

Evaluate the following features or comments, and decide if the description would pertain to a financing lease or an operating lease.

| | <i>Operating Lease</i> | <i>Financing Lease</i> |
|---|------------------------|------------------------|
| The lessee reports the leased asset on its balance sheet | | ✓ |
| Payments are reported fully as rent expense | | |
| Ownership of the property passes to the lessee by the end of the lease term | | |
| The lease term exceeds one year | | |
| Interest expense is measured and reported by the lessee | | |
| Depreciation of the leased asset is not reported by the lessee | | |
| At the inception of the lease, the lessee records both an asset and liability | | |
| The lessee reports a liability for the present value of all future payments anticipated under the lease agreement | | |
| The lessor continues to report the tangible asset covered by the lease on its balance sheet | | |