

42 Lecture - MGT201

Important Subjective

- 1. What is lease financing, and how does it differ from traditional financing methods?**
Answer: Lease financing is a method of obtaining the use of an asset without owning it, in exchange for regular payments. Unlike traditional financing methods, such as bank loans or lines of credit, lease financing does not involve borrowing money or taking on debt.
- 2. What are the advantages of lease financing for businesses?**
Answer: Lease financing can offer a number of advantages for businesses, including the ability to acquire assets without committing to long-term ownership, flexibility in equipment upgrades, and potential tax benefits.
- 3. What is an operating lease, and how does it work?**
Answer: An operating lease is a type of lease in which the lessee uses an asset for a short period of time without assuming any of the risks of ownership. The lessor retains ownership of the asset and is responsible for maintenance and repairs.
- 4. What is a finance lease, and how does it differ from an operating lease?**
Answer: A finance lease is a type of lease in which the lessee assumes most of the risks and benefits of ownership. The lessee typically has the option to purchase the asset at the end of the lease term. In contrast, an operating lease is a shorter-term arrangement in which the lessor retains ownership and responsibility for maintenance and repairs.
- 5. What is a sale and leaseback arrangement, and how does it work?**
Answer: A sale and leaseback arrangement involves the sale of an asset to a lessor, who then leases the asset back to the original owner. This can be a way for businesses to obtain cash while still retaining the use of the asset.
- 6. What factors should businesses consider when choosing between different types of lease financing?**
Answer: Businesses should consider factors such as the purpose of the financing, the length of time the funds will be needed, and the overall financial situation of the business when choosing between different types of lease financing.
- 7. How can lease financing help businesses to conserve cash and improve their cash flow?**
Answer: Lease financing can allow businesses to acquire assets without tying up cash in long-term ownership. This can improve cash flow and help businesses to preserve capital for other uses.
- 8. What risks are associated with lease financing, and how can businesses mitigate these risks?**
Answer: Risks associated with lease financing include potential long-term commitments, restrictions on the use of the asset, and potential for unexpected maintenance or repair costs. Businesses can mitigate these risks by carefully reviewing the terms and conditions of the lease agreement and considering alternative financing options.

9. **How can lease financing be used to support business growth and expansion?**

Answer: Lease financing can be used to acquire new equipment, vehicles, or real estate, allowing businesses to expand their operations without committing to long-term ownership. This can support business growth and help businesses to remain competitive.

10. **How does lease financing fit into a broader financial strategy for businesses?**

Answer: Lease financing can be an important part of a broader financial strategy for businesses, allowing them to balance their need for capital with their desire to conserve cash and manage risk. Businesses should carefully consider their options and seek advice from financial professionals when developing a comprehensive financial strategy.