



On July 1, 2010, Falk Company signed a contract to lease space in a building for 15 years. The lease contract calls for annual (prepaid) rental payments of \$80,000 on each July 1 throughout the life of the lease and for the lessee to pay for all additions and improvements to the leased property. On June 25, 2015, Falk decides to sublease the space to Ryan & Associates for the remaining 10 years of the lease—Ryan pays \$200,000 to Falk for the right to sublease and it agrees to assume the obligation to pay the \$80,000 annual rent to the building owner beginning July 1, 2015. After taking possession of the leased space, Ryan pays for improving the office portion of the leased space at a \$130,000 cost. The improvements are paid for by Ryan on July 5, 2015, and are estimated to have a useful life equal to the 16 years remaining in the life of the building.

Required

1. Prepare entries for Ryan to record (a) its payment to Falk for the right to sublease the building space, (b) its payment of the 2015 annual rent to the building owner, and (c) its payment for the office improvements.
 2. Prepare Ryan's year-end adjusting entries required at December 31, 2015, to (a) amortize the \$200,000 cost of the sublease, (b) amortize the office improvements, and (c) record rent expense.
- Check** Dr. Rent Expense
for (2a) \$10,000, (2c) \$40,000