**EXERCISE N. 2 – FINANCE LEASE**

Rome company stipulates a finance lease on the 1st January X for a plant, whose useful life is of 10 years. The fair value of the plant, under a finance lease, is of 141.000 €. The present value of the lease payments is of 140.365 €. The contract establishes periodical annual payments equal to 29.000 € for 6 years, starting from the 31st December X.

The implicit interest rate is 8%.

The purchase option at the end of the lease has been established at 10.000 €.

According to IAS 17, please fill in the table below (rounding of the amounts to unity).

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| --- | --- |
| Question | Answer |
| At which amount will the company initially recognise the plant as an asset? |  |
| At which amount will the company initially recognise the related liability? |  |
| Which is the amount of the lease liability at the 31st December X+3? |  |
| Which is the amount of expenses recorded in the Income Statement of Year X+4? |  |
| Which is the amount of expenses recorded in the Income Statement of Year X+7? |  |

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| Question | Answer |
| At which amount will the company initially recognise the plant as an asset? | 140.365 |
| At which amount will the company initially recognise the related liability? | 140.365  |
| Which is the amount of the lease liability at the 31st December X+3? | 60.287,5 |
| Which is the amount of expenses recorded in the Income Statement of Year X+4? | 18.858,6 |
| Which is the amount of expenses recorded in the Income Statement of Year X+7? | 14.036,5 |