



Department of Education, Sabaragamuwa/weekly school

week- June 5

Subject-Accounting

Grade-13

Prepared by -  
Zonal Education Office, Rathnapura.

Competency 11.0 – Uses Sri Lanka Accounting Standards for the preparation and presentation of financial statements.

Competency Level 11.7 – Understands Accounting for right to use of Lease property.

Amanda Plc Ltd purchased a machine on 01.04.2017 for finance lease. Following transactions are provided.

|                                   |                 |
|-----------------------------------|-----------------|
| Fair value of the machine         | - Rs. 1 541 992 |
| Initial payment                   | - Rs. 400 000   |
| Annual instalment at the year end | - Rs. 400 000   |
| Lease period                      | - 4 years       |
| Useful economic life              | - 5 years       |
| Residual value                    | - Rs. 41 992    |
| Interest on lease                 | - 15%           |

Title is transferred at the end of the lease period.

Following are the interest for each year.

| Year           | Interest on lease |
|----------------|-------------------|
| 2017/2018      | 171 289           |
| 2018/2019      | 136 994           |
| 2019/2020      | 97 542            |
| 2020/2021      | 52 174            |
| Total interest | <u>457 999</u>    |

### Required

1. Relevant journal entries and account for annual depreciation for the year ended 31.03.2018.
2. Relevant ledger account and account for annual depreciation for the year ended 31.03.2018
3. Disclosures requirement in financial statement for the year ended 31.03.2018

