Solution:

(1)

To calculate the present value of lease, we add the present value of all the leases as follows:

$$PV = \frac{1{,}794}{1.08} + \frac{1{,}654}{1.08^2} + \frac{1{,}465}{1.08^3} + \frac{1{,}354}{1.08^4} + \frac{1{,}192}{1.08^5} + \frac{6{,}533}{1.08^6} = \$10{,}165.50\ million$$

Thus, the present value of all the operating lease comes out to be **$10,165.50 million**.

(2)

If we were to capitalize the operating leases, we need to create a liability for the same.

(a)

JOURNAL ENTRY FOR LEASE CAPITALIZATION (Amounts in millions of $)			
Date	Particulars	Debit	Credit
June 1, 2011	Leased Assets To Lease Obligations (Being creation of a capital lease for the operational leases.)	10,165.50	 10,165.50

(b)

For the first year, the interest expense on the capitalized costs will be $10,165.50 x 0.1 = $1,016.55. The payment for the lease will be $1,794 million. Thus, the lease obligations will reduce by $1,794 - $1,016.55 = $777.45.

JOURNAL ENTRY FOR LEASE CAPITALIZATION (Amounts in millions of $)			
Date	Particulars	Debit	Credit
June 1, 2012	Interest Expense Lease Obligations To Cash (Being first payment.)	1,016.55 777.45	 1,794.00

(3)

The debt-to-equity ratio is given by:

$$D - E\ ratio = \frac{Total\ liabilities}{Total\ SE} = \frac{\$27{,}835 - \$15{,}220}{\$15{,}220} = 0.83$$

If they capitalized all their operational leases, then the new value of the debt-to-equity ratio will become:

$$D - E\ ratio = \frac{\$27{,}835 - \$15{,}220 + \$10{,}165.50}{\$15{,}220} = 1.50$$

There is a very huge jump in the D/E ratio when the operational leases are capitalized, which indicates that FedEx might be making its leases operational to keep the D/E ratio in control as well.

A D/E ratio > 1 is always presumed to be an unstable company, which indicates that FedEx needed to keep their operational leases mainly.