

The effect of applying the International Financial Reporting Standard (16) lease contracts on the financial statements: An applied study in the Iraqi company for the transport of petroleum products and goods

Nadhim Shaalan Jabbar, Ahmed Redha Mohammed

University of Al-Qadisiyah/College of Administration and Economics

Corresponding Author : Ahmed Redha Mohammed

Email: acc.post18@qu.edu.iq

Abstract : *The lease contracts are an important financing method that companies use as an alternative to borrowing to obtain assets for use in their production process. Usually, companies resort to leasing the asset instead of buying it, either due to the lack of liquidity with the company or its desire to maintain its liquidity or the high cost of the opportunity and due to the importance it has acquired. The issue of lease contracts and as a result of the companies' reliance on them as an alternative to meet the needs of assets. The leasing activity has received great attention from the accounting organizations interested in issuing international accounting standards worldwide, such as the International Accounting Standards Board (IASB). The Board has issued the International Financial Reporting Standard IFRS 16 related to lease contracts, To find a solution to the classifications of the types of lease contracts, and the research aims to identify accounting for lease contracts following international accounting standards and in particular to identify in particular the International Financial Reporting Standard (IFRS 16) lease contracts and to the possibility of its application in Iraqi companies and its effect on the lists Financial.*

The first axis: Research methodology

The research problem

The confusion of accounting and control work in measurement, disclosure, presentation and financial information related to accounting for lease contracts in accordance with international standards due to the lack of the Iraqi environment to apply international standards in accounting and with the increase of developments in the business environment and companies that witness the investment side in the country and centered The search problem is as follows:

(Lack of local standards in the Iraqi environment in dealing with lease contracts, which requires resorting to international standards for measurement and disclosure)

1-1-2 The research objectives

The research aims to get to know :

1. The changes introduced by the International Financial Reporting Standard (IFRS 16) to accounting treatments for leases and the effects of those changes on the financial statements.
2. Showing the benefits that accrue to users of the financial statements from the application of the International Financial Reporting Standard (IFRS 16).
3. Highlight the extent of the Iraqi environmental compatibility or lack thereof with international accounting standards

The research hypothesis

The research is based on a main hypothesis that:

(There is a possibility to apply accounting for lease contracts according to the International Financial Reporting Standard (IFRS 16) in Iraqi companies)

To test the main hypothesis, the sub-hypotheses were formulated as follows:

- Does the application of the International Financial Reporting Standard (IFRS 16) have a positive impact on improving the measurement and accounting disclosure of lease contracts?
- Does the application of the International Financial Reporting Standard (IFRS 16) stop and eliminate the extra-budgetary financing of the lessee?

The research importance

The importance of the study stems from the level of the theoretical framework and the level of the practical framework in light of the increasing interest in international standards, which is an attempt to analyze the relationship between the application and its impact, and the importance of this study stems from the fact that it discusses and analyzes the extent to which the Iraqi environment conforms to international accounting standards in terms of accommodation and The possibility of implementation also tries to identify aspects of compatibility and through the expansion of business activity with lease contracts and has become an important field of investment.

The Community and sample research

The research community the joint stock company listed on the Iraq Stock Exchange and the research sample, which is the Iraqi Company for the transportation of petroleum products and goods (the contribution is mixed).

The research boundaries :

It includes the spatial and temporal limits for conducting the search and are as follows:

- Spatial boundaries: a sample included a joint stock company listed in the Iraq Stock Exchange and focus research on spatial boundaries that use the asset leasing process in order to apply the International Financial Reporting Standard (IFRS 16), and the research also focused on lessee records.

Temporal boundaries: the company's financial reports, the research sample for the years (2014-2018) .

The second axis: the theoretical framework

Introduction:

Through the development and spread of rental activity at the present time, which came as a result of the increase in demand and size of economic units, the diversity of their activities and the increasing need for more financing. Instead of borrowing money in order to buy assets, the economic unit can rent it instead of buying it, and with the spread of rent As one of the types of financing sources, an accounting problem arose for lease contracts, and professional organizations were interested in issuing accounting standards to provide guidance on the lease contracts of both the lessee and the lessor, and the reason for the possibility of different accounting policies that economic units could follow to deal with lease contracts, and thus the international accounting standard IAS17 was issued. A) from the accounting standards committee that came to deal with lease contracts, but there are some defects, including the classification of financial lease contracts as operating lease contracts, and the failure of the standard (IAS 17)) to meet the needs of users in terms of the amount of obligations lease contracts and others, and the Accounting Standards Board issued International Financial Reporting Standard (IFRS16) lease contracts, this standard came to replace the revised International Accounting Standard (IAS17), and it was issued in 1/1/2016 The new standard came with the principles and principles of recognition, measurement, presentation and disclosure of lease contracts and to solve the defects of the International Accounting Standard (IAS17), and the application will remain in effect as of 1/1/2019, and the study included and focused on Statement of the general framework of lease contracts in accordance with international financial reporting standards and the possibility of their application and its impact on the financial statements. It dealt with the International Accounting Standard (IAS17) in terms of classification methods and accounting treatments. Accounting for the lessee and lessor.

The emergence and development of lease contracts

The activity of leasing financing is considered an "old" activity since ancient times. Some people may think that the idea of leasing financing goes back to the Sumerian era, which was represented by the leasing of capital assets. After that, the idea became more acceptable "in the era of the Romans as well" in addition to the existence of an organized leasing relationship represented in the leasing of nobles For their tools and slaves with each other or in light of renting their properties to the public from members of the people for a certain period (Al-Fiqi 2008: 3), as for the Phoenicians, they were famous for chartering ships because it is another form of equipment rental (Abu Al-Ela 2005: 8), and appeared as A financial instrument for the first time in England in (1846 AD) of the nineteenth century under the name (Hire Purchase) and the emergence of the lease contract for the first time in light of a musical instrument dealer selling it with installments of its amount into several installments in order to promote its sales and to ensure complete access The amount did not resort to the usual form of the sale contract, but rather the conclusion of the contract in the form of a lease with the granting of the lessee the right to own the machine at the end of the lease term, with which he would have paid the full amount specified for it (Al-Fiqi 2008: 32).

However, the emergence of the idea of leasing financing or the so-called (leasing loan) in its modern form known as the term (leasing) in the United States of America by an American industrialist called (Bothe Junior) and his partner (Schefeild) and they own the California Corporation for Food Industries, and this is due in the war. The Korean in 1950, which led to the US forces 'need for large quantities of foodstuffs to meet their needs that exceeded the production capacity available in its factories, as well as that (Bothe) does not have the equipment necessary to meet the demands presented to him and at the same time he does not have the funds necessary to purchase those equipment as that was The reasons are the main motivation for discovering the concept of leasing financing, and lease contracts are an important source of financing for economic units of all kinds, whether industrial, agricultural, or tourist, as it has become one of the most advanced and modern means of financing any project that suffers from financial hardship despite the fact that these Technology has been known for long ages, but the reasons for its development and its wide spread are the result of the large size of economic units and the diversity of their various activities, and that the emergence of financing is an obstacle. The rent is a recent stage in the development of credit systems, which plays a major role in facing the financial deficit and hardship. (Al-Qallab 2009: 65)

Lease contracts according to amended International Accounting Standard 17 (IAS 17)

Historical overview of the standard

In April 2001, the International Accounting Standards Board adopted the amended International Accounting Standard (17) lease contracts, which was originally issued by the International Accounting Standards Committee, and in December 1997, International Accounting Standard 17 Lease Contracts replaced IAS 17 Accounting for Lease Contracts, which Issued in September 1982, and in December 2003, the International Accounting Standards Board issued a revised International Accounting Standard 17 as part of its preliminary agenda for technical projects, (IFRS: 2014: 763). This standard aims to clarify to lessees and lessors the appropriate accounting policies and disclosures to be applied in relation to contracts Financial and operating leases (IFRS 2014: 768). This standard applies in accounting to all lease contracts except for the following:

(A) Lease agreements to explore or use minerals, natural oil and similar non-renewable resources

(B) License agreements for items such as motion pictures, video recordings, plays, games, manuscripts, patents, copyright and copyrights.

And that this standard should not be applied by:

- Tenants of real estate held under finance lease contracts
- Tenants of investment properties leased under finance leases
- Lessees of biological assets held under finance leases
- Tenants of biological assets leased under operating leases

This criterion applies to agreements that transfer the right to use the assets even if the lessor is requested for large services, in relation to the operation or maintenance of these assets, and on the other hand, this standard does not apply to agreements that are contracts for services that do not transfer the right to use the assets by a contracting party. Classification according to this standard, lease contracts into two types, financial lease contracts and operational lease contracts. (Wiley 2019: 1619)

Lease contracts according to the International Financial Reporting Standard (IFRS 16)

Financial Reporting Standard No. (IFRS16) is a standard and important event that deals with the requirements for recognition, measurement, presentation and disclosure related to lease contracts with lessees and lessors, and this standard came as a joint project between the International Accounting Standards Board (IASB) and the Accounting Standards Board. The American FASB ()), and this standard has brought about a major shift in the accounting treatments for operating lease contracts with the lessees, whereby, according to this standard, all lease contracts are capitalized as assets, and obligations are recognized and matched with specific exceptions, and these exceptions include short-term lease contracts that have a duration One year or less, and lease contracts for leased assets of low value, and this standard has ended the long debate in accounting thought about hiding the financial statements of operating leases and concealing obligations related to those contracts.

This standard replaces all of the following:

- International Accounting Standard No. 17 (IAS) lease contracts
- Interpretation of IFRIC No. 4 of the arrangements that guarantee leasing
- Interpretation of (SIC 15) operating lease incentives contracts

Interpretation No. (27 SIC) includes the essence of the process that includes the legal form of lease contracts (Hamidat 2019: 688)

This standard comes into effect for the financial period starting from 1/1/2019, and with early application of the standard, provided that Financial Reporting Standard No. (IFRS15) is applied from contracts to clients, (Abu Nassar 2016: 866). This standard aims to lay down the principles of recognition and measurement and Presentation and disclosure of lease contracts, in a manner that leads to providing appropriate information and faithfully representing the leasing operations of both the merchants and lessors, thus increasing the transparency of the financial statements and improving the comparison between companies that lease assets between companies that borrow to buy assets. (Wiley 2019: 1692) and Financial Reporting Standard No. (IFRS16) applies to all leasing operations (leases) except for the following: -

- Contracts for leasing and using non-renewable resources such as oil, gas and the like
- Leasing contracts of biological assets held by the lessee
- Franchise service arrangements
- Intellectual property licenses granted by the lessor

Rental rights (with the lessee) under licensing agreements such as film rental rights, patents, copyrights and private manuscripts, and the lessee may apply this standard to lease contracts of intangible assets not mentioned (Wiley 2019: 1692)

The researcher believes that the variation in objective and scope is one of the goal of the standard (IAS17) which is to classify lease contracts (financial and operational) and has set a set of conditions that were mentioned to determine the

type of contract, but it did not succeed in this endeavor. In a different way, in light of the same circumstances and facts and in a way that serves its interests, even if it reflects negatively on the information and quality of the financial statements, and it became clear that the International Accounting Standards Board (IASB) has diagnosed this defect in the standard (IAS17) through the goal of the new standard (IFRS 16), which Focus on defining principles of recognition, measurement, presentation, and disclosure to ensure that appropriate information that faithfully expresses rental transactions is provided in the records of the lessee and lessor.

Accounting treatments for lease contracts according to the requirements of the Financial Reporting Standard (IFRS16)

First: In the records of the tenant

The lessee must, at the start date of the lease contract, prove the asset (the principal of use) and the commitment of the lease agreement to recognize the right to use the existing assets in the balance sheet, and also “recognize the obligations of the contract in other words capitalizing all lease contracts of all kinds as assets and liabilities in the list of financial position, At the beginning of the lease contract, the lessee must acknowledge the right to use the asset in the balance sheet, as well as recognize the lease contract obligations, that is, lease contracts of all kinds are capitalized as assets and liabilities for lease contracts with a period of more than (12 months) and for contracts of a non-low value, and the recognition is made. And the registration of the leased asset in the books of the lessee as an asset and at cost and under the name of the right to use the original, and the cost of the right to use the lessee on the date of the commencement of the lease includes the following: (Hamidat 2019: 692)

- The initial measurement amount of the lease obligation
- Any lease payments made on or before the commencement date of the lease contract minus any lease incentives received

Any initial direct costs incurred by the lessee

- An estimate of the costs that the lessee will incur in dismantling and removing the original subject of the contract, and returning the site in which the asset is located to the original condition, or usually the asset itself, the case is required in accordance with the terms and conditions of the lease contract, unless those costs will be incurred to produce the inventory, and the lessee incurs obligations for those costs Whether at the start date of the lease contract or as a result of the use of the underlying asset during a specific period, the lessee must prove the costs as part of the cost of the asset when he incurs commitment to those costs (Najam 2018: 222)

The right to use the asset is measured according to the cost model as an asset minus all depreciation and all impairment if any. The initial measurement of the lease obligations is made at the present value of the lease payments contained in the contract over the course of the contract discounted at the implicit interest rate contained in the contract if it can be determined with reliability. It can be reliably determined that the borrowing interest rate is used. (Hamidat 2016: 693), and the tenant must, at the start date of the lease contract, measure the commitment of the lease contract with the current value of the unpaid lease payments on that date. If it is not possible to determine that rate easily, the additional default rate for the lessee must be used. The lease payments at the commencement date of the lease included in the measurement of the lease obligation are the payments following the right to use the original subject of the contract during the period of the lease that has not been paid, namely

- (1) Fixed payments, minus rental incentives due .
- (2) Variable, index-dependent payments are initially measured at the beginning of the lease agreement
- (3) Amounts expected to be paid in residual value guarantees.
- (4) In the event that the purchase is concluded, the price of the possibility of ownership is included at the end of the contract (Star 2018: 222) (Wiley 2019: 1731)

After the start date of the lease contract, the lessee must measure the right-to-use asset by applying the cost model, and the cost model includes measuring the asset at cost minus the accumulated depreciation of the rights to use the asset and any accumulated lower losses, and the cost is adjusted for any effects resulting from the re-measurement of the lease obligations, (Hamidat 2019: 700) and if the right to use the original under the lease contract is investment properties, the lessee applies the fair value model for his real estate investments in accordance with International Accounting Standard No. 40 Real Estate Investments, if the right to use the asset under the lease relates to a specific category of Categories of property, buildings and equipment to which the tenant applies the revaluation form under International Accounting Standard No. (IFRS16) property, buildings and equipment, and in this case, all rights to use the assets under the lease are related to that category of property, buildings and equipment and can be re-evaluated . (Abu Nassar, Hamidat 2016: 863) The International Financial Reporting Standard (IFRS16) states that if an entity wishes to group the assets of a right to use with other assets, we calculate their collection within the same line through which the corresponding basic assets are displayed if they are owned, and For example, if the lessee has the right to use an asset, it relates to the rental of equipment and machinery, then this right to use asset is combined with property, machinery and equipment in the statement of financial position, unless the lessee chooses to display the right-to-use assets separately, the right-to-use assets are not combined with intangible assets In the statement of financial position,

the requirements for presenting IFRS16 are fundamentally different from those contained in IAS 17 as a result of leases (Wiley2019: 1744).

The lessee must display in the financial position list or disclose in the disclosures as follows:

1. Right-to-use assets independently from other assets and if the lessee does not display the right-to-use assets separately in the list of financial position, the lessee must list the right-to-use assets within the same clause in which the assets subject of the contract should have been displayed corresponding to him if they were owned. Application of requirements to assets The right to use that meets the definition of investment property as it must be displayed in the list of financial position as investment property, disclosure of items in the list of financial position that include the assets of the right to use

2. Lease contract obligations separately from other obligations If the tenant does not present the lease obligations separately in the balance sheet, the lessee must disclose items in the financial position list that include those liabilities. The lessee must present the expense, the interest on the commitment, the lease contract in the profit and loss statement and the comprehensive income statement independently from the depreciation expense of the right to use asset. The interest expense on the lease contract is a component of transfer costs that require and are presented separately in the profit and loss statement. And comprehensive income, (translation of the Saudi Organization for Certified Public Accountants 2018: 610)

The lessee must classify the following in the cash flow statement

- Cash payments for the part related to the original amount of the lease obligation within the financing activities
- Cash payments for the portion related to interest on the lease obligation to apply the requirements contained in IAS 7 Statement of Cash Flows (interest paid)
- Short-term lease payments, low-value asset lease payments, and variable lease payments not included in the lease obligation measurement within operating activities (Wiley 2020: 1696)

The lessee discloses and the purpose of the disclosures is for the tenants to disclose information in the clarifications that are available with the information provided in the financial position list, profit and loss statement and cash flow list mainly for users of the financial statements to assess the impact of lease contracts on the financial position, financial performance and flows The cash is for the lessee, and the lessee must disclose information about the lease contracts that he is the tenant in one illustration or a separate section in the financial statements, however the tenant does not need to repeat the information that is already presented elsewhere in the financial statements, provided that the information is done. Include them through cross-references of what is in a single disclosure or a separate section on lease contracts (Wiley 2020: 1697)

The lessee must disclose the following amounts for the reporting period

- (1) Depreciation expense for right-of-use assets according to the underlying category of the contract
- (2) Interest expense on lease obligations
- (3) Expenditures related to leases of low-value assets that are accounted for and may not include this expense related to short-term leases of low-value assets.
- (4) The expense relating to variable lease payments not included in the measurement of lease obligations
- (5) rental income, sublet, assets, right of use
- (6) The total cash flow out of the lease contracts
- (7) The carrying amount of the right-of-use assets at the end of the reporting period according to the category of the underlying asset
- (8) Gains and losses arising from sales and leaseback transactions (Wiley 2019: 1741).

The Impact of the International Financial Reporting Standard (IFRS16) on the Financial Statements

The application of the International Financial Reporting Standard (IFRS16) related to leases on the financial statements has an ostensible accounting impact on the lessee's records, as follows:

First: Income statement list

According to the International Accounting Standard No. (IAS 17) related to leases, the expenses related to operating lease contracts were recorded in the income statement, and in the form of equal payments as a rental expense and it was included in the operating expenses, but according to the International Financial Reporting Standard (IFRS16), the expenses are added as rent By changing the item from under operating expenses to consumption expense, and the benefits resulting from the payments are added as financing costs, and it becomes clear to us that the interest expense in the first years is higher, and therefore the payments are also higher, and begin to decrease whenever they are paid during the time, and this will lead to a decrease in profits in The first years of leases then go back up and go up with the end of the contract.

Second: List of financial position

According to International Accounting Standard No. 17 (IAS), lease contracts are classified into financial leases and operational leases, and most economic units follow the classification of operating lease contracts that was not included

in the list of financial position, and that the application of the International Financial Report Standard (IFRS16) And the classification of lease contracts in one form, and are considered as financing leases, and this will lead to the recognition of all lease contracts in the list of financial position on the assets side under the item of assets, the right to use separately from the assets, and also recognition of the obligations a

Third: the statement of cash flows

According to the International Accounting Standard No. 17 (IAS), the lease expense payments are classified as operating cash flows, while the application of the International Financial Reporting Standard (IFRS16) related to leases will have a total impact on the cash flows of the economic unit, and because the unit is obligated to pay the payments due on it to the lessor, According to this standard, the cash flows paid are recorded as financing cash payments, and for the interest it is classified under the item of operational cash payments or according to the practices in force within the economic unit.

The third axis: the framework of the process

A brief summary of the study sample

First: The Iraqi Company for the Transport of Petroleum Products and Goods / Mixed contribution

The company was established according to a certificate of incorporation issued by the Ministry of Commerce / Department of Companies Registrar in the number M 571 on 10/2/1994 with a capital of (5000000000) five hundred million dinars fully paid, and the company's capital was increased to (15000000000) one billion and five hundred million dinars, and the objectives are focused The company is working on the activity of transporting oil products and goods and developing its methods and requirements within the framework of encouraging the investment of mixed national capital in the field of road transport to ensure the contribution of this sector to achieving development, as well as in working on the development of domestic and international transport in a more complete and efficient manner as it is an essential aspect of Aspects of building the national economy, the company site is located in Iraq - Baghdad - the struggle district

Application of the International Financial Reporting Standard (IFRS16) lease contracts to the study sample data

Steps to implement the requirements of the International Financial Reporting Standard (IFRS 16)

The researcher assumed several things in order to obtain the possibility of applying the standard, as follows:

- Assume that there are no initial costs, expenses, or lease payments incurred by the lessee, and there are no payable rental incentives borne by the lessor to be paid to the lessee, and the cost model is used when calculating.
- Assume that the period of the lease contracts is according to the years of the sample, and in this case a study sample between (2014-2018) was taken.
- The use of the straight-line method in the process of calculating the depreciation of the asset in use. The depreciation period of an asset is according to the lease term or according to the useful life of the asset, whichever is less, the withdrawal of the requirements of the standard.

Assuming that the rent premium payments are equal, because variable payments depend on an index or rate, for example (consumer price index, or variable payments that reflect changes in the market rental rate)

- For the non-disclosure of the interest rate (the borrowing rate) in the data, a study sample was based on a ratio of 13.10% as the borrowing rate, and this percentage was taken from the Central Bank of Iraq for the year 2014, considering it the date of the lease contract in order to calculate the current value of future cash flows.
- The date 1/1/2014 was approved as the date of entry or application of (IFRS16) standard related to leases.
- Taking the asset lease expense from the company's income statement (the sample) from the service requirements item for a period of 5 years, and the arithmetic mean of the expense was extracted, to be in the form of equal payments, and then calculate the present value of future cash payments.
- Calculating the amount of the commitment resulting from the lease contracts, calculating the interest due for each year, and calculating the amount of depreciation of the asset under use for each year.
- The work was done according to the method of paying the rent premium at the beginning of the period (year), and the interest is paid at the end of the period (year)

The total assets were taken from the financial position list of the sample company, and the extracted amounts were added to the total assets for each year, and the application change percentage was extracted.

An application on the data of the Iraqi Company for the Transport of Petroleum Products and Goods - a mixed contribution

Modus operandi: After the fixed assets rental expense was extracted from the service requirements item from the data of a study sample company, it was collected for the period of sample years for the years (2014-2015 - 2016 - 2017-2018), and the expense (20344333 - 12231000 - 8046000 - 2136000 - 14136000) will be extracted The arithmetic mean as the cash payment is equal, and the annual cash payment for the lease contract became (11378667) dinars to be

paid at the beginning of the contract and at the beginning of each year during the contract period, and the present value of the future cash payments of the lease is calculated according to the following equation:

$$pv = fc / (1 + n)^n$$

Pv: present value of future cash flows / Fv: cash flow

: The interest rate / ^: the number of contract years, and it shall be calculated according to the following Table (8):

Table (1) calculating the present value of future cash payments for the lease contracts

| Year | Annual cash payment | The equation | Present value of a future payment |
|-------|---------------------|-------------------|-----------------------------------|
| 2014 | 11378667 | $(1+0.1310)^{00}$ | 11378667 |
| 2015 | 11378667 | $(1+0.1310)^{01}$ | 11231534 |
| 2016 | 11378667 | $(1+0.1310)^{02}$ | 11086303 |
| 2017 | 11378667 | $(1+0.1310)^{03}$ | 10942950 |
| 2018 | 11378667 | $(1+0.1310)^{04}$ | 10801451 |
| Total | | | 55440905 |

It is clear through Table (1) calculating the present value of future cash payments that the sum of the total sum of the lease contract at the present value is (55440905) and this amount is fixed as the book value in the records of the lessee at the beginning of the contract, and it is recorded in a separate item under the name (Right to Use the Principal) on the side The debtor appears in the financial position list on the assets side separately, and the cash payment is subtracted at the beginning of the contract or the beginning of the year and the rest is recorded in the separate account (lease obligations) and appears on the credit side, and appears in the financial position list on the liabilities side separately, and it is calculated At the expense of (the original right of use) extinction according to the straight-line method in order to reduce the balance every year (55440905/5) and equal to the annual depreciation premium (11088181) and a record is established at the end of each year and there is on the debtor's side an extinction expense and on the creditor's side the original use right , And this entry is repeated at the end of each year in order to reduce the value of the contract in the records of the tenant, and the amount of interest expense is added to the account of the lease obligations, because when calculating the interest, it is calculated on the remaining amount in the balance of obligations Lease contracts, and when the interest expense is recorded at the end of the year, the interest expense is on the debtor's side and the lease contract obligations are calculated on the creditor's side. This entry is repeated at the end of the year, and the interest is calculated according to the following Table (2):

Table (2) Calculation of interest on the balance of the commitment of the lease contracts

| Year | Balance of commitment at the beginning of the year | Annual rental installment paid in cash | The remaining amounts | Interest amount 0.01310% | The balance of the commitment at the end of a year |
|------|--|--|-----------------------|--------------------------|--|
| 204 | 55440905 | 11378667 | 44062238 | 577215 | 44639453 |
| 2015 | 44639453 | 11378667 | 33260787 | 435716 | 33696503 |
| 2016 | 33696503 | 11378667 | 22317836 | 292364 | 22610200 |
| 2017 | 22610200 | 11378667 | 11231534 | 147133 | 11378667 |
| 2018 | 11378667 | 11378667 | 0 | 0 | 0 |

And it is clear from Table (9) that the amount of interest expense added to the account of lease obligations in the first year is greater than the rest of the years by the amount (577215) that the interest expense is calculated on the basis of the balance of lease obligations, and we see through the payment of cash payments or the payment of contract installments The rent in the following years decreases the amount of the interest expense and due to the decrease in the balance of the lease obligations, and we also note through Table (9) that in the last year of the lease in 2018 there is no interest expense because the balance of the lease obligations is equal to (zero) because the last installment has been paid The lease contract at the beginning of the year, and upon the payment of the cash payment at the beginning of the year, on the debtor's side, the calculation of the lease's obligations and on the creditor's side is cash or cash in the fund.

First: Total assets

Total assets are one of the important indicators through which the company's ability to invest its money in increasing the volume of assets, and accordingly the current study groups have to know the total assets of the company. A study sample for the period between (2014-2018), and the application of (IFRS 16) standard appeared. Change, according to the following Table (3):

Table (3) application of (IFRS 16) standard on the assets side of Al-Iraqiya Company for the transport of petroleum products and goods

| Year | Assets prior to application of a standard | Assets after application of the standard | The value of the asset used | Change ratio |
|------|---|--|-----------------------------|--------------|
| 204 | 14795148695 | 1483950149 | 44352724 | 0.30 |
| 2015 | 14656926390 | 14690190933 | 33294543 | 0.23 |
| 2016 | 14514863433 | 1453709795 | 22176362 | 0.15 |
| 2017 | 14372775289 | 14383863470 | 11088181 | 0.08 |
| 2018 | 14059940385 | 14059940385 | 0 | 0.00 |

And it became clear through Table (3), which indicates the total assets before applying the IFRS 16 standard and after the application of the rate of change, and the results show that the value of the lease contracts named (the right to use the original) will increase the value of the total assets of the company. A study sample with rates of change varying. Between (0.08 - 0.30) for the period extending between (2014-2018), and we notice the highest rate of change for the increase in total assets that occurred in the first year of applying the IFRS 16 standard, which was in 2014 by (0.30) and decreased in the year following the year 2015 to a percentage (0.23) We notice the fluctuation of levels of change due to the reason for calculating and deducting the amount of the depreciation expense at the end of the year and this situation continues to decrease every year and we notice in the last year of the lease in 2018 there is no change rate and there is no change in the total assets because the balance of the original right to use Equal to (zero) because the entire amount has been amortized by a study sample company.

Second: Total liabilities and property rights

Obligations are considered from the sources of external financing that companies depend on to finance their activities, and as for the property rights are the remaining value of the value of the assets after excluding the liabilities, so the value of the property rights depends on the evaluation of the assets and liabilities. When the owners of the property invest money in a project, the assessment of the assets is what The amount added to equity, and the current study committees to the identifier of the total liabilities and equity of the company, are determined for the sample to be studied between the period (2012-2018), and before and after the application of the International Financial Reporting Standard (IFRS 16) according to the following Table (4):

Table (4) Application of IFRS 16 Standard on the Obligations and Ownership Rights of the Iraqi Company for the Transportation of Petroleum Products and Goods

| Year | Obligations and equity prior to application of the standard | Obligations and equity after applying the standard | The value of the lease commitment | Change ration |
|------|---|--|-----------------------------------|---------------|
| 204 | 14795148695 | 1483950148 | 44639453 | 0.30 |
| 2015 | 14656926390 | 14690 622893 | 33696503 | 0.23 |
| 2016 | 14514863433 | 14537473633 | 22610200 | 0.16 |
| 2017 | 14372775289 | 14384153956 | 11378667 | 0.08 |
| 2018 | 14059940385 | 14059940385 | 0 | 0.00 |

It became clear from Table (4), which indicates the total liabilities and property rights before and after the application of the International Financial Reporting Standard (IFRS 16) and the amount of the change percentage, and the results show that the value of the commitment lease contracts will increase the value of the total liabilities and property rights in proportions ranging Between (0.08 - 0.30) for the period extending from (2014-2018) and we notice the highest rate of change for the increase in total liabilities and property rights that took place in the first year of applying the IFRS 16 standard, which is in 2014 by (0.30) and decreased in the following year for the year 2015 to A ratio of (0.23) and we notice the fluctuation of levels of change due to the payment of the lease installments at the beginning of the year and the calculation of an interest expense at the end of the year and this situation continues to fall every year and we notice in the last year of the lease period in 2018 there is no change rate and there is no change in Total liabilities and property rights because the balance of the commitment of the lease contract is equal to (zero) because the last installment of the contract value has been paid by a study sample company

Through the application of the requirements of the International Financial Reporting Standard (IFRS16), it became clear that a standard can be applied to the data, a sample study, so it is possible to apply the International Financial Reporting Standard (IFRS 16) in the Iraqi environment and thus it is possible to adopt international accounting standards and international financial reporting standards through this application will be resolved Many of the problems of previous lease contracts according to the previous amended International Accounting Standard (IAS 17),

including circumvention of the conditions of capitalization of the lease contracts in the records of the tenant, the conditions for classification of lease contracts and personal assessment, and it is clear through the application of (IFRS 16) that it will affect the financial ratios as it is He will adjust and increase the balances of the final assets and liabilities of the financial position

The third axis: conclusions and recommendations

In light of what was presented in the theoretical and practical side of the research, the researcher reached a set of conclusions and recommendations, as follows:

Conclusions:

1. The possibility of applying the International Financial Reporting Standard (IFRS 16) related to lease contracts in the Iraqi environment according to data, economic units, study sample
2. The importance of lease contracts appears through the standardization of accounting practices related to lease contracts. This is a result of the convergence project between (FASB and IASB) with regard to accounting for lease contracts and the efforts of the two boards to develop new accounting standards for accounting for leases
3. Through the analysis of the study sample data, it became clear that the requirements of international accounting standards and international financial reporting standards are not used, and with regard to the requirements of the International Financial Reporting Standard (IFRS 16) related to lease contracts, but rather the unified accounting system is used.
4. The non-disclosure of the lease contracts in the financial statements and the annual report, and also the non-disclosure of the rate of internal borrowing and external borrowing.
5. Not to differentiate between the operating lease and the finance lease, and all types of leases are considered as operating leases and are considered an expense and are closed in the income statement.

Recommendations

Based on the conclusions, the researcher came up with several recommendations:

1. The need to apply international accounting standards and international financial reporting standards in the Iraqi environment in order to reach international consensus and provide good accounting disclosures to internal and external users.
2. The need for the integration of the Iraqi environment and more in the international community and the activation of its role in international accounting professional organizations as a member of the International Federation of Accountants (IFAC)
3. By applying the requirements of international accounting standards and international financial reporting standards, in particular the requirements of the International Financial Reporting Standard (IFRS 16), it helps to make comparisons of financial statements with foreign companies.
4. In the future, the lease contracts must be disclosed in detail in the financial statements or the annual report, and the borrowing rates should be disclosed.
5. According to the requirements of the International Financial Reporting Standard (IFRS16) (a distinction must be made between the two types of lease. If the lease contract is less than one year, it is considered the operating lease, but if the lease is more than one year, it is considered the finance lease.

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