# 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