

Aufgabe QR-7.10: Leasing (lease)

The consultancy PÖTTER Ltd. leases a new business car Mercedes S320 on 1.01.20X1. The net purchase price is 75,000.00 EUR. Instead of buying the car PÖTTER Ltd. agreed in a leasing contract and pays 20,000 EUR for 5 years. The amount contains 5,000.00 EUR interest each year. Consider the fair value of the car to be 75,000.00 EUR. This is the depreciable amount. The discount rate of return is to be 10%.

Make all bookkeeping entries for the accounting periods 20X1 and 20X2. Do not forget to consider depreciation! Use straight line method and consider the useful life to be 5 years. (You do not have to discount liabilities, value liabilities by the amount for settlement). Give amounts as at 31.12.20X2:

Lösung (Solution):

According to the lease term test the car is classified as finance lease. It is to be recognized as part of P, P, E. The amount is lower amount out of cost 75,000.00 EUR or the discounted lease payments. Computation of the lease payments under consideration of the discount rate is: $20,000 \cdot (1.1^5 - 1) / (0.1 \cdot 1.1^5) = 75,815.74 \text{ EUR}$. Consequently, the car is to be recognized by 75,000.00 EUR.

(1) Acquisition of the car. The car's net value is 75,000.00 EUR. Finance is only required for the net amount. VAT is refunded by taxation authorities in the next accounting period.

DR P, P, E	75,000.00 EUR
DR VAT	15,000.00 EUR
CR Lease obligation	75,000.00 EUR
CR Bank	15,000.00 EUR

(2) Depreciation of the motor vehicle is $75,000 / 5 = 15,000.00 \text{ EUR}$.

DR Depr	15,000.00 EUR
CR Acc. Depr.	15,000.00 EUR

(3) The lease payment contains 5,000.00 EUR interest.

DR Interest (20X1)	5,000.00 EUR
CR Bank	5,000.00 EUR

(4) The payment for lease contains a pay off portion to be $20,000 - 5,000 = 15,000.00 \text{ EUR}$.

DR Lease obligation	15,000.00 EUR
CR Bank	15,000.00 EUR

(5) According to IFRSs (IAS 1) short-term liabilities are to be recognized as a such. $20,000 - 5,000 = 15,000.00$ EUR.

DR Lease obligation	15,000.00 EUR
CR Short-term liabilities	15,000.00 EUR

After these bookkeeping entries the financial statement for 20X1 are to be prepared. Expenses for the lease are depreciation and interest: $15,000 + 5,000 = 20,000.00$ EUR.

In 20X2 the following bookkeeping entries are relevant:

(A) Depreciation of the motor vehicle is $75,000/5 = 15,000.00$ EUR.

DR Depr	15,000.00 EUR
CR Acc. Depr.	15,000.00 EUR

(B) The lease payment contains 5,000.00 EUR interest.

DR Interest (20X1)	5,000.00 EUR
CR Bank	5,000.00 EUR

(C) The payment for lease contains the pay off portion to be $20,000 - 5,000 = 15,000.00$ EUR. In 20X2 it is taken from the short-term liabilities account:

DR Short-term liabilities	15,000.00 EUR
CR Bank	15,000.00 EUR

(D) According to IFRSs (IAS 1) short-term liabilities are to be recognized as a such. $20,000 - 5,000 = 15,000.00$ EUR.

DR Lease obligation	15,000.00 EUR
CR Short-term liabilities	15,000.00 EUR

(E) The taxation authorities refund the VAT paid for the acquisition of the car.

DR Bank	15,000.00 EUR
CR VAT	15,000.00 EUR

D		PPE	C	
(1)	75.000,00	c/d	75.000,00	
b/d	75.000,00			

D		VAT	C	
(1)	15.000,00	c/d	15.000,00	
b/d	15.000,00	(E)	15.000,00	

D		Lease Obl	C	
(4)	15.000,00	(1)	75.000,00	
(5)	15.000,00			
c/d	45.000,00			
	75.000,00		75.000,00	
(D)	15.000,00	b/d	45.000,00	
c/d	30.000,00			
	45.000,00		45.000,00	
		b/d	30.000,00	

D		Depr-20X1	C	
(2)	15.000,00	c/d	15.000,00	
b/d	15.000,00	P&L-1	15.000,00	

D		Acc Depr	C	
c/d	15.000,00	(2)	15.000,00	
		b/d	15.000,00	
c/d	30.000,00	(A)	15.000,00	
	30.000,00		30.000,00	
		b/d	30.000,00	

D		Bank	C	
		(1)	15.000,00	
		(3)	5.000,00	
c/d	35.000,00	(4)	15.000,00	
	35.000,00		35.000,00	
(E)	15.000,00	b/d	35.000,00	
c/d	35.000,00	(B)	5.000,00	
	50.000,00	(C)	15.000,00	
			55.000,00	
		b/d	15.000,00	

D		Depr-20X2	C	
(A)	15.000,00	c/d	15.000,00	
b/d	15.000,00	P&L-2	15.000,00	

D		Int-20X1	C	
(3)	5.000,00	c/d	5.000,00	
b/d	5.000,00	P&L-1	5.000,00	

D		Short-term Liab	C	
c/d	15.000,00	(5)	15.000,00	
(C)	15.000,00	b/d	15.000,00	
c/d	15.000,00	(D)	15.000,00	
	30.000,00		30.000,00	
		b/d	15.000,00	

D		Int-20X2	C	
(B)	5.000,00	c/d	5.000,00	
b/d	5.000,00	P&L-2	5.000,00	

D		ACC	C	
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D		ACC	C	
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Exhibit 1: Accounts