

28 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.