227	-5,775%	4,338%	-16,140%	4,5896%
	Hypothèse de variances égales	4,470	,058	-1,076	11	,305	-331,43%	308,16%	-1009,7%	346,821 %
CashTotalofasset	Hypothèse de variances inégales			-1,169	6,005	,287	-331,43%	283,48%	-1024,9%	362,08%
	Hypothèse de variances égales	3,740	,079	1,356	11	,202	13,389%	9,8772%	-8,350%	35,129%
WorkincapitalTot alofasset	Hypothèse de variances inégales			1,287	6,982	,239	13,389%	10,406%	-11,231%	38,010%
	Hypothèse de variances égales	14,844	,003	-1,792	11	,101	-1,00000	,55805	-2,22825	,22825
DebtEquityratio	Hypothèse de variances inégales			-1,927	6,970	,096	-1,00000	,51899	-2,22828	,22828