

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