

2. On January 1, 2024, United Airlines, a calendar year company, leased an airplane from Boeing. There is no transfer of ownership at the end of the lease and there is no bargain purchase option.

Terms of lease agreement and asset information:

Lease term		9
Annual payments on 1/1 each year	\$	33,000
Economic life		13
Interest rate		10%
Book value	\$	252,000
Fair value	\$	252,000
PVAD factor		6.33493

REQUIRED:

- Prepare the amortization schedule for the lessee:
- Prepare the journal entries for 2024 for the lessee and the lessor

ANSWER THE FOLLOWING QUESTIONS:

- a. What is the income statement effect of the lease on United Airlines financial statements for 2024?
- b. What is the income statement effect of the lease on Boeing's financial statements for 2024?
- c. What is the balance of the lease payable at 12/31/2024?
- d. What is the balance of the Right-of-Use Asset at 12/31/2025?