

27 Lecture - MGT401

Important Mcqs

1. **How does IAS 17 classify leases?**

- A. Finance leases only
- B. Operating leases only
- C. Both finance and operating leases

Answer: C. Both finance and operating leases

2. **What is the key factor in determining whether a lease is a finance lease or an operating lease?**

- A. The length of the lease term
- B. The residual value of the leased asset
- C. The transfer of risks and rewards of ownership

Answer: C. The transfer of risks and rewards of ownership

3. **How are lease payments allocated under a finance lease?**

- A. Only to interest expense
- B. Only to reduction of the lease liability
- C. To both interest expense and reduction of the lease liability

Answer: C. To both interest expense and reduction of the lease liability

4. **How are lease payments recognized under an operating lease?**

- A. As an asset on the balance sheet
- B. As a liability on the balance sheet
- C. As an expense on the income statement

Answer: C. As an expense on the income statement

5. **What is the treatment for lease incentives under IAS 17?**

- A. Recognized as a reduction in lease payments
- B. Recognized as an asset on the balance sheet
- C. Recognized as a liability on the balance sheet

Answer: A. Recognized as a reduction in lease payments

6. **How is a sale and leaseback transaction accounted for under IAS 17?**

- A. The leased asset is recognized as a finance lease
- B. The leased asset is recognized as an operating lease
- C. The leased asset is not recognized on the balance sheet

Answer: A. The leased asset is recognized as a finance lease

7. **What are the disclosure requirements under IAS 17 for finance leases?**

- A. Future minimum lease payments only
- B. Contingent rent payments only
- C. Both future minimum lease payments and contingent rent payments

Answer: C. Both future minimum lease payments and contingent rent payments

8. **Can an operating lease be accounted for as a finance lease?**

- A. Yes
- B. No

Answer: B. No

9. **How are impairment losses on leased assets recognized under IAS 17?**

- A. As an expense on the income statement
- B. As a reduction in lease payments
- C. As a decrease in the carrying amount of the leased asset

Answer: C. As a decrease in the carrying amount of the leased asset

10. **When must an entity reassess the classification of a lease under IAS 17?**

- A. Only if there is a change in the lease term
- B. Only if there is a change in the lease payments
- C. If there is a change in the terms and conditions of the lease

Answer: C. If there is a change in the terms and conditions of the lease