5) NIL ⇒ Net Investment in Lease

↳ PV OF GIL @ Dis. Rate

*NIL should always be equal to Initial Fair value OF Asset

↳ Agar आज ~~Hum~~ ~~Hum~~ Asset को Sale Karde Cash में तो कितना milna Chahie → NIL = FV = PV of GIL

A/c entry by Lessor :- (F/L – Non Dealer Lessor)

1) Lease Receivable a/c Dr. ——→ NIL

To Asset a/c —— Book Value

(different in P&L)

2) Bank a/c Dr.

To Lease Receivable a/c

Year end ⇒ 3) L. Receivable Dr.

To Finance Income a/c (P&L)

Rent received 4) Bank a/c Dr.
To Lease Receivable

"No Dep. shall be Charged by Lessor"

Ex:-4 (Pg.no. 7.7)

Books of Lessor

1) MLP = 100000 + (250000 × 5) + 80000 = 1430000

2) GIL = MLP + UGRV ⇒ 1430000 + 70000

3) UGRV = ERV − GRV ⇒ 150000 − 80000
⇒ 70000

4) Pv of GIL i.e NIL :-

a) DP = 100000 ~~+250000~~
b) Pv of ALP @ 9% for 5yrs = 972413
c) Pv of GRV @ 9% for 5th yr. = 51995
d) Pv of UGR @ 9% for 5th yr. = 45495

11,69,903

5) Recognition of Lease Receivable at 11,69,903

L.R a/c Dr. To Asset

6) Receipt of DP :- 100000

Bank a/c Dr.
To Lease Receivable

7) Calculation of Finance Income :-

Year	OP. Bal ↓ after deducting DP	F.I @9%	GIL	Closg
1	1069903	96291	250000	916194
2	916194	82457	(250000)	748651
3	748651	67379	(250000)	566030
4	566030	50943	(250000)	366973
5	366973	33027 (B/F)	400000	0
		330097		

400000 ↓
250000
+150000 → assuming it is recovered

Assume that Lessor Could Recovery only 100000 other that 5th yr. Lease Rent of 250000

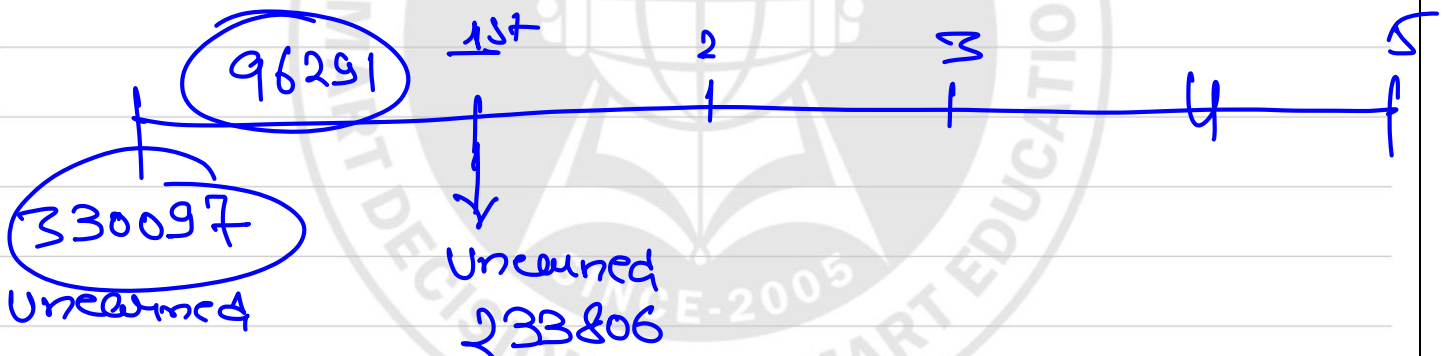
Year	Opng	FI	GIL	Closg
5	366973	(16973) B/F	350000 (250000 + 100000)	0

P&L Dr. side

8) Calculate Unearned Finance Income at Commence of Lease :-

GIL – NIL

1500000 – 1169903 = 330097



Q202

1) GIL = 43 lacs.

2) Pv of GIL = 2830920

3) Unearned = 1469080

FI

4)

	FI
1	424638
2	368333
3	303583
4	229121
5	143403 (B/F)

Q204

Books of Lessee

Step 1:- Fair value of Asset = 50,00,000

Step 2:- Present value of MLP @ 15%.

MLP = (1600000 × 4) + 300000 = 67,00,000

a) Pv of 1600000 for 4 years @ 15% = 45,68,000
1600000 × 2.855

b) Pv of 300000 at 4th yr. @ 15% = 171540
300000 × 0.5718

47,39,540

Conclusion, the value of Lease Liability is lower of :- a) Fv i.e 56,00,000

&

b) Pv of MLP i.e 4739540

L. Liab. = 47,39,540

Books of lessor

Unearned Finance Income = GIL − NIL

1) GIL = MLP + UGRV ⇒ 6700000 + 150000
⇒ 6850,000

2) UGRV = ERV − GRV ⇒ 150000

3) Pv of GIL (ie NIL) @ 15% :-

(i) Pv of 1600000 P.a For 4 years = 4568000
1600000 × 2.855

(ii) Pv of 300000 at 4th yr. = 171540

(iii) Pv of 150000 at 4th yr. = 85770
150000 × 0.5718

NIL = 4825310

4) Unearned FI = 6850,000 − 48,25,310

= 20,24,690/-

Ex:- Investment = 500000 Current Outflow

	Return
1	150000
2	"
3	"
4	"
5	"
	750000

Future Inflow

~~Assume 10% is ROI → 568618~~

Assume 14% is ROI → 514962

Assume 16% is ROI → 491144

14% (+)

↑ in %	2	2	1.256
↓ in ₹	23818	14962	

15.256 % ROI ←

Investment = 1250000

	Inflow
1	300000
2	400000
3	500000
4	600000

Rate ?

~~104.1388771~~

15.1.

The Rate at which Sum of Pv of future Inflow is equal to Current Investment is my ROI

15% → 1235137

14.5% → 1249280

14.5.1. —

↑ in %	0.5	x
↓ in ₹	14143	720

0.025

14.5 − 0.025 = 14.475 %.

15%. — | fm% | 0.5 | ? |
|---|---|---|
| PV | 14143 | 14863 |

0.525

14.475

Example 3: (Calculation of Interest Rate Implicit in Lease)

FV = 20,00,000, Annual Lease Rent = 4,50,000 p.a., Term = 5 years, GRV = 1,00,000, UGRV = 2,00,000. Calculate Interest Rate Implicit in Lease.

Solution

1) FV + IDC = 2000000 + 0 = 20 lacs.

2) GIL ⇒ MLP + UGRV = 25,50,000 lacs.

IRI ⇒ It is a rate at which PV of GIL should be equal to FV+IDC

Year	GIL
1	450000
2	"
3	"
4	"
5	750000

7% → 8%

2058984 → 20,00,894

7% +

↑ in %	1	?
↑ in ₹	58090	58984

7% + 1.015% = 8.015%

IRI
(Discounting Rate)

GIL

NIL → PV of GIL @ Dis.

= FV + IDC