Accounting for Sales-type Leases

▸Cost to manufacture	$ 170,000
▸Normal sales price	200,000
▸Lease term	4 years
▸ implicit interest rate	10%

Step one: Compute the necessary payment for the lease.

Journal entries:
Inception of lease:

Receipt of first payment:

Lease amortization schedule
Sales type lease

Year	Cash	Receivable	unearned interest	Interest income	Balance-Receivable	balance-Unearned interest	net investment
inception of lease					$252,376	$ 52,376	$200,000