Solution:

(1)

JOURNAL ENTRY FOR PAYMENT (Amount in millions of $)		
Interest Expense Capital Lease Obligations To Cash (Being payment for the lease due in 2013.)	77 29	 106

(2)

In the assets, there is an amortization of $588/20 = $29.4 million every year.

Thus, we see that the assets will decrease by $29.4 million while the capital leases obligation is reduced by $29 million.

Thus, we have the following:

Capital lease Assets = $588 - $29.4 = $558.6 million

Total Capital lease Obligations = $449 - $29 = $420 million

(3)

They are different because the liability represents the owing of the Home Depot towards the lessor (which is why it is amortized using effective interest amortization) while the asset represents the owned property of Home Depot (since it is a capital lease), meaning that Home Depot needs to handle the asset’s amortization differently (usually as a straight line, since DDB is complicated).