

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

Answer: a

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