

27 Lecture - MGT401

Important Subjective

- 1. What is the difference between a finance lease and an operating lease under IAS 17?**
Answer: The key difference between a finance lease and an operating lease is whether the risks and rewards of ownership are transferred to the lessee. In a finance lease, the lessee bears most of the risks and rewards of ownership, while in an operating lease, the lessor retains most of these risks and rewards.
- 2. How are lease incentives treated under IAS 17?**
Answer: Lease incentives are recognized as a reduction in lease payments and amortized over the lease term.
- 3. What is the journal entry to record a lease payment under a finance lease?**
Answer: Debit lease liability and interest expense, credit cash.
- 4. How is the lease term determined under IAS 17?**
Answer: The lease term is the non-cancellable period for which the lessee has the right to use the leased asset, plus any periods covered by a lessee's option to extend the lease if it is reasonably certain to be exercised.
- 5. What is the accounting treatment for subleases under IAS 17?**
Answer: Subleases are accounted for in the same way as the original lease, with the sublessor acting as the lessor and the sublessee acting as the lessee.
- 6. Can an entity recognize a gain on a sale and leaseback transaction under IAS 17?**
Answer: Yes, an entity can recognize a gain on a sale and leaseback transaction only if the sale is at fair value and the lease is an operating lease.
- 7. What are the disclosure requirements for finance leases under IAS 17?**
Answer: The disclosure requirements for finance leases include the future minimum lease payments, the contingent rent payments, and a general description of the lease terms.
- 8. How are lease payments allocated under an operating lease?**
Answer: Lease payments under an operating lease are recognized as an expense on the income statement over the lease term.
- 9. Can a finance lease be accounted for as an operating lease under IAS 17?**
Answer: No, a finance lease cannot be accounted for as an operating lease under IAS 17.
- 10. How are impairment losses on leased assets recognized under IAS 17?**
Answer: Impairment losses on leased assets are recognized as a decrease in the carrying amount of the leased asset and charged to the income statement.