

The Impact of the Application of the IFRS16 Lease Contract Standard on the Quality of the Financial Reports of the Leased Units

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Abstract: - Lease contracts are one of the most important accounting topics whose treatment methods often affect the credibility of the financial reports, The importance of this research lies in the need of decision-makers for high-quality accounting information that reflects the economic events that took place during the financial period, especially the tenant's lease contracts and methods of recording them, which has an impact on the financial reports issued by the economic units. Therefore, the research problem is that the leased units did not apply the IFRS 16 standard, which affects the quality of the financial statements information for these units. The researchers reached important conclusions, including that there is a significant and statistically significant effect of the IFRS16 standard on the accounting reports and on the quality of the accounting information. The researcher also recommended the need to issue a law on financial leasing, as in many countries of the world, so that the Iraqi economic units become able to practice this type of important funding sources that these units need.

Keywords: - IFRS16, Quality of the Financial Reports.

Introduction

Increasing the transparency and reliability of accounting information has recently become an important issue that must be focused greatly, although the International Financial Reporting Standards (IFRS) had a major role in the issue of reliability, transparency and comparability of units, but there are still issues that must be covered. The users of the financial statements have criticized IAS 17, which is applied within the International Financial Reporting Standards, because the financial reports of the units that have large operating leases do not reflect the true picture of the financial position of the units; Because the relevant standard gives freedom to the implementing units to classify the type of lease contracts related to them as operating or finance leases and this issue constitutes an important influence in the preparation of financial reports. When the units classify the lease contracts that they own as an operating lease, as the leased asset cannot be seen in the unit's financial position, but the payments for these contracts are included as an expense in the income statement. Failure to show the operating lease contracts in the statement of financial position leads to a reduction in the commitments and profitability of the units. Due to the above reasons, there has been a need to develop a new standard in relation to leases and IFRS 16 relating to leases was published

In January 2016 and will be implemented from 2019. The standard focuses on the distinction between operating and finance lease in terms of lessee and should that leads to seeing the inclusion of all lease contracts in the statement of financial position.

Research Problem

The issuance of IFRS 16 standard ended the method of financing outside the financial position by the leased units because this financing hides many of the liabilities arising from it.

The research problem is that the leased units did not apply the IFRS 16 standard because of its impact on the Quality of financial data for these units. Based on the foregoing, several questions emerge from the research problem, namely: -

1. Does the use of IFRS 16 affect the financial statements of the Iraqi leased units?
2. Does the use of IFRS 16 affect the quality of the accounting information for the financial statements of the Iraqi leased units?

The Aims of the Research

In this research, the researchers seek to achieve the following goals:-

1. Stating of the types and characteristics of lease contracts and the defining the concept of financial lease.
2. Familiarize yourself with the requirements for the use of the international standard for lease contracts IFRS16.
3. Stating the impact of the IFRS16 lease standard on the recognition, measurement, presentation and disclosure of lease contracts.
4. Stating the impact of IFRS16 on the accounting reports.
5. Stating the impact of IFRS16 standard on the characteristics of the information contained in the financial statements.
6. Making suggestions and recommendations that could serve the process of adopting IFRS16 standard.

The Importance of the Research

The importance of the research is the importance of the issue of the quality of the financial statements because of its significant impact on the decisions of investors, and this importance is reinforced by presenting the theoretical framework for lease contracts as well as addressing the impact of the use of IFRS 16 standard on the accounting reports of leased companies and contributing to raising the understanding of leased units by applying this standard As well as addressing the impact of the application of IFRS16 standard on the quality of the financial statements of the leased units.

Hypotheses of the Research

In line with the research problem and to achieve the research objectives, the following hypotheses were formulated:-

1. There is a statistically significant effect when using the International Financial Reporting Standard on Lease Contracts IFRA16 on the lessee's accounting reports.
2. There is a statistically significant effect when using the International Financial Reporting Standard for Leases IFRA16 on the qualitative characteristics of the data contained in the lessee's accounting reports.

First: The Conceptual Framework of Financial Leasing

1. The Concept of Finance Lease

The lease contract is one of the most important contracts mentioned in the amended Iraqi civil law, which responds to the usufruct of the thing and with

it the owners can exploit and invest their properties, and at the same time allow non-owners to benefit from what they do not own. Therefore, from a practical point of view, it is considered one of the most widely traded contracts, as it is indispensable to people except that who owns everything he needs and has what suffices him, and this is rare (Mubarak et al., 1993, 185).

A financial lease is "a financing instrument in the form of a lease, which has been used as an effective alternative to the purchase of some equipment, and a financial lease is a transaction between the lessor and the lessee according to some limitations." (GUOJIN, 2010, 4)

The financial lease is also one of the most important sources of financing that aims to obtain capital assets, and a financing method aimed at attracting new savings in order to financially support small projects and enhance development efforts. (Al-shiab and Bawnih, 2008, 19). Financial leasing is one of the most important financing methods that have been widely used and remarkably in recent years and in light of the development of the technology of the capital and investment equipment¹ industry in order to implement structural reforms in the infrastructure sectors, as well as facing the challenges of globalization and internationalization of the economy.

2. Characteristics of Finance Lease Contracts

The finance lease is one of the contracts binding on both sides, and it is a formal contract, a netting contract, and a time contract, based on personal consideration, and these characteristics can be summarized as follows:- (Al-Hindi, 2013, 43-45).

A- The financial lease is a binding contract for both parties

The binding contract for both sides means "the contract that arranges mutual obligations for the two parties, so that each of them is a creditor on the one hand, and a debtor on the other. It is noted on the provisions of the financial lease contract that the law establishes corresponding obligations for both the lessor and the lessee. So that each becomes committed to the other.

B- The financial lease contract is a formal contract

The formal contract "is the one in which the exchange of offer and acceptance is not sufficient to conclude the contract, rather it must be completed

by following a specific form specified by the law, or the parties to the contract, and most of this form is an official paper in which the contract is written.” And that the purpose of the formality of contracts is to alert the contracting parties to the risk of their contract.

C- The lease contract is one of the recoupment contracts

The recoupment contract means “the contract in which each of the contracting parties takes a return for what he gave, and the financial lease contract is based on the exchange. In addition to the profit margin that he achieves as a result of this process, and in return, the beneficiary lessee of the contract uses the leased asset to achieve its purposes and seek profit and then exercise the option to own the subject of the contract.”

D. The financial lease contract is a time contract

Time contracts means the contract in which time is an essential element, so that it is the criterion by which the subject of the contract is estimated, because there are things that can only be imagined associated with time. The benefit can only be estimated for a specific period, and therefore the lease is a time contract because it is based on the benefit, and time is an essential element in them because it determines the amount of the benefit contracted for.

3. Classes and Types of Finance Lease:

There are several forms and types of financial lease, including: (Hassouna, 2016, 13-14

(Belkaoui 2014, 14)

A. Direct Lease: According to this type, it gives the lessee the right to choose the asset he desires, and announces its specifications and terms of delivery, after which the lessee makes contacts with the lessor to make the necessary arrangements for the lease and the lessee signs the lease contract while the lessor purchases the agreed upon asset, meaning that there is an agreement if the contract is concluded, the lessor purchases the asset and leases it to the lessee.

B. High Lease: - This type of financial lease is linked to those assets that are characterized by a high value, as this type of lease has three parties: the lessor, the lessee and the lender.

C. A finance lease contract that ends with the ownership of the leased asset against the amounts actually paid as lease installments.

D. A finance lease that enables the lessee to benefit from the asset in return for a specified fee, provided that it is: The lessee has the right to own the asset at the expiry of the contract in return for paying a certain amount.

E. A finance lease contract with an advance payment and the right to purchase, and the lessor uses this method if he wants to reduce the credit risk, as he obtains an advance payment from the lessee, and it is depreciated from the paid rent installments.

F. A finance lease contract in which the asset is originally owned by the lessee, but due to his need for funds and his inability to dispense with this asset, he sells it for a cash amount, provided that he keeps this asset in return for paying a periodic rent for a period of time that is agreed upon between the two parties.

Second: Scope of Use of IFRS16 Lease Contracts

The economic unit must implement this standard on all lease contracts, including lease contracts for the “sub-use right,” except for.

1. Leases for the use and exploration of oil, minerals, natural gas and other non-renewable resources
2. Leases of vital assets that fall within the scope of IAS41 Agriculture held by the lessee.
3. Public service privileges that fall within the scope of IFRIC 12 IFRIC 12 intellectual property rights granted by the lessor that fall within the scope of IFRS15 Revenue from customer contracts.
4. Rights held by the lessee through license agreements that breach the scope of IAS38 intangible assets eg movies, plays, video recordings, manuscripts, copyrights, patents IFRS16 will replace the following Standards and Interpretations.: (International Standards Institution Report Financial, 2018, 604):-
 - International Accounting Standard 17 Lease Contracts.
 - Interpretation of the Interpretations Committee of International Financial Reporting Standards "IFRSC4" clarification if the arrangement includes lease contracts.
 - Interpretation of the previous International Interpretation Committee “SIC15” Operating Lease Incentive Contracts.
 - Interpretation of the previous International Interpretation Committee “SIC 27”

determining whether the transactions include the legal form of lease contracts

Third: The expected effects of applying the International Financial Reporting Standard on Lease Contracts IFRS16 on the financial statements and their analysis.

The IFRS16 standard is expected to have a significant impact on the accounting reports of many companies. The standard will lead to the inclusion of contract assets in the balance sheets of tenants and also affect the distribution of expenses, profits before interest, taxes, depreciation and net profits in the income statement.

When applying the International Financial Reporting Standard on Lease Contracts IFRS16, a significant improvement is expected in the data given to users of accounting reports by reducing the need for analysts and users to make adjustments and changes to the amounts disclosed by the lessee, as well as increasing the comparability between economic units that lease assets and units that It takes out loans to buy, and gives reliable and transparent data on lease contracts to all market participants. (Foundation, 2016: 42-54).

1. The expected effects of using IFRS16 on accounting reports

The new International Financial Reporting Standard IFRS16 restricted the classification of types of leases to only one type, which is the type of financing contracts, but in any case, all leases previously classified as operating leases in accordance with IAS 17 lease contracts will be recognized as assets in the financial position as well as the recognition of liabilities. Resulting on those contracts in the financial position within the liabilities side, and this treatment will result in an amplification of assets and liabilities, especially in units that have operating lease contracts in a large percentage, such as shipping, aviation, and retail trade. (Al-Uraydi, 2017, 23).

As for the method of displaying contracts, it is in the form of an appendix or separately from other assets. If the lessee chooses to display the contracts as an asset in the statement of financial position, the following must be adhered to (Omran, 2015):

- Listing the lessee's contracts on the assets side of the balance sheet list as if this asset is the property of the lessee

- Addressing the lease contract signed between the two parties, between which the contract and rights are listed in the balance sheet.

Thus, the impact of IFRS16 on the balance sheet statement is through an increase in assets (liabilities and rights of use (the commitment to lease payments) and a decrease in equity ("capital") (IFRS Foundation, 2016, 88-89).

2. He expected effects of using the International Financial Reporting Standard IFRS16 "lease contracts" on the profit and loss statement.

According to the International Accounting Standard IAS17 on lease contracts, the expenses related to operating contracts in accordance with this standard appear in the statement of profit and loss in the form of equal payments as a rental expense under the classification of operating expenses (Chauhry 2015, 230).

While the new accounting standard IFRS16 related to lease contracts, the expenses will change their classification from the lease expense within the operating expenses component to the depreciation expense, while the interest payments will be classified under the finance costs component, and this means that the payments are not equal as was the case in the international standard IAS17, but will take a decreasing form as The interest payments in the first years will be higher than the other years, and as a result, the payments will also be higher and lower as they are paid over time, and as a result, the change in the classifications of expenses from rental expenses within the operating expenses component of the depreciation expense and interest component will therefore affect the financial ratios and operating profits, and therefore This will result in lower profits for the first years of lease contracts and higher as the contract approaches the end of the contract. (International Financial Reporting Standards Foundation, 2018, 615).

According to IFRS16, the interest is recognized separately from the depreciation, where the interest calculation is included as part of the costs, and the depreciation is included in the depreciation item of property, plant and equipment, because the IASB sees that when isolating the depreciation component of lease assets and the lease liability interest component in the income statement of the economic unit provides important information for investors and analysts (Abu-Ghazaleh 2010, 772)

EBITDA is a measure of profit that is used by analysts and investors to determine the extent of the financial impact as well as the efficiency of the performance of the economic unit, so the IASB believes that the use of the new IFRS16 standard will lead to an increase in earnings before interest, for example, operating profit because the implied interest rate of payments is classified as part of financial expenses Unlike IAS17, which classifies rental expenses as operating expenses, and the percentage increase in operating profit and financial expenses depends on the importance of the lease contracts for the unit, the period of the lease contracts and the interest rate. (IFRS Foundation, 2016, 88 -89).

3. The expected effects of using IFRS16 on the cash flow statement

In the cash flow statement, the lessee discloses the following three things:-

- Variable lease payments other than lease obligations.
- Interest expense related to lease contracts.
- Expenses of short-term lease contracts or of small amounts.

The change in the accounting policy does not lead to a change in the total amounts of cash flow between the entities in the lease contracts, but it is expected to affect the cash flow presentation, i.e. reducing the operational cash flow side with a corresponding increase in the financial cash flow side, as the payment of lease obligations and expenses The interest is included in the financing activities side. (IFRS Foundation 2016, 88-89).

The transition from IAS17 to the new International Financial Reporting Standard IFRS16 for lease contracts does not affect the total cash flow of the economic unit because it is obligated to make payments related to lease contracts to the lessor, but the difference between IAS 17 and IFRS16 standards for leases is highlighted in the way these payments are classified Cash only, as IAS17 for leases has classified lease payments expenses as operating cash flow, while IFRS16 for leases, the expenses that will be paid to the lessor will be classified under finance cash flow, while interest expenses can be categorized under the same element Or as an operating cash flow according to the policy adopted by the economic unit (Al-Uraydi 2017, 23-24).

The lessee must classify the following under the cash flow statement:

A. Payments related to payments of the principal amount of lease obligations within the financing activity.

B. Payments relating to interest on lease commitments by fulfilling the terms in IAS 7 “Cash Flow Statement” of interest paid.

C.9/ Short-term lease expenses, small lease payments and variable lease expenses not included in the measurement of lease commitments within an operating activity. (IFRS Foundation, 2018, 611).

Fourth: Recognition, measurement, presentation and disclosure under the International Financial Reporting Standard “Lease Contracts” IFRS16

1. Recognition under Lease Contracts IFRS16

The use of the international standard IFRS16 requires the recognition of all lease contracts as finance lease contracts in the records of the lessee, and here he must capitalize all lease contracts. As for the contracts that are excluded from the capitalization conditions, they are short-term contracts “covering a period of time less than one year.” For lease contracts in which the value of the leased asset is less than \$5,000.

This standard classifies the right to use the asset as an asset, and the lessee makes lease payments as obligations in accordance with the terms of the contracts. (Marthuva 2016, 13) At the beginning of the lease, the lessee calculates the lease at the present value of the lease payments due during the lease term (IFRS16, 2016, 26):-

2. Measurement under the International Financial Reporting Standard on Lease Contracts IFRS16

In principle, the measurement of lease obligations at the present value of the lease payments due during the lease term, discounted by the implicit rate of the lease if it is easily determined, but if it is not easily determined, here the borrowing rate of the tenant must be used. (Abed, 2017: 88)

The lessee must re-measure the lease obligations by discounting the modified lease payments using an adjusted discount rate if: (Al-Shujairi 2020, 529-530)

- There is a change in the lease term based on the modified lease term.

- There is a change in determining the option to purchase the underlying asset and it has been evaluated by circumstances and events in the context of the purchase option. Here, the lessee must calculate the modified lease payments that reflect the change in the amounts payable according to the purchase option.

A- Initial measurement of the lease obligation

At the beginning of the lease, the lessee must measure the contract obligations at the present value of the payments that have not yet been paid on this date, as well as deducting the payments through the interest rate implicit in the contract if it can be easily determined. The interest rate on a loan with the same right of use, with the same contract guarantees, and in the same contract currency.

The payments at the commencement date of the contract included in the lease liability measurement are divided into the following payments:

- Fixed payments minus the lease incentives that are due for collection.
- Variable payments that are measured by an index or rate initially at the start date of the contract.
- The amounts likely to be paid by the lessee if the remaining value is guaranteed by the lessee.
- The price of the purchase option if the renting party is reasonably certain of this option.
- Payments of fines related to the termination of the contract in the event that the term of the contract reflects the tenant's exercise of the option to terminate the lease contract.

B. The second measurement of the lease contract

On the date of the beginning of the contract, the tenant must measure the lease asset through the cost model in the event that no other measurement models are applied, such as (the fair value model and it relates to a group of machines, real estate and equipment, and according to this model, the lessee must measure the lease as an asset by cost. Subtracted from it is a provision for depreciation or a provision for impairment losses in value, and it is adjusted by any re-measurement of the lease commitment. (IFRS Foundation 2018, 2).

C. Measuring elements of the lease obligation

The lease period: The term of the contract is fixed and non-cancellable, and this period starts from the

date of the beginning of the lease, and includes any free periods provided by the lessor to the lessee. As for some contracts, the purchase option includes a purchase option that gives the lessee the option to extend the term of the contract at a value less than the expected fair value of the contract at the time the option is Applicable, and the contract is not enforceable when both the tenant and the lessor have the right to terminate the contract without the consent of the other party, with a large fine, but if the tenant alone has the right to terminate the contract, this right is an option to terminate the contract available to the tenant, which the unit takes. When determining the term of the lease, the lease term includes the term covered by the option to terminate the contract. (IFRS16, 2016:18-21)

- Lease Payments: - Lease payments are linked to the right to use the asset and are paid by the lessee to the lessor for the term of the lease, and they include the following:

a. Fixed payments: are the payments that are specified in the lease and these payments are fixed during the lease term, and they include payments that involve changes in form but, in substance, are unavoidable.

B. Variable payments: are payments that depend on variable factors such as the index or the rate. These payments are made by the lessee at the beginning of the conclusion of the contract by including them in the value of the contract obligation at the level of the index or rate.

- Discount rate: At the start date of the contract the lease liability is measured by the discounted present value of the lease payments through the implicit interest rate, which is the interest rate that causes the present value of the lease payments and the unsecured residual value to equal the total fair value of the lease asset (IFRS16, 2016, 26).

3. Presentation under IFRS16

One of the requirements of the presentation according to IFRS16 is that the presentation must be made in the balance sheet statement or disclosure in the notes by the lessee on the following: (IFRS 2018: 610).

A. The lease assets are separately from other types of assets, and in the event that the lessee does not display the lease assets separately in the balance sheet, he must include the contract assets within the

same element that the contract assets should have been presented if they were owned.

B. Lease contract obligations are disclosed separately from other types of obligations. Statement of profits and losses separately from asset depreciation expenses.

4. IFRS16 Lease Contracts Disclosure

The tenants disclose data on the side of the clarifications, which provide clarification of the information in the balance sheet statement, the profit and loss statement, and the cash flow statement, as a basis for the beneficiaries of the accounting reports to assess the impact of lease contracts on these lists, the financial performance and cash flow of the tenant, and to address the following paragraphs that achieve this goal. (ISIF Report, 2018, 610-611):

A. The economic unit or the lessee must disclose the accounting information related to its lease contracts in a single note or separately in its financial reports. In addition, the lessee must not repeat the information that it has already presented in any other place of the accounting reports, provided that the information that was Include them by reference to them in the one note or separately from the lease contracts.

B. The lessee must disclose all the following amounts for the reporting period:-

1. Expenditure of depreciation of the contract assets according to the class of the asset subject of the contract.
2. The interest expense on the obligations of the lease.
3. Expense related to short-term lease contracts, and this expense does not need to include the expense Related to lease contracts in which the lease term is one month or less.
4. Expenses related to lease contracts of low-value assets, as this should not include expenses related to short-term lease contracts of low-value assets.
5. Expenses of variable lease payments that are not accounted for when measuring contract obligations.
6. Income generated from sub-lease contracts for lease assets.
7. The total amount of cash outflow for lease contracts.
8. Amounts added to the lease contract assets.

9. Loss or gains realized from the sale or leaseback transaction.

10. The carrying amounts of the contract assets at the end of the reporting period according to the lease asset class.

Fifth: Honest representation and comparability under the International Financial Reporting Standard “Lease Contracts”

1. Honest representation of financial statements under IFRS16

Recognizing the assets and liabilities that result from lease contracts in the core of the financial statements. This recognition is supposed to contribute to supporting the honest representation of the financial position of the economic unit, as well as achieving more transparency about the financial leverage and the size of the invested capital, and this may help investors and financial analysts in evaluating the performance of the economic unit for better financial position. It is expected that IFSR16 will contribute to improve the quality of information available to investors to make sound investment decisions, because the investor, in light of the application of current accounting for lease contracts before implementing IFRS16, needs to estimate the assets and liabilities that result from lease contracts that appear outside the budget, which he cannot do. Some investors, forcing them to resort to analysts when making their decisions (Saliha & Flayyih, 2020). The IASB has concluded that disclosure of lease liabilities and leased assets in relation to operating leases in the notes to the lessee's accounting reports is inadequate for two reasons.

The first: - Information about lease contracts is insufficient for investors and financial analysts, who rely on limited information in estimating the size of those obligations and assets resulting from lease contracts.

Second: The data given on lease contracts is incomprehensible to analysts and investors who rely on the balance sheet, the profit and loss statement and the cash flow statement to obtain the information they need about the financial leverage rate and the size of the unit's assets without taking into account the data available in the notes section supplementing the financial reports.

The IASB has concluded that disclosure of lease liabilities and leased assets in relation to operating

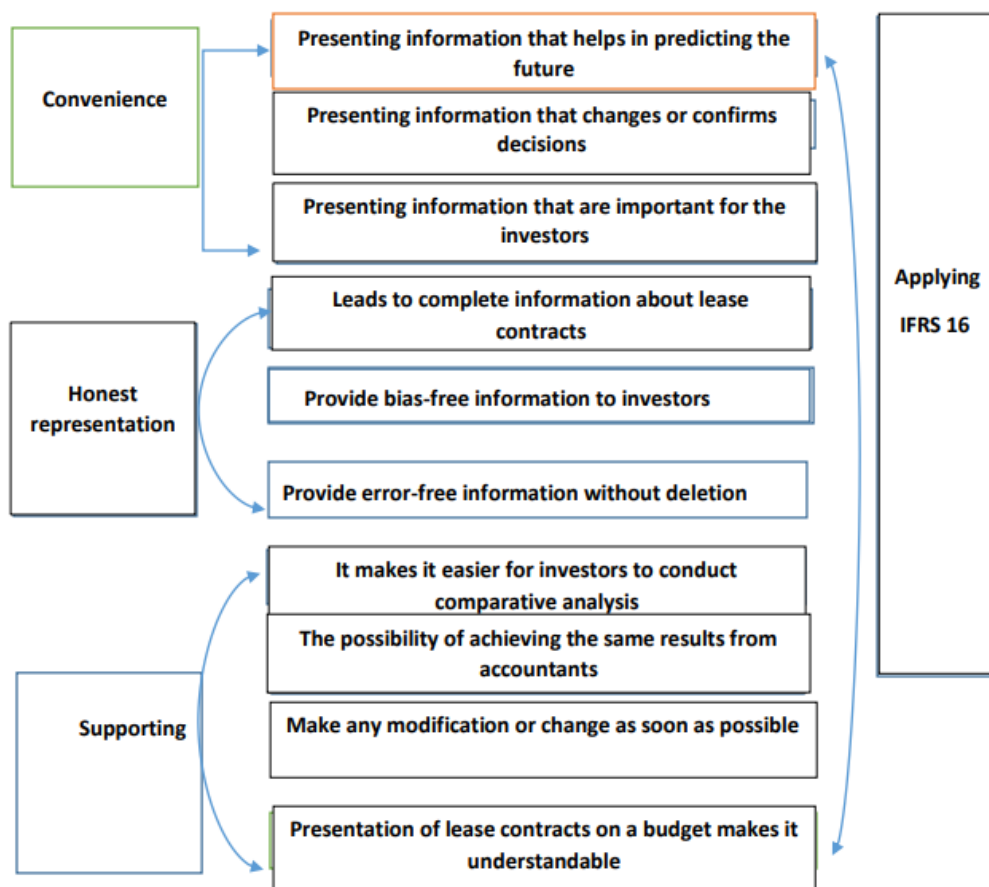
leases in the notes to the lessee's financial statements is inadequate for two reasons.

The first: - Information about lease contracts is insufficient for investors and financial analysts, who rely on limited information in estimating the size of those obligations and assets resulting from lease contracts.

The second: Information about lease contracts is unclear to investors and analysts who rely on the statement of financial position, the income statement and the cash flow statement to obtain sufficient information about the financial leverage and the size of the company's assets without taking into consideration the information available in the clarifications supplementing the financial statements.

2. Comparability of financial statements under IFRS16

Figure (1) the effect of adopting IFRS 16 on the quality of financial statements



Source: Created by researcher

It is clear from the above figure that the adoption of the IFRS16 standard in economic units shows most of the lease contracts in the Balance Sheet List and this reflects fundamental changes in assets,

TASB expects that the new IFRS16 implementation is going to support the comparability of financial reports

This is for two reasons:

- The economic unit's recognition of the leased assets and lease liabilities in the budget.
- Measuring leased assets and lease liabilities in the same way.

In this way, the accounting reports will reflect the different operational decisions of different companies, and when these contracts are similar to borrowing in order to purchase an asset, from an economic point of view, the values recognized under the application of IFRS16 will be similar to those recognized in the event that the economic unit relies on borrowing to purchase an asset (Jagongo & Mutswenje 2014, 92).

evaluation of its investment decisions, and the relative importance of applying the standard appears through the exception set by the standard for short-term contracts (less than a year) and low-value contracts because they have no impact on the financial position and performance of the economic unit, while the standard emphasized contracts that its duration is more than a year and its value is high and represents the main activity of the unit because it has a significant impact on the financial position and performance of the economic unit, and at that time the information is appropriate for decision-making and that the presentation of the lease contracts in the Balance Sheet List leads to the completeness of the information about the lease contracts (Al-Ani & Flayyih, 2018). This presentation makes it free from bias because it is presented to all investors without discrimination and thus it is free from errors because it represents the phenomenon in a correct representation without delete, as well as the adoption of the lease contracts standard provides the investor the opportunity to compare the size of lease contracts with similar economic units for the same sector or to make a comparison for several periods for the same economic unit. The IFRS16 standard requires that the measurement at the beginning of the contract be an initial measurement of the right to use the asset

and the obligation of the lease, and a subsequent measurement that reflects any amendments to the lease contracts first-hand or any changes. Investors, even if they have a little knowledge, which makes them do not need to use financial analysts to estimate lease obligations, which saves them time, effort and cost.

First: statistical analysis and testing of research hypotheses

1. Describing the sample answers according to the variables

To find out the answers to the sample trends for each question and for each of the study variables, ratios, frequencies, arithmetic means, and standard deviations were used, and the results were as follows:

A. The effect of using the International Financial Reporting Standard IFRS16 on the lessee's financial reports:

The arithmetic mean for this variable reached (4.70), which is greater than the hypothetical mean value of (3). This means that the answers of the sample in this variable are directed towards agreement and agreement completely, with a standard deviation of (0.49), and this variable contains paragraphs as follows:-

Table (1) a general description of the paragraphs of the variable of the impact of applying IFRS16 on the financial statements of the lessee

Items	I totally agree		I agree		Neutral		I don't agree		I totally don't agree		Arithmetic mean	Standard deviation
	no	%	no	%	no	%	no	%	no	%		
Implementation of IFRS16 limits profit management operations through off-budget financing	129	82.2	24	15.3	4	2.5	--	--	--	--	4.80	0.46
The International Financial Reporting Standard IFRS16 is one of the appropriate financing solutions to obtain non-current assets without the need to obtain large financing or	130	82.8	19	12.1	6	3.8	2	1.3	--	--	4.76	0.58

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deplete the liquidity of the economic unit												
The application of IFRS16 establishes the basis for recognizing assets and liabilities in lease contracts as right-of-use assets matched by an obligation to do so.	129	82.2	20	12.7	5	3.2	2	1.3	1	0.6	4.75	0.64
Application of IFRS 124 79.0 for Leases IFRS16 objectively determines the amount of off-balance sheet liabilities.	124	79	28	17.8	4	2.5	--	--	1	0.6	4.75	0.57
The application of IFRS16 contributes to a healthy match between revenues and expenses by excluding low-value leases from the balance sheet.	119	75.8	25	15.9	9	5.7	4	2.5	--	--	4.65	0.71
The use of the International Financial Reporting Standard IFRS16 leads to the separation between lease contract expenses and depreciation expenses in the profit and loss statement, and this leads to more transparency to rationalize decision-making	97	61.8	52	33.1	7	4.5	1	0.6	--	--	4.56	0.61
International Financial Reporting Standard "Leases" IFRS16 affects the ability of an	129	82.2	20	12.7	5	3.2	2	1.3	1	0.6	4.75	0.63

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economic unit to borrow and finance due to increased indebtedness and lease obligations in the financial statements.												
Under the International Financial Reporting Standard IFRS16, the rental expense is one of the important income statement items in the leased companies, as it is used in evaluating the performance of the economic unit and its financial position	130	82.8	21	13.4	4	2.5	1	0.6	1	0.6	2.77	0.59
The International Financial Reporting Standard "Leases" IFRS16 affects the income statement by recognizing the lease expense, which consists of the asset depreciation expense and interest expense, which makes the expense cost rise in the first years.	102	65	48	30.6	4	2.5	3	1.9	--	--	4.59	0.64
The application of the International Financial Reporting Standard "Leasing Contracts" IFRS16 helps to eliminate the need for financial analysts to identify the financial performance of economic units.	126	80.3	8	5.1	9	5.7	13	8.3	1	0.6	4.56	0.97

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The International Financial Reporting Standard leads to a more accurate assessment of financial performance	126	80.3	24	15.3	2	1.3	5	3.2	--	--	4.73	0.65
The application of IFRS16 increases the explanatory power of credit analysts' ability to pay interest and rents.	127	80.9	21	13.4	5	3.2	3	1.9	1	0.6	4.72	0.68
Capitalizing all leases in IFRS16 helps increase the explanatory power to measure the current performance of companies in relation to asset management.	121	77.1	25	15.9	8	5.1	3	1.9	--	--	4.68	0.66
IFRS16 contributes to eliminating off-budget financing by making most leases as a right-to-use asset and an obligation to make lease payments.	126	80.3	26	16.6	4	2.5	1	0.6	--	--	4.76	0.52
The International Financial Reporting Standard "Leasing Contracts" IFRS16 positively affects the disclosure. Now the user will not resort to making settlement operations based on the data appearing in the appendices of the financial statements in order to reach the value of the lease obligations.	128	81.5	81.5	18	11.5	7	4.5	3	1.9	0.6	4.71	0.70

General arithmetic mean	4.70	0.49
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The table was prepared by researcher

The values of all arithmetic means for all questions for this variable were greater than the hypothetical mean, and this indicates that all questions are oriented towards full agreement and agreement, and the standard deviation values ranged between (0.71-0.46), which means that the answers of the sample members about this variable are homogeneous.

B. The impact of the application of the International Financial Reporting Standard "Leasing Contracts"

Table (2) General description of the paragraphs of the variable of the impact of the use of the International Financial Reporting Standard IFRS16 on the qualitative characteristics of the information contained in the financial statements of the lessee

Items	I totally agree		I agree		Neutral		I don't agree		I totally don't agree		Arithmetic mean	Standard deviation
	no	%	no	%	no	%	no	%	no	%		
Implementation of the international reporting standard IFRS16 to achieve the property of convenience.	133	84.7	19	12.1	5	3.2	--	--	--	--	4.82	0.461
The application of the international reporting standard IFRS16 leads to the achievement of the characteristic of honest representation	136	86.6	16	10.2	5	3.2	--	--	--	--	4.83	0.45
The application of the IFRS16 leads to a neutral presentation of financial information because it is free from bias.	127	80.9	19	12.1	7	4.5	3	1.9	1	0.6	4.71	0.70
The application of the International Standard "Leasing Contracts" IFRS16 leads to an increase in the predictive power of users of financial statements.	126	80.3	19	12.1	8	5.1	4	2.5	--	--	4.70	0.68
The application of the International Standard IFRS16	129	82.2	20	12.7	5	3.2	2	1.3	1	0.6	4.75	0.64

IFRS16 on qualitative characteristics of the information contained in the financial statements of the lessee:-

The arithmetic mean value of this variable reached (4.67), which is greater than the hypothetical mean value of (3). This means that the answers of the sample in this variable are directed towards agreement and agreement completely, and with a standard deviation of (0.53), and this variable contains paragraphs:-

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increases the explanatory and predictive power of the financial needs of companies for the purpose of purchasing or leasing assets												
The investor feels that companies submit their financial reports adequately and completely if they are prepared in accordance with the International Standard IFRS16 with respect to assets and liabilities.	125	79.6	25	15.9	5	3.2	1	0.6	1	0.6	4.73	0.61
The accounting information is characterized by credibility according to the International Standard “Leasing Contracts” IFRS16 because it honestly reflects the economic phenomena that actually exist.	129	82.2	20	12.7	6	3.8	2	1.3	--	--	4.76	0.58
The accounting information is characterized by credibility according to the International Standard IFRS16 due to the unified accounting policy for all tenant lease contracts and the availability of information that honestly represents the information of the financial statements.	129	82.2	20	12.7	5	3.2	2	1.3	--	--	4.75	0.64
The International Financial Reporting Standard “Leases” IFRS16 made it necessary to disclose	124	79	21	13.4	12	7.6	--	--	--	--	4.71	0.60

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non-recorded leased assets in the statement of financial position to provide information that is comparable.												
The application of the International Standard "Leases" IFRS16 results in the presentation of financial information that is free from manipulation and misrepresentation.	126	80.3	12	7.6	15	9.6	3	1.9	1	0.6	4.65	0.78
Accounting information in accordance with the International Financial Reporting Standard "Leasing Contracts" IFRS16 can be accessed by any other independent economic unit when the same methods are applied.	121	77.1	17	10.8	10	6.4	7	4.5	2	1.3	4.58	0.89
Accounting information in accordance with the International Financial Reporting Standard "Leasing Contracts" IFRS16 gives us an affirmative value when used by users because it confirms their current decisions and changes future decisions.	120	76.4	30	19.1	6	3.8	1	0.6	--	--	4.71	0.57
Accounting information in accordance with the International Financial Reporting Standard "Leasing Contracts" IFRS16 is easy and understandable by	119	75.8	21	13.4	9	5.7	6	3.8	2	1.3	4.59	0.86

investors even if the investor has an acceptable level of knowledge.												
The International Financial Reporting Standard "Leasing Contracts" IFRS16 provides for the disclosure of all material information of relative importance.	121	77.1	22	14	9	5.7	4	2.5	1	0.6	4.64	0.76
Accounting information is verifiable as a result of using the same measurement methods due to the application of the International Standard IFRS16	124	79	25	15.9	6	3.8	2	1.3	--	--	4.73	0.59
The application of the International Standard IFRS 16 leads to the achieving appropriate timing.	61	38.9	70	44.6	10	6.4	12	7.6	4	2.5	4.10	0.99
General arithmetic mean											4.67	0.53

The table was prepared by researcher

The values of all arithmetic means for all questions for this variable were greater than the hypothetical mean, and this indicates that all questions are oriented towards full agreement and agreement, and the standard deviation values ranged between (0.86-0.45) and this means that the answers of the sample members about this variable are homogeneous.

2. Testing research hypotheses

Arithmetic mean	Standard deviation	Hypothetical mean	Calculated T value	Degree of freedom	Tabular T value	Indication
4.70	0.49	3	43.22	156	1.97	indicated

The table was prepared by the researcher

The calculated T value reached (43.22) which is greater than its tabular value at the level of significance ((0.05) and the degree of freedom (156) which is (1.97). The amount is (3), and this means that the morale is in favor of the arithmetic mean, that is, there is a statistically significant effect when applying the International Financial Reporting Standard "Leasing Contracts" IFRS16 on the financial statements of the lessee.

- Testing the second main hypothesis, which states:

To achieve the hypotheses and objectives of the research, we will use the T-test as follows:-

- Test the first main hypothesis, which states:

There is a statistically significant effect when applying the international financial reporting standard IFRS16 lease contracts on the financial statements of the lessee, and the results appeared as in Table (3):

(There is a statistically significant effect when applying the international standard IFRS16 on the qualitative characteristics of the information contained in the financial statements of the lessee) and the results appeared as in Table (4):

Table (4) t. Test results

Arithmetic mean	Standard deviation	Hypothetical mean	Calculated T value	Degree of freedom	Tabular T value	Indication
4.67	0.53	3	39.36	156	1.97	indicated

The table was prepared by researcher

The calculated T value reached (39.36), which is greater than its tabular value at the level of significance (0.05) and the degree of freedom (156), which is (1.97). (3) This means that the significance is in favor of the arithmetic mean, meaning that there is a statistically significant effect when applying the International Standard “Leasing Contracts” IFRS16 on the qualitative characteristics of the information contained in the financial statements of the lessee.

Conclusions

1. The issuance of the International Financial Reporting Standard IFRS16 was a result of the shortcomings found in the IAS17 standard issued for accounting for lease contracts, especially financing contracts, to eliminate off-budget financing.
2. The main objective of the financial statements is to provide information that is not misleading and transparent, and this is reinforced by the application of the IFRS16 “lease contracts” criterion because it reflects the true image of lease contracts.
3. The Iraqi environment lacks financial lease contracts, despite its spread in the countries of the world, due to the absence of legal legislation, an accounting rule, or a paragraph in the unified accounting system that supports this approach.
4. The adoption of the IFRS16 criterion for lease contracts in accounting for lease contracts gives investors reassurance and satisfaction because it provides them with truthful information that fully represents lease contracts and appropriate information to make their investment decisions.
5. During the researchers’ review of several lease contracts and in various sectors concluded by economic units, it was found that there is deception and circumvention in concluding these contracts by means of a paragraph (one year subject to renewal), which makes these lease contracts from an accounting point of

view operational and not financing contracts when applying the reporting standard International Financial "Leasing Contracts" IFRS16.

6. The results of the statistical analysis showed that there is a significant and statistically significant effect of the IFRS16 standard on the financial statements and the qualitative characteristics of the accounting information.

Recommendations

1. The necessity of applying the IFRS16 criterion for lease contracts in economic units, because the standard accounting system does not meet the requirements of investors in obtaining the information they need to help them make their investment decisions.
2. The necessity of increasing the dependence of economic units on financial leasing in financing their projects, as it is considered a good funder of economic units that suffer from a lack of funding.
3. Qualifying and developing a specialized cadre to deal with international standards by conducting courses inside and outside the country to increase their skills regarding the application of these standards.
4. Issuing a law on financial leasing, as in many countries of the world, so that the Iraqi economic units are able to practice this type of important funding sources that these units need.
5. Developing academic cadres and moving towards increasing focus on international standards through courses taught in Iraqi universities and institutes to provide specialized accounting cadres to advance accounting work locally.
6. Calling government agencies to encourage the various sectors to practice financial leasing as an alternative to purchasing, similar to the countries of the world, and government agencies to take the role of the lessor and conduct an economic feasibility study for this approach.

7. The researchers recommend emphasizing that the term of lease contracts in economic units be clearly defined and not left open through a “renewable year” clause.

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