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.