

26 Lecture - MGT401

Important Subjective

- 1. What is a lease under IAS 17?**
Answer: A lease is an agreement where one party (lessor) grants the use of an asset to another party (lessee) for a specified period in exchange for lease payments.
- 2. What are the two types of leases under IAS 17?**
Answer: The two types of leases under IAS 17 are finance leases and operating leases.
- 3. How are lease payments accounted for under a finance lease?**
Answer: Under a finance lease, lease payments are allocated between interest expense and reduction of the lease liability.
- 4. What is the lease term under IAS 17?**
Answer: The lease term is the non-cancellable period for which the lessee has agreed to lease the asset, together with any further periods for which the lessee has the option to continue to lease the asset.
- 5. What is the criterion for a lease to be classified as a finance lease?**
Answer: A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee.
- 6. How are lease incentives treated under IAS 17?**
Answer: Lease incentives are treated as a reduction in lease payments and recognized as a liability on the balance sheet.
- 7. What is the treatment for a sale and leaseback transaction under IAS 17?**
Answer: In a sale and leaseback transaction, the leased asset is recognized as a finance lease for the lessee.
- 8. What are the disclosure requirements under IAS 17 for finance leases?**
Answer: The future minimum lease payments under finance leases must be disclosed in the financial statements.
- 9. Can an operating lease be accounted for as a finance lease?**
Answer: No, an operating lease cannot be accounted for as a finance lease.
- 10. How are contingent rent payments accounted for under IAS 17?**
Answer: Contingent rent payments are recognized as an expense in the period incurred.