

Leasing Insights for Elite Hotels

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The integration of high-technology equipment in the hospitality industry has become essential for operational efficiency and enhanced guest experience (Buhalis, 2008). Elite hotels is premier luxury resort in Malaysia, utilizes a wide array of technological tools, including laptops, desktop computers, printers, fax machines, telecommunication systems, and multifunction copiers (photostat machines) (Kasavana & Cahill, 2003; Ivanov & Webster, 2017). This article aims to evaluate which of these equipment types should be leased from third-party vendors in accordance with Malaysian Financial Reporting Standard 16 (MFRS 16) Leases. The analysis provides strategic recommendations, financial implications, and considerations for optimizing cost management and ensuring compliance with current accounting standards.

Overview of MFRS 16

MFRS 16, effective from 1 January 2019, redefines lease accounting by eliminating the classification of operating and finance leases for lessees. Instead, lessees are required to recognize nearly all leases on the balance sheet. This includes:

1. **Right-of-Use (ROU) Asset:** Represents the lessee's right to use the leased asset over the lease term.
2. **Lease Liability: Represents the obligation to make lease payments.**
The only exceptions to this requirement are:
 - i. **Short-term leases:** Lease terms of less than 12 months.
 - ii. **Low-value asset leases:** Typically defined as assets with an individual value below USD 5,000 (\approx RM 20,000).

Financial Statement Impact

Under MFRS 16, the effects on financial statements include:

1. **Financial Position:** Addition of ROU assets and lease liabilities.
2. **Profit or Loss:** Separate recognition of depreciation on ROU assets and interest on lease liabilities, replacing previous lease expense recognition.
3. **Cash Flow:** Lease payments are split into interest (operating) and principal (financing) components.

Equipment Analysis and Strategic Considerations

1. Laptops and Desktop Computers

While technically leasable under MFRS 16, these devices often fall under the low-value exemption. Purchasing is generally preferred due to:

- i. Capital asset benefits
- ii. Tax deductibility via depreciation
- iii. Low maintenance requirements
- iv. Predictable life cycle (3–5 years)

However, leasing may be beneficial for short-term or bulk deployment projects, especially when bundled with software and support.

2. Printers and Photostat Machines

Standard printers should be purchased if used minimally. In contrast, multifunction and photostat machines are ideal for leasing due to:

- i. High maintenance costs
- ii. Frequent updates and service
- iii. Cost efficiency under managed print service agreements
- iv. MFRS 16 compliance without large upfront CAPEX

3. Telecommunication Systems

Standalone phones may be purchased, but full **IP PBX and VoIP systems** should be leased where possible. These typically include:

- i. Software updates
- ii. Cloud hosting
- iii. Customer support

Leasing also ensures scalability for future expansions or upgrades.

4. Other Leasable Assets to Consider at Elite Hotel in Malaysia

In addition to office equipment, the elite hotels could consider leasing the following:

Table 1: Leasable Assets to Consider

Asset Type	Lease Potential	Justification
Digital Signage / Smart TVs	High	Technology changes rapidly; lease allows for upgrades

Security Systems (CCTV, Access)	High	High upfront cost: lease ensures modernization and service contracts
Housekeeping Equipment	Medium	Industrial cleaners or smart vacuums may be more economical under leasing plans

Based on operational needs and financial reporting requirements under MFRS 16, a hybrid approach is recommended for The Luxury Hotels in Malaysia:

Lease high-cost, maintenance-heavy equipment such as:

- a. Photostat Machines
- b. Multifunction Printers
- c. IP PBX or VoIP phone systems
- d. Security Systems
- e. Smart TVs and digital signage

Purchase low-cost, stable assets such as:

- a. Laptops and PCs (unless bundled for short-term use)
- b. Fax machines
- c. Standalone telephones
- d. Basic printers

This strategy ensures compliance with the Malaysian Financial Reporting Standard (MFRS) 16 while promoting operational and financial benefits. By aligning with MFRS 16 requirements, hotels can recognize lease assets and liabilities transparently, improving the accuracy of financial reporting (Malaysian Accounting Standards Board [MASB], 2019; Deloitte Malaysia, 2020). Additionally, it allows for optimal asset utilization by helping management track and manage leased technological equipment efficiently, especially in data-driven environments such as luxury resorts. Improved lease planning under MFRS 16 also supports enhanced cash flow management, as it facilitates better forecasting and control of rental expenses (PwC Malaysia, 2021). Moreover, strategic leasing provides greater flexibility in upgrading technology infrastructure, enabling hotels to remain competitive in an evolving digital landscape (EY Malaysia, 2021).

Table 2: Asset Acquisition Recommendation Table for the Luxury Hotels in Malaysia

Asset Type	Recommended Action	Justification
Laptops	Purchase	Typically, low-value (RM 4,000–6,000); qualifies for MFRS 16 exemption; better cost control through ownership.
Desktop Computers (PCs)	Purchase	Like laptops; durable, cost-effective for long-term use; low maintenance and manageable upgraded cycles.

Standard Printers	Purchase	Low-cost and low maintenance; not suitable for lease accounting; cheaper to own outright.
Multifunction Printers (MFPs)	Lease	Higher cost (RM 8,000+); leasing includes maintenance and consumables; aligns with frequent usage.
Photostat Machines	Lease	High-value (RM 15,000–40,000); frequent servicing and upgrades needed; leasing avoids large CAPEX.
Fax Machines	Purchase	Low value (RM <1,500); minimal usage; cost doesn't justify leasing.
Telephones (IP/VoIP sets)	Purchase (units) / Lease (systems)	Unit cost is low; however, leasing full VoIP systems with software and support is more efficient.
IP PBX / VoIP Phone Systems	Lease	Bundled services (software, cloud, updates); avoid obsolescence; scalable and maintainable.
Digital Signage / Smart TVs	Lease	Technology changes quickly; leasing enables frequent upgrades; high upfront cost avoided.
Security Systems (CCTV, access control)	Lease	Expensive to install and upgrade; leasing includes system updates and maintenance.
Housekeeping Equipment	Lease (if industrial/high-tech)	Leasing reduces maintenance risk for specialized or robotic cleaning systems.

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