Leases

1. The major difference between financial and operating lease is:
   a) substantial transfer of all the risks and costs incidental to ownership.
   b) substantial transfer of all the risks and rewards incidental to ownership.
   c) substantial transfer of all the risks and uncertainties incidental to ownership.
   d) substantial transfer of all the rewards and costs incidental to ownership.

2. A lessee shall recognize its financial lease as:
   a) rights and obligations of use in its statement of financial position at amounts equal to the carrying amount of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.
   b) rights and obligations of use in its statement of financial position at amounts equal to the recoverable amount of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.
   c) rights and obligations of use in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.

3. A lessor shall recognize assets held under a finance lease in:
   a) in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.
   b) in its statement of financial position and present them as a receivable at an amount equal to its fair value.
   c) in its statement of financial position and present them as a receivable at an amount equal to its carrying amount.

4. A lessee shall recognize lease payments provided under operating leases:
   a) as an expense in its first statement of comprehensive income when the contract on operating lease was signed.
   b) as a revenue in its first statement of comprehensive income when the contract on operating lease was signed.
   c) as an expense on a straight-line basis in all its statements of comprehensive income throughout the whole life of the contract on operating lease.
   d) as a revenue on a straight-line basis in all its statements of comprehensive income throughout the whole life of the contract on operating lease.

5. A lessor shall recognize lease payments received under operating leases:
   a) as an expense in its first statement of comprehensive income when the contract on operating lease was signed.
   b) as a revenue in its first statement of comprehensive income when the contract on operating lease was signed.
   c) as an expense on a straight-line basis in all its statements of comprehensive income throughout the whole life of the contract on operating lease.

d) as a revenue on a straight-line basis in all its statements of comprehensive income throughout the whole life of the contract on operating lease.

<u>Example 1: Financial statements of lessee</u>

On 1 January 20X1 an entity entered, as lessee, into a three-year non-cancellable lease of a machine. At the end of the lease term ownership of the machine passes to the lessee. There were made three lease payments for CU 3 000 always paid by 31 December. The interest rate implicit in the lease is 10% p.a.. Fair value of machine is CU 7 540. Estimated lifetime of machine is 5 years, estimated residual value at the end of lifetime is CU 568.

Compile schedule of lease payments and compile extraction of statement of financial position and statement of comprehensive income of lessee during contract term.

<u>Example 2: Financial statements of lessor</u>

Given info – see Example 1, except of the interest rate implicit – 8.84 % p.a.

Compile schedule of lease payments and compile extraction of statement of financial position and statement of comprehensive income of lessor during contract term.