

28 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