

1) Purchase 10 unit  
To Bank

2) Trading 10 unit  
To purch.  
Trad

~~10~~  
~~10~~  
Sale 6  
~~10~~

3) Bank 6 unit  
To Sale

4) Inventory 4 unit  
To Trading 4 unit

1) Inventory 10  
To Bank

2) Bank/LR 6  
To Sale 6

3) Sale 6/6  
To Trading 6/6

4) COGS 6/6  
To Invent 6/6

5) Trad. 6/6  
To COGS 6/6

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COG 6 | Sale 6

**Example 5: (Finance Lease - Dealer lessor)**

Fair Value of Asset given = 15,00,000, Lease Rent p.a. = 5,50,000, Term = 3 years, GRV = 1,00,000, UGRV = 50,000, IRI = 10%, Book Value of Inventory Which is Leased = 13,80,000. This is Finance Lease. Show Accounting as per AS 19.

**Solution:**

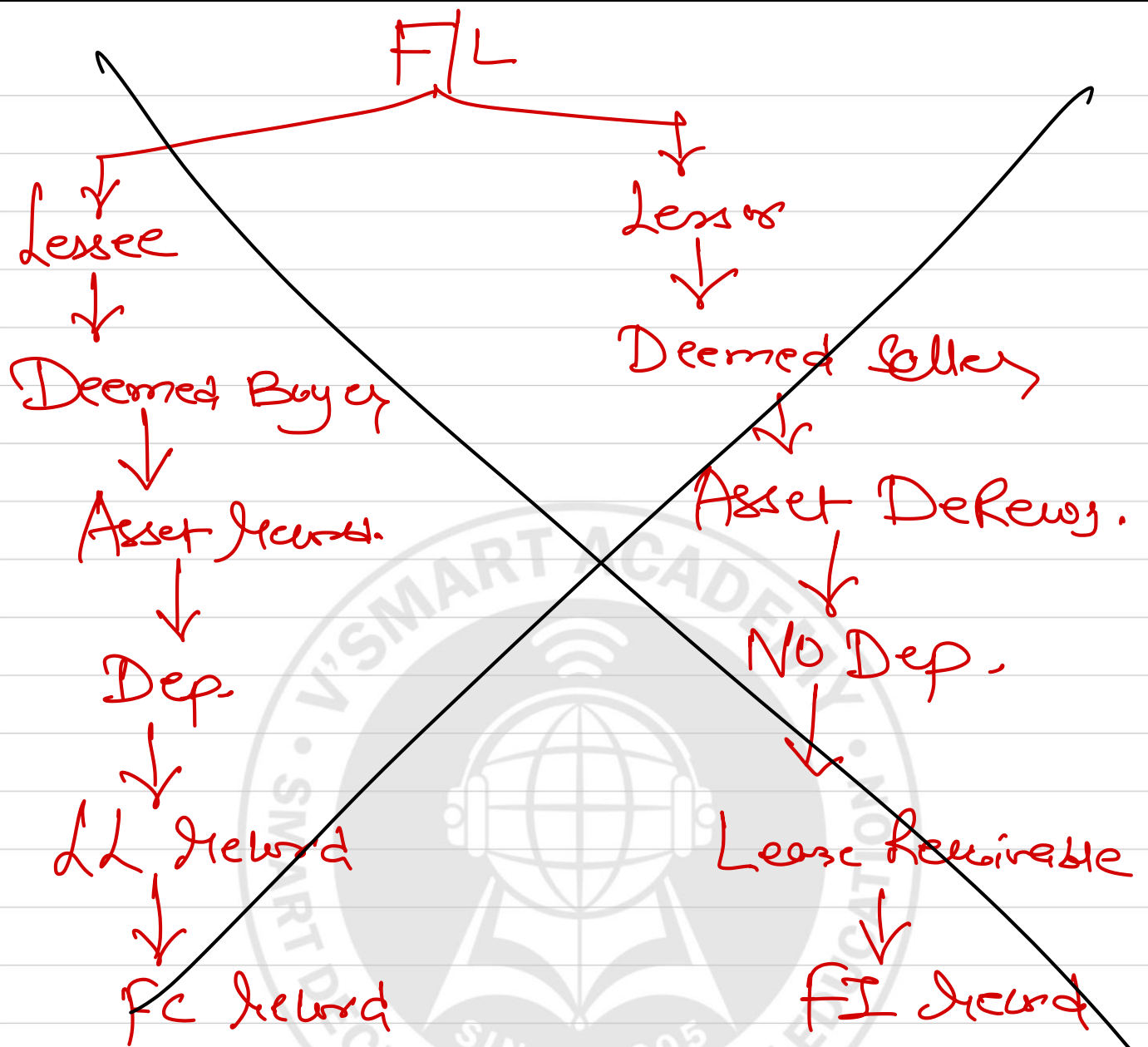
Step 1:- Calculation of NIL:-

<u>Year</u>	<u>GL</u>	<u>PV @ 10%</u>
1	550000	
2	"	
3	"	
3	150000	
		<u>1480466</u>

Lease Receivable Dr. 1480466  
COGS Dr. 1342434 (B/F)

To Sale a/c 1442900  
To Inventory 1380000

FV 1500000  
PV OF MLP 1442900



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3 yrs. 10% escalation

Life 10 yrs.

1 50000

2 55000

3 60500

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165500

∴  
3

Sum = 551667

1st L. Rent 551667 (P&L)

To Bank 50000  
To lease equalization 51667

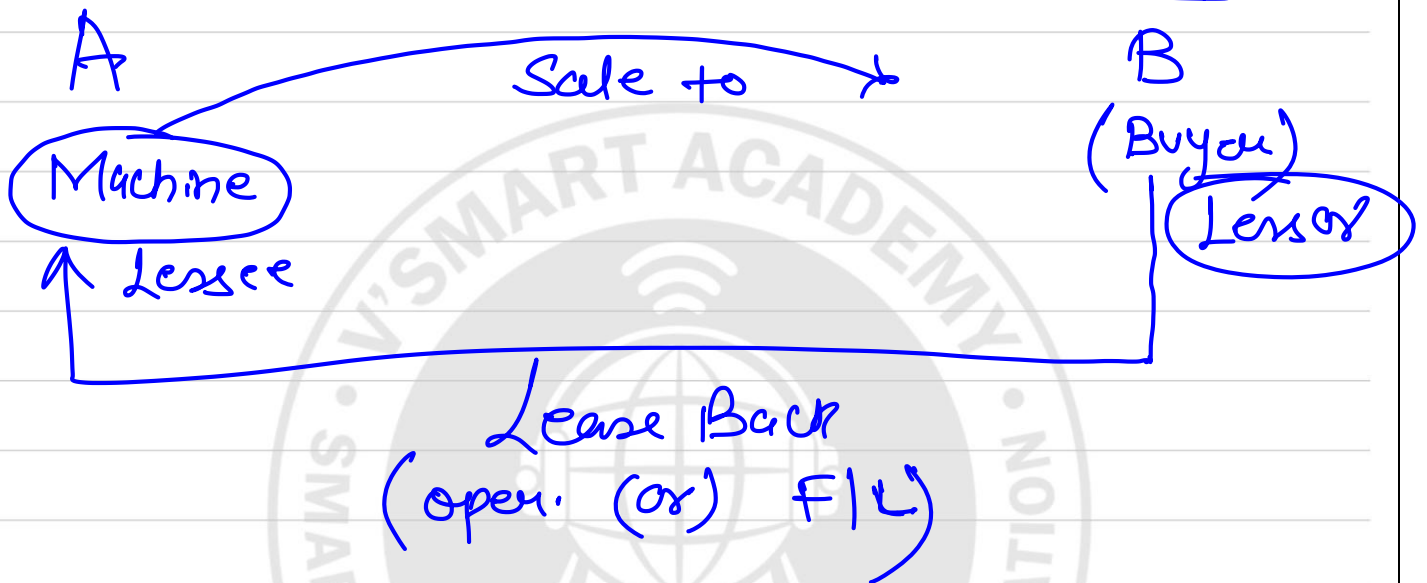
2nd L. Rent 551667 (P&L)

To Lease equ. 1667  
To Bank 550000

3rd L. Rent a/c Dr. 551666  
L. Equi. a/c Dr. 53234

To Bank 605000

## Sale and Lease Back



## Sale & Oper. Lease

1) SP = Selling price (actual)

2) CA = Carrying Amt (Br)

Gain/Loss  $\Rightarrow$  SP - CA

3) FV = Fair Value (Market price)

Rule-1 loss  $\longrightarrow$  P&L

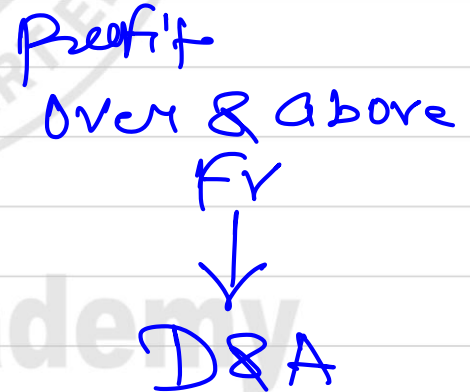
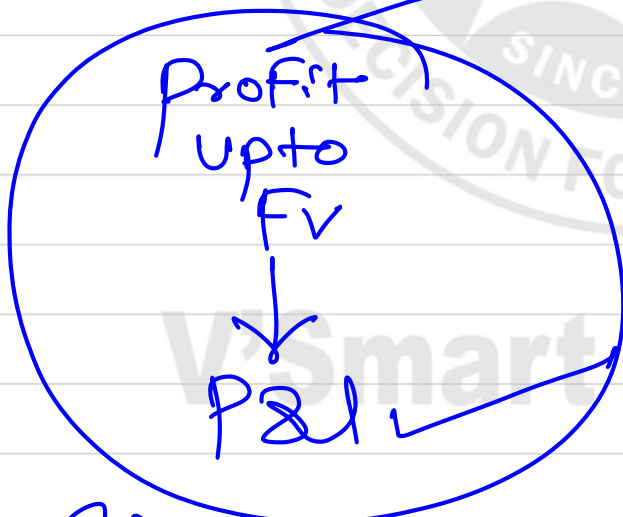
$$\begin{aligned} CA &= 100000 \\ SP &= 90000 \\ FV &= 95000 \end{aligned}$$

Bank 90  
Loss 10 (P&L)  
TO Asset-100

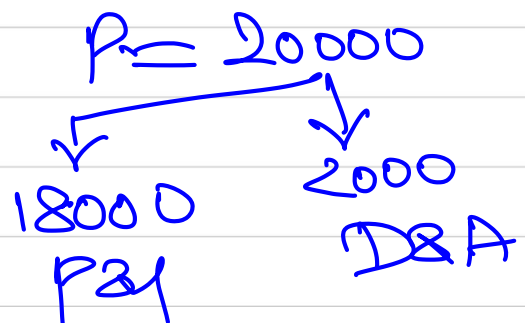
Actual loss = 10000 P&L

Rule-2

$$\begin{array}{c} \text{Profit} \\ SP - CA \\ \uparrow \quad \downarrow \end{array}$$



$$\begin{aligned} CA &= 100000 \\ SP &= 120000 \\ FV &= 118000 \end{aligned}$$



$$CA = 100000$$

$$SP = 112000$$

Profit 12

$$FV = 105000$$

Bank 112000

To Asset 100000

To Gain (P&L) 5000

To Def-Gain 7000

Rule-3 It applies only when

Impairment  
Loss

$$CA > FV$$

$$CA = 100000$$

$$FV = 90000$$

$$SP = 92000$$

Actual loss = 8000

$$\text{Impair. Loss} \Rightarrow CA - FA = 10000$$

P&L

P&L Dr. 10000  
To Asset 10000

$$\text{Revised CA} = 90000$$

$$SP = 92000$$

profit 2000

Rule 2

D&A

$$CA = 500000$$

$$FV = 475000$$

$$SP = 490000$$

$$\text{Imp. Loss} = 25000 \text{ (P21)}$$

$$\text{P21 To Ass. } \frac{25}{25}$$

Revised Ass. 475000

SP 490000

Profit 15000 D&A

Bank 490

To Ass. 475

To Def. 15  
Gain

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