

Solution:

(1)

The present value of the lease payment is the PV of annuity of \$30,000 for 3 years at 10% annual compounding.

By using the PV of annuity table, the desired PV is $\$30,000 \times 2.4869 = \$74,607$.

Thus, the present value of the capital lease is **\$74,607**.

(2)

The entry for the lease is as follows:

JOURNAL ENTRIES FOR LEASE TENURE (Amounts are in \$)			
Date	Particulars	Debit	Credit
Dec 31, 2010	Leased Cleaning Equipment To Lease, Current To Lease, Long-term (Being recording of the lease of cleaning equipment.)	74,607.0	22,539.3 52,067.7
Dec 31, 2011	Interest Expense Lease Liability To Cash (Being recording of the first year of cleaning equipment lease.)	7,460.7 22,539.3	30,000.0
Dec 31, 2012	Interest Expense Lease Liability To Cash (Being recording of the second year of cleaning equipment lease.)	5,206.8 24,794.2	30,000.0
Dec 31, 2013	Interest Expense Lease Liability To Cash (Being recording of the third and final year of cleaning equipment lease.)	2,726.5 27,273.5	30,000.0

The short term and long term classification was added to ensure that the lease liabilities could be written clearly on the balance sheet.