

# 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**