**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 x 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.