**Solution:**

(1)

Let the lease payment be $P per year. Then $100,000 is the value of the annuity of $P for 3 years at 8% interest rate.

By using the annuity table, we see that $100,000 = $P x 2.5771, which gives P = $38,803.31.

Thus, the yearly payment will be **$38,803.31**.

(2)

The yearly journal entry for operating lease is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| JOURNAL ENTRY FOR OPERATING LEASE  (Amount in $) | | | |
| Date | Particulars | Debit | Credit |
| [End of the year] | Rent Expense  To Cash  (Being lease payment for the computers.) | 38,803.31 | 38,803.31 |

(3)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ANALYTICAL SCHEDULE OF LEASE PAYMENT  (Amounts in $) | | | | |
| Year | Lease Liability  (Begin) | Interest Expense | Lease Payment | Lease Liability  (End) |
| 2011 | 100,000.00 | 8,000.00 | 38,803.31 | 69,196.69 |
| 2012 | 69,196.69 | 5,535.74 | 38,803.31 | 35,929.12 |
| 2013 | 35,929.12 | 2,873.19 | 38,803.31 | 0.00 |

(4)

Using the balance sheet equation, we can easily prepare the same.

(5)

The journal entries are written on the next page:

|  |  |  |  |
| --- | --- | --- | --- |
| JOURNAL ENTRY FOR CAPITAL LEASE  (Amount in $) | | | |
| Date | Particulars | Debit | Credit |
| 31 Dec 2010 | Leased Computers  To Lease Liability  (Being lease acquisition of computers.) | 100,000.00 | 100,000.00 |
| 31 Dec 2011 | (a)**Lease Entry**  Lease Liability  Interest Expense  To Cash  (b)**Amortization**  Amortization Expense  To Leased Computers | 30,803.31  8,000.00  33,333.33 | 38,803.31  33,333.33 |
| 31 Dec 2012 | (a)**Lease Entry**  Lease Liability  Interest Expense  To Cash  (b)**Amortization**  Amortization Expense  To Leased Computers | 33,267.57  5,535.74  33,333.33 | 38,803.31  33,333.33 |
| 31 Dec 2013 | (a)**Lease Entry**  Lease Liability  Interest Expense  To Cash  (b)**Amortization**  Amortization Expense  To Leased Computers | 35,930.12  2,873.19  33,333.33 | 38,803.31  33,333.33 |