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