42 Lecture - MGT201

Important Mcqs

- 1. What is lease financing?
 - a. Borrowing money for a period of up to one year
 - b. Obtaining the use of an asset without owning it in exchange for regular payments
 - c. Purchasing an asset outright with cash

Solution: b

- 2. Which type of lease allows the lessee to use an asset for a short period of time without assuming any of the risks of ownership?
 - a. Finance lease
 - b. Operating lease
 - c. Sale and leaseback arrangement

Solution: b

- 3. Which type of lease allows the lessee to purchase the asset at the end of the lease term?
 - a. Finance lease
 - b. Operating lease
 - c. Sale and leaseback arrangement

Solution: a

- 4. Which type of lease involves the sale of an asset to a lessor, who then leases the asset back to the original owner?
 - a. Finance lease
 - b. Operating lease
 - c. Sale and leaseback arrangement

Solution: c

- 5. What is the main advantage of operating leases?
 - a. Lower overall costs
 - b. Ability to purchase the asset at the end of the lease term
 - c. Flexibility in upgrading equipment

Solution: c

- 6. What is the main advantage of finance leases?
 - a. Lower overall costs
 - b. Flexibility in upgrading equipment
 - c. Ability to purchase the asset at the end of the lease term

Solution: a

- 7. What is the main disadvantage of sale and leaseback arrangements?
 - a. Higher interest rates
 - b. Restrictions on how the funds can be used
 - c. Potential long-term commitments

Solution: c

- 8. Which type of lease financing may offer potential tax benefits?
 - a. Finance lease
 - b. Operating lease
 - c. Sale and leaseback arrangement

Solution: b

- 9. Which type of lease financing may require the lessee to assume all risks associated with ownership?
 - a. Finance lease
 - b. Operating lease
 - c. Sale and leaseback arrangement

Solution: a

- 10. Which type of lease financing may require the lessor to maintain and repair the leased asset?
 - a. Finance lease
 - b. Operating lease
 - c. Sale and leaseback arrangement

Solution: b