26 Lecture - MGT401

Important Mcqs

1. Under IAS 17, how are leases classified?

a) Finance leases and rental leases

b) Operating leases and financing leases

c) Long-term leases and short-term leases

Answer: b

2. How are finance leases recognized under IAS 17?

a) As an expense in the income statement

b) As an asset and a liability on the balance sheet

c) As a liability on the balance sheet only

Answer: b

3. Which of the following is a characteristic of a finance lease?

a) The lease term is less than 12 months

b) The lease transfers substantially all the risks and rewards of ownership to the lessee

c) The lease payments are variable

Answer: b

4. Which of the following is a characteristic of an operating lease?

a) The lease transfers substantially all the risks and rewards of ownership to the lessee

b) The lease term is equal to or greater than 12 months

c) The lease payments are based on the fair value of the asset Answer: c

5. How are lease payments allocated under a finance lease?

- a) The payments are allocated between interest and principal
- b) The payments are allocated between operating expenses and financing expenses

c) The payments are allocated between current and non-current liabilities

6. Which of the following is not a finance lease criterion under IAS 17?

a) The lease term is for the major part of the asset's useful life

b) The present value of the lease payments is less than the fair value of the asset

c) The lessee is responsible for maintenance and repairs of the asset Answer: c

7. How are lease incentives treated under IAS 17?

- a) As a reduction in lease payments
- b) As a separate asset on the balance sheet
- c) As a liability on the balance sheet

Answer: a

8. Which of the following is true for a sale and leaseback transaction?

a) It can only be classified as an operating lease

b) The leased asset is recognized as a finance lease for the lessee

c) The leased asset is derecognized from the lessor's balance sheet Answer: b

9. How are contingent rent payments treated under IAS 17?

a) They are recognized as an expense in the period incurred

b) They are included in the lease payments and allocated between interest and principal

c) They are recognized as revenue for the lessor

Answer: a

10. Which of the following disclosures is required under IAS 17?

- a) The amount of capital expenditure committed under operating leases
- b) The future minimum lease payments under finance leases
- c) The useful life of the leased asset

Answer: b