Volume 25, Special Issue **Print ISSN: 1099 -9264**
Online ISSN: 1939-4675

THE IMPACT OF APPLYING INTERNATIONAL FINANCIAL REPORTING STANDARD (16) - LEASE CONTRACTS - ON FINANCIAL STATEMENTS - A CASE STUDY FOR ALIA ROYAL JORDANIAN AIRLINES PUBLIC LIMITED COMPANY

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ABSTRACT

This study aimed to determine the impact of applying IFRS No. 16 - lease contracts on the financial statements of Alia - Royal Jordanian Airlines Public Limited Company. The researcher has used the case study approach, where the theoretical literature and previous studies related to the subject of the study were demonstrated and the field study was conducted on Royal Jordanian Airlines. The study revealed the following results for the application of IFRS No. 16- Lease contracts: There was a direct impact on the balance sheet (total assets, total liabilities, solvency) ratio of total debt to total assets, ratio of total long-term debt to equity, ratio Leverage, ratio of total debt to equity, liquidity (current ratio, cash ratio). There is no effect on the quick ratio of liquidity. As for the statement of changes in equity and the income statement, the results showed that there is no effect on the application of the standard on them, and the study showed that there is an effect of applying the standard on the statement of operating cash flows and there is no impact on the financing and investment cash flows and net cash flows.

Keywords: International Reporting Standard No. 16- Lease Contracts, Finance Lease, Operating Lease, Financial Statements, Financial Ratios

INTRODUCTION

Since its inception, The International Accounting Standards Board (IASB), has developed and issued a set of international financial reporting standards that are of high quality and acceptable to all member states, as it contributed to achieving convergence between national accounting standards and international accounting standards. This study was stemmed from this fact to show the importance of accommodating with the latest developments and asserts in financial reporting standards and the extent of their impact on establishments. There is no doubt that leasing operations have spread widely in recent decades and in various countries of the world, as many individuals and business enterprises resort to leasing instead of owning through borrowing, which provides multiple advantages to the lessee and the lessor. The traditional treatments of those contracts were based on the fact that the contract was an operating lease or a financing contract.

As the operating lease contracts did not show any assets or liabilities of the tenants in accordance with the requirements of the previous International Accounting Standard No. 17, but the new International Financial Reporting Standard No. 16 - Lease Contracts, which was in effect from the beginning of 2019, has brought about a major shift in the accounting treatment of tenants as it has obligated the lessee to capitalize all lease contracts as assets and liabilities in the budget, which led to the lease contracts appearing within the budget while they were previously outside the budget, and this enhances the comparability between the establishments that own the assets and the establishments that lease the assets, as well as substantially influencing the analysis of the financial position and many Financial ratios of tenants.

STUDY PROBLEM AND ITS IMPORTANCE

Many establishments in various business sectors rely on asset leasing operations instead of direct ownership in exchange for cash payment or long-term borrowing obligations to finance the purchase of these assets. International accounting standards have long been classifying lease contracts into operating contracts and financing contracts depending on whether the lease contract transfers the risks and benefits related to ownership of the asset from the lessor to the lessee, and given that the operating lease contracts are not reflected in the financial statements, which in turn affects the transparency of those listings. The International Accounting Standards Board issued a new international standard in accounting, which is the 16th Financial Reporting Standard - Lease Contracts - which came into effect as of 01/01/2019 and led to a major shift in the accounting treatments for lease contracts with tenants, while no change occurred on To process at the lessors. The application of this standard leads to the capitalization of all lease contracts with the lessees and their recognition as assets and liabilities, in addition to the recognition of interest expense on the book balance of lease obligations and calculation of depreciation of the rights to use the leased assets.

From this, the problem of the study lies in determining the effect of applying the International Financial Reporting Standard No. 16 - Lease Contracts on the financial statements of ALIA - Royal Jordanian Airlines Public Limited Company -listed on the Amman Stock Exchange and comparing the effects resulting from the application of the standard on that company by studying the financial statements quarterly. The annual published data for the first time according to the new standard and its comparison with the quarterly statements for the year 2018 before applying the standard and indicating the size of the resulting change in the financial statements and the extent of the impact of its business results. In order to achieve objectivity in the accounting treatment of leases, IFRS 16 - Lease Contracts came in. There are many studies that have analyzed and explained the potential effects of capitalization of operating lease contracts with companies on financial statements and financial ratios, including studies by Ozturk & Sercemeli (2016); Al-Aridi (2017); YOU (2017).

Through this study, there will be a thorough examination of the impact that could be realized by the application of Financial Reporting Standard No. 16 related to leasing on the financial statements of Alia - Royal Jordanian Airlines Public Limited Company.

The study problem can be declared through the following question: Are there statistically significant differences for applying IFRS 16 - lease contracts - to the financial statements of Alia Company - Royal Jordanian Airlines Public Shareholding Limited?

The Importance of the Study

The importance of the study stems from determining the effect of applying IFRS 16 - lease contracts on the financial statements resulting from applying the standard, and the parties which will mainly benefit are everyone who uses accounting information, specifically lenders (banks) as to determine solvency and liquidity, as well as investors who’s concerned about interest/profitability ratios as this standard has introduced new assets and liabilities that were not previously recognized. In addition, financial analysts and scholars benefit from this study. Given the need for transparency and reliability in the financial statements, the application of IFRS 16 - lease contracts - better reflects the actual reality of the financial position, as this standard will lead to a fundamental change in the accounting treatment of lease contracts for the lessee.

Operational lease contracts (with limited exceptions) are currently treated as capitalized contracts, and this is considered a fundamental and significant change in concepts, treatments and accounting terminology related to leases in terms of recognition of the assets and liabilities of those contracts that were not previously recognized, in addition to the recognition of interest expense on the lease obligations. As well as the expense of depreciation of the rights to use assets, hence the importance of the study to address the effect of these fundamental changes in the accounting treatment and their impact on the financial statements related to the lease contracts.

Study Model

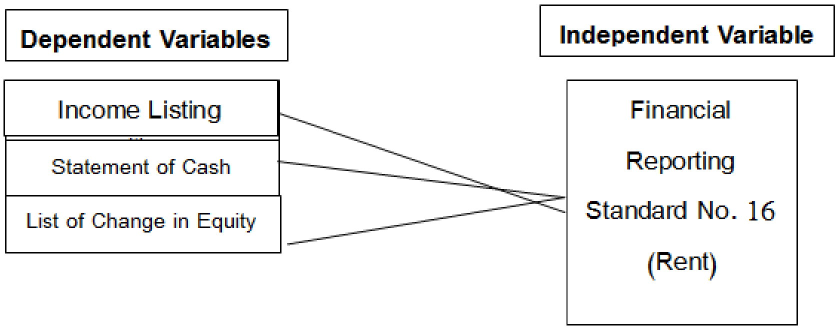

FIGURE 1
THE STUDY MODEL

Study Hypotheses

Based on the study problem and its objectives, the study hypotheses are as follows:

First Main Hypothesis (Ho1)

There are no statistically significant differences for the application of IFRS 16 to the list of financial position of Alia Company - Royal Jordanian Airlines Public Limited Company

Second Main Hypothesis (Ho2)

There are no statistically significant differences for applying IFRS 16 to the income statement of Alia Company - Royal Jordanian Airlines Public Limited Company

Third Main Hypothesis (Ho3)

There are no statistically significant differences for the application of IFRS 16 to the list of cash flows for Alia Company - Royal Jordanian Airlines Public Limited Company.

Fourth Main Hypothesis (Ho4)

There are no statistically significant differences for the application of IFRS 16 to the list of changes in property rights for Alia Company - Royal Jordanian Airlines Public Limited Company.

THEORETICAL FRAMEWORK

The standard defines a finance lease contract as a contract that substantially transfers all the benefits and risks related to the ownership of an asset, and the right of ownership may or may not be transferred at the end of the contract (IASB, 2013), otherwise, It is an operating contract, and the classification of contracts into operating or financing leases is based on the degree of bearing the lessor or lessee of the benefits and risks associated with the ownership of the leased asset, as the contract is considered financing if it transfers substantially all the risks and rewards related to ownership from the lessor to the lessee, unless it does not transfer substantially all the risks and rewards associated with ownership, the contract is considered operational, as the classification depends on the essence of the process and not on the form of the contract, and the risks associated with the contract may include risks of obsolescence of the asset and losses resulted from of non-operation (Abu Nassar & Hamidat, 2019).

The lease is considered financing in the following cases: (IASB, IAS 17:10)

1. That the contract is concluded by ownership, whereby the lessor transfers the legal ownership to the lessee.
2. That the contract term represents the main part of the remaining useful life of the asset upon signing the contract. The American Financial Accounting Standards Board and the Jordanian Financial Leasing Law have specified that the contract is classified as a financing contract if the contract term constitutes 75% of the useful life of the asset.
3. If the lease agreement includes the incentive purchase option for the lessee and there is reasonable assurance of exercising this option (this situation is fulfilled by the existence of a condition that allows the lessee to purchase the asset at the end of the contract term at a price significantly less than the fair value, such as buying the asset at a discount of 40% or 50% of its market price).
4. If the current value of the minimum lease payments that the lessee will pay to the lessor on the date of signing the contract covers at least the fair value of the asset at the time of signing the contract.
5. If the leased asset is of a special nature so that it cannot be used without substantial modifications by the lessee.
6. The standard also indicated that there are other cases that the availability of any of them leads to the contract being considered a financing: (IASB, IAS 17:11)
7. The lessee should be able to cancel the lease contract, provided that he/she incurs losses borne by the lessor due to the cancellation of the contract, indicating the transfer of risks from the lessor to the lessee.
8. An option to fore send the incentive leasehold to another period at a rent substantially lower than the market rental rates.
9. That the lessee bears the guaranteed residual value losses if the lease agreement includes the lessee's liability for the decrease in the fair value of the asset on the contract expiration date.

Reasons for Issuing IFRS 16

1. Operating leases are not recognized in the tenants' budgets, which affects the comparability of the financial statements of the establishments operating in the same sector, especially between the establishments that purchase the assets owned and those used for leasing (Magli, et al. 2018).
2. The size of lease commitments for companies around the world is estimated at $ 3.3 trillion, as more than 85% of this amount does not appear in the companies' budgets (Al-Qawasmi, 2016)
3. More than $ 2000 million will be able to 'appear' in the balance sheet, a survey conducted by IASB and FASB in 2012 (Magli, et al. 2018).
4. Those in charge of the Standard Settlement have noted that the establishments that suffer from financing problems are using operating leases extensively to finance their activities and the increase in debt is not reflected in their data.
5. In particular, those who set standards conducted a special study on the financial statements of companies that had fallen into bankruptcy and indicated that in the years leading up to bankruptcy they significantly increased the use of operating leases, giving them the opportunity to conceal actual indebtedness, FASB and IASB analyzes (Magli, et al.2018)
6. Enhancing clarity and comparability of corporate data when all assets and liabilities resulting from lease contracts are recognized in the budget and will provide a good opportunity for fund market participants and potential investors (Idris, 2018).

7. Advantages related to managing long-term lease contracts because companies will have better perceptions of rental expenses and opportunities to reduce costs, which helps in reaching better administrative decisions to lessen costs and increase the return on investment (Idris, 2018).
8. Heightening degree of data transparency as well as providing honest representation of the entity's financial position, and assistance in making decisions related to investment after being able to better assess the financial performance of the facility and reducing the need to make the required adjustments due to applying the IAS17 standard to obtain the desired data (Eman and Rafiq 2017).
9. Helping decision-makers in making decisions related to financing and operating means more efficiently.
10. Recognition and measurement in a unified way to prove the assets and liabilities of all lease contracts, which enhances and improves the comparability between the financial statements of establishments that lease and those that obtain loans to purchase assets (Al-Qawasmi, 2016).

The Effect of Applying IFRS 16 - Lease Contracts - on the Financial Statements:

The study conducted by Veverková has focused on measuring the impact of IFRS 16 on selected items of financial statements and the ratios of financial analysis of 15 European airlines, and comparing the results with the previous studies. The study indicated that the capitalization of lease contracts under the new standard will have a fundamental impact on the budget figures, income, return and financial leverage, as the study included a comparison of the outputs of previous studies that focused on the impact of IFRS 16 or the capitalization of lease contracts. The researcher used the model (Bennett & Bradbury, 2003).

The results concluded that Financial Reporting Standard No. 16 will affect the budget through the increase in the total assets and the increase in current and non-current liabilities according to the lease payments and the decrease in property rights. As for the income statement, the profit before interest, taxes and depreciation will increase in addition to the increase in profit before Interest and taxes, as for the effect on financial ratios, it will have a significant impact on profitability ratios, as the ratio of return on assets will moderately decrease, and an average increase in the rate of return on equity, the current ratio will decrease because current assets remain fixed and current liabilities will increase according to lease payments, debt to equity ratio Equity will increase significantly due to increased debt and decreased equity. The debt to assets ratio will increase, but the increase is not significant.

Ramrez, Diaz study aimed to determine the effect of applying the Financial Reporting Standard 16 on the financial statements of the Spanish companies listed in the stock exchange. The study was applied to 101 Spanish companies listed in the stock exchange, and the Wilcoxon test was used to test hypotheses related to financial ratios that do not follow a normal distribution and T-test of financial ratios that follow a normal distribution. This study showed that the application of Standard No. 16 Lease contracts will lead to an increase in assets by 12.9%, an increase in liabilities by 28.5%, an increase in financial leverage by 10.2% and a decrease in the return on assets (ROA) from 18.2% to 10.2%, the study indicated that the application of this standard will have an impact on the financial statements of Spanish companies more than on the financial statements of European companies for similar sectors. As for Topal (2018) study, it aimed to demonstrate the impact of applying financial reporting standard 16 on the appropriate value of the book value of property rights and the dividend of shares profits and the appropriate value of accounting information, as fifty European companies are listed on the European Financial Market for the period 2016-2017, as two models were used in this study Imhoff, et al., (1991) Constructive Capitalization Model to capitalize lease contracts and use the Holson model to examine the appropriate value of the accounting information.

The results of this study has shown that there is a substantial increase in the assets and liabilities of a group of European companies under study after capitalizing their lease contracts and due to the increase in assets and liabilities, this will affect many financial ratios, especially the (debt to assets) ratio and the ratio (Debt to Equity), which increased considerably, on purpose of capitalization of operating lease contracts with these companies.

As for the study by Al-Aridi, it aimed to know the expected impact of applying IFRS 16 on the financial statements of public joint-stock companies. The research was conducted on a sample of nine companies listed on the Amman Financial Market from various sectors for the fiscal period from (2012) to (2016) Where the present value of future payments was calculated for operating lease contracts derived from the financial statements of the companies under study, it was then added to the total assets and liabilities on the date of the study's application of the standard, which is 12/31/2012, and the study showed that there is a statistically significant effect of applying the standard on the assets, liabilities, and property rights of the studied companies, return on assets, return on equity, debt to assets, and debt to equity. The study of Díaz & Ramirez also aimed to determine the effect of applying the Financial Reporting Standard 16 on the main financial ratios. Calculate the financial ratios of the companies before and after assuming the application of the standard (expected effect). The Wilcoxon test on financial ratios and the T-test on the financial statements were used.

The two researchers found that there is a fundamental effect of applying the standard on the financial ratios related to the budget, leverage ratios and financial solvency of European companies listed on the stock exchange, and there was no effect on the financial ratios related to profitability, and the result was that the effect of applying the standard on the financial statements is more than what was found in previous studies. The study showed that the size of the impact on companies depends on the sector, and that the sectors most affected by the application of the new standard are sectors (retail, hotels, and the transport sector).

YOU (2017) study reviewed the impact of IFRS 16 on the financial statements and financial ratios, and the study sample included 31 airlines from all over the world for the period between 2013-2015, because these companies rent a large amount of aircraft and other assets. The results concluded that, after capitalizing the lease contracts, an amount of 1,724.7 million euros of lease contract liabilities appeared that had not appeared as liabilities before capitalization and constituted 30.68% of the total liabilities of the 31 companies included in the study. After capitalizing the lease contracts, the study shows that the financial leverage ratio and profitability ratios have increased, and after capitalization it was found that there is a group of companies that have increased the rate of return on assets and the rate of return on equity, and another group of companies had a decrease in those ratios, and in general the results indicate That the application of the standard will have a material impact on the financial statements and financial ratios of lessees. Also, the study of Sari & Tas showed the effect of IFRS 16 on the financial statements and financial ratios. This research was applied to Turkish retail companies of (7) companies out of 13 companies whose shares are traded on the Istanbul Stock Exchange. Six companies were excluded due to insufficient information about their operating leases.

The study used the inferential capitalization method for operating lease contracts, *i.e.,* the researcher capitalized the lease contracts and assumed their application to those companies. Wilcoxon non-parameter test was used to compare observations before and after capitalizing the lease contracts. The study found that there was a significant impact of the new lease standard on total assets and total liabilities for the years 2010 and 2011 and there was no impact for 2012 and 2013 due to the absence of significant operating lease contracts in that period. The results indicated that there will be a statistically significant impact on some of the financial ratios that have been tested (debt/assets ratio, debt/equity ratio, Return on Assets (ROA) and Return on Equity Ratio (ROE) for the period 2010-2013.

In their study, Ozturk have examined the potential impacts on the financial position of an airline operating in Turkey as a result of applying the relevant standard - case study - were examined. The researcher compared the financial statements of the company before and after applying the standard to find out the effect, and the study concluded that the application of the standard will have a fundamental impact on the financial statements of the company under study, as assets increased by 29.3% and liabilities by 52.2%, as well as it will have an impact on the financial ratios as the proportion of debt increased. To assets at 16.9%, debt to equity ratio at 75.3%, and significantly reduced return on assets. Ellimäki's study (2016) focused on the three largest construction companies in Finland (Lemminkäinen Corporation, YIT Corporation, SRV Group Plc), and the main data was extracted from the audited financial statements of the three companies, where the leasing activities of each of the companies were analyzed.

And then analysing the financial statements and re-presenting them through the inclusion of operating lease contracts within the budget, where the quantitative and qualitative model was used in the work of the surveys for each company due to the novelty of the topic, and the study showed that when re-presenting the financial statements according to Financial Reporting Standard 16, it was found that there is an increase in the non-current assets of both YIT and SRV, where the numbers doubled to 3 times. Compared to the previous one, as for Lemminkäinen, its non-current assets increased slightly by 7.5%.

Wong & Joshi also showed the changes proposed by the International Accounting Standards Board (IASB) for the year 2013 in the draft related to rental accounting and the impact of these changes on the main financial statements and ratios of Australian companies listed on the Sydney Stock Exchange, and the study sample consisted of 170 companies from several sectors The researcher relied on the model Imhoff, et al., (1991), which includes the capitalization of operating lease contracts, and the study showed that the capitalization of operating lease contracts has an important impact on the financial statements, return on assets and leverage ratios for the companies studied, the study has shown that the capitalization of operating contracts will affect the increase in the assets of the studied companies by 3.47%, the increase in total liabilities by 4.34%, and the decrease in property rights by 0.27%. 1.44%.

Data Collection Methods

This study will rely on two types of data sources, the secondary sources, which are the annual financial statements of Alia Royal Jordanian Public Shareholding Company for the years 2018 and 2019, where the year 2019 will be compared after applying the standard with the year 2018 before applying the standard to know the effect resulting from the application. The researcher will analyse in depth the impact of the new international standard on the items of the financial statements and conduct the appropriate financial analysis to arrive at the results. The researcher will also rely on a number of sources represented by the data that will be obtained from books, theses, scientific research and magazines in order to build the theoretical framework of the study.

Statistical Methods in Data Analysis

This study follows the descriptive and analytical approach to identify the impact of applying IFRS 16 - leasing - on the financial statements - a case study for Alia Royal Jordanian Airlines Public Shareholding Limited, where the Mann Whitney test was used to test hypotheses, and a level of significance was adopted (0.05) to reject or accept the hypotheses, the level most used in social studies. The researcher used the case study approach, where the theoretical literature and previous studies related to the subject of the study were presented and the field study was conducted on the Royal Jordanian Airlines.

Data Presentation and Testing of Hypotheses

After the researcher has reviewed the study’s approach as well the review of previous studies, reaching the theoretical framework of the study and the methodology of the study, this chapter deals with data analysis and testing of the study hypotheses through the use of the statistical analysis program Spss v26, and the following results were reached:

TESTING HYPOTHESES OF THE STUDY

The First Main Hypothesis (Ho1)

There are no statistically significant differences for the application of IFRS 16 to the list of financial position of Alia Company - Royal Jordanian Airlines Public Shareholding Limited

The following sub-hypotheses stems from the first main hypothesis

First sub hypothesis (Ho1-1):

There is no statistically significant impact of applying IFRS 16 on the total assets of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 1):

Table 1
THE FIRST SUB-HYPOTHESIS TEST (Ho1-1)

	Sampal	N	Mean Rank	Sum of Ranks	Mann-Whitney U	0
Total assets	2018	4	2.5	10	Wilcoxon W	10
	2019	4	6.5	26	Z	-2.309
	Total	8			Asymp. Sig. (2-tailed)	0.021
					Exact Sig. [2*(1-tailed Sig.)]	0.029b
Sample: a. Grouping Variable: b. Not corrected for ties						

The above table indicates that the value of z=-2.309 is statistically significant at the level of 0.05, which means accepting the hypothesis that states that there is a statistically significant impact of applying IFRS 16 on the total assets of Alia company - Royal Jordanian Airlines Public Shareholding Limited, It was found that the arithmetic average for 2019 is higher than for 2018, indicating an improvement in the total assets variable after applying the standard.

Second Sub-Hypothesis (Ho1-2)

There is no statistically significant impact of applying IFRS 16 on the total liabilities of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 2):

Table 2
TESTING SECOND SUB-HYPOTHESIS (Ho1-2)

Ranks						
	Sample	**N**	**Mean Rank**	**Sum of Ranks**	**Mann-Whitney U**	**0**
total liabilities	2018	4	2.5	10	Wilcoxon W	10
	2019	4	6.5	26	Z	-2.309
	Total	8			Asymp. Sig. (2-tailed)	0.021
					Exact Sig. [2*(1-tailed Sig.)]	0.029b

Test Statistics[a]

a. Grouping Variable:
b. Not corrected for ties

The above table indicates that the value of z=-2.309 is statistically significant at the level of 0.05, which means accepting the hypothesis that states that there is a statistically significant impact of applying IFRS 16 on the total liabilities of Alia company - Royal Jordanian Airlines Public Shareholding Limited, It was found that the arithmetic average for 2019 is higher than for 2018, indicating an increase in the variable total liabilities after applying the standard.

Third Sub-Hypothesis (Ho1-3)

There is no statistically significant impact of the application of IFRS 16 on the solvency ratios of Alia Company - Royal Jordanian Airlines Public Shareholding Limited

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 3):

Table 3
Ho1-3 (THE THIRD SUB-HYPOTHESIS TEST)

	Sample	N	Mean Rank	Sum of Ranks
The ratio of total debt to total assets	2018	4	2.5	10
	2019	4	6.5	26
	Total	8		
Ratio of Total Long-term debt to equity	2018	4	2.5	10
	2019	4	6.5	26
	Total	8		
Leverage ratio	2018	4	2.5	10
	2019	4	6.5	26
	Total	8		
The ratio of total debt to property rights	2018	4	2.5	10
	2019	4	6.5	26
	Total	8		

Table 4
TEST STATISTICS[a]

	Total debt ratio to total assets	Ratio of Long-term total debt to property rights	Leverage Ratio	Gross debt ratio to property rights
Mann-Whitney U	0	0	0	0
Wilcoxon W	10	10	10	10
Z	-2.309	-2.309	-2.309	-2.309
Asymp. Sig. (2-tailed)	0.021	0.021	0.021	0.021
Exact Sig. [2*(1-tailed Sig.)]	0.029b	0.029b	0.029b	0.029b
a. Grouping Variable, b. Not corrected for ties.				

The above table indicates that the value of z is statistically significant at the level of 0.05 for each of the ratios shown in the table, which means accepting the hypothesis that states that there is a statistically significant effect of applying IFRS 16 on the solvency ratios of a high company - Royal Airlines The Jordanian Public Shareholding Limited Company, and it was found that the arithmetic average for the year 2019 is higher than for the year 2018, which indicates an improvement for each percentage of the percentages shown in the table after applying the standard (Table 4).

Fourth Sub-Hypothesis (Ho1-4)

There is no statistically significant impact for the application of IFRS 16 on liquidity ratios for Alia - Royal Jordanian Airlines Public Shareholding Limited

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 5 and Table 6):

Table 5
TESTING FOURTH SUB-HYPOTHESIS TEST (Ho1-4)

Ranks				
	Sample	**N**	**Mean Rank**	**Sum of Ranks**
Trade rate	2018	4	6.5	26
	2019	4	2.5	10
	Total	8		
Quick Liquidity Ratio	2018	4	6	24
	2019	4	3	12
	Total	8		
Cash Ratio	2018	4	6.5	26
	2019	4	2.5	10
	Total	8		

Table 6
TEST STATISTICS[a]

	Trade Ratio	**Quick Liquidity Ratio**	**Cash Ratio**
Mann-Whitney U	0	2	0
Wilcoxon W	10	12	10
Z	-2.309	-1.732	-2.309
Asymp. Sig. (2-tailed)	0.021	0.083	0.021
Exact Sig. [2*(1-tailed Sig.)]	0.029b	0.114b	0.029b

a. Grouping Variable, b. Not corrected for ties.

The above tables indicates that the value of z is statistically significant at the level of 0.05 for each of the two ratios (current ratio and cash ratio) shown in the table, which means accepting the hypothesis that there is a statistically significant effect for the application of IFRS 16 liquidity ratios for a company High - Royal Jordanian Airlines Public Shareholding Limited, except for the quick ratio, and it was found that the arithmetic average for the year 2018 is higher than for the year 2019, indicating that there is a decrease in both ratios (circulation ratio and cash ratio) after applying the standard.

Second Main Hypothesis (Ho2)

There are no statistically significant differences for applying IFRS 16 to the income statement of Alia Company - Royal Jordanian Airlines Public Shareholding Limited

It stems from the following sub-hypotheses:

First Sub-Hypothesis (Ho2-1)

There are no statistically significant differences for the application of IFRS 16 to the total expenses of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 7):

Table 7
TESTING FIRST SUB-HYPOTHESIS TEST (Ho2-1)

Ranks					Test Statistics[a]	
	Sample	**N**	**Mean Rank**	**Sum of Ranks**	**Total Expenditures**	
Total Expenditures	2018	4	3.25	13	Mann-Whitney U	3
	2019	4	5.75	23	Wilcoxon W	13
	Total	8			Z	-1.443
					Asymp. Sig. (2-tailed)	0.149
					Exact Sig. [2*(1-tailed Sig.)]	0.200[b]
a. Grouping Variable, b. Not corrected for ties						

The above table indicates that the value of z is not statistically significant at the level of 0.05, which means accepting the hypothesis that states that there are no statistically significant differences for the application of IFRS 16 on the total expenses of a high company - Royal Jordanian Airlines Public Shareholding Limited.

Second Sub-Hypothesis (Ho2-2)

There are no statistically significant differences for the application of IFRS 16 to the profitability ratios of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 8 and Table 9):

Table 8
TESTING SECOND SUB-HYPOTHESIS TEST (HO2-1)

Ranks				
	العينة	**N**	**Mean Rank**	**Sum of Ranks**
Marginal profit ratio to Net profit	2018	4	3.75	15
	2019	4	5.25	21
	Total	8		
Before tax Marginal operation profit ratio	2018	4	3.5	14
	2019	4	5.5	22
	Total	8		
Marginal operation profit ratio	2018	4	3.5	14
	2019	4	5.5	22
	Total	8		
Gross profit margin	2018	4	3.25	13
	2019	4	5.75	23
	Total	8		
EPS	2018	4	3.75	15

	2019	4	5.25	21
	Total	8		

Table 9
TEST STATISTICS[a]

	Marginal Net Profit Ratio	Marginal before Tax Profit Ratio	Marginal Operation Profit Ratio	Gross Profit Margin	EPS
Mann-Whitney U	5	4	4	3	5
Wilcoxon W	15	14	14	13	15
Z	-0.866	-1.155	-1.155	-1.443	-0.866
Asymp. Sig. (2-tailed)	0.386	0.248	0.248	0.149	0.386
Exact Sig. [2*(1-tailed Sig.)]	0.486b	0.343b	0.343b	0.200b	0.486b

The above tables indicates that the value of z is not statistically significant at the level of 0.05 for each of the ratios shown in the table, which means accepting the hypothesis that states that there are no statistically significant differences for the application of IFRS 16 on the profitability ratios of an Alia company - Royal Airlines Jordanian Public Shareholding Limited

Third main hypothesis (Ho3)

There are no statistically significant differences for applying IFRS 16 to the list of flows for Alia Company - Royal Jordanian Airlines Public Shareholding Limited

First Sub-Hypothesis (Ho3-1)

There are no statistically significant differences for applying IFRS 16 to the operating cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 10):

Table 10
TESTING FIRST SUB-HYPOTHESIS TEST (HO3-1)

Ranks					Test Statistics[a]	
	Sample	N	Mean Rank	Sum of Ranks	Operational Cash Flows	
Operational Cash Flows	2018	4	2.5	10	Mann-Whitney U	0
	2019	4	6.5	26	Wilcoxon W	10
	Total	8			Z	-2.309
					Asymp. Sig. (2-tailed)	0.021
					Exact Sig. [2*(1-tailed Sig.)]	0.029b
a. Grouping Variable, b. Not corrected for ties.						

The above table indicates that the value of z is statistically significant at the level of 0.05, which means acceptance of the hypothesis that states that there are statistically significant differences for the application of IFRS 16 on the operating cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The arithmetic average for 2019 is higher than for 2018, which indicates an improvement in the operating cash flow variable after applying the standard.

Second Sub-Hypothesis (Ho3-2)

There are no statistically significant differences for applying IFRS 16 to the financing cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 11):

<table>
<tr><th colspan="7">Table 11
TESTING SECOND SUB-HYPOTHESIS TEST (Ho3-2)</th></tr>
<tr><th colspan="5">Ranks</th><th colspan="2">Test Statistics[a]</th></tr>
<tr><th></th><th>Sample</th><th>N</th><th>Mean Rank</th><th>Sum of Ranks</th><th colspan="2">Financing Cash Flow</th></tr>
<tr><td rowspan="3">Financial Cash Flows</td><td>2018</td><td>4</td><td>6</td><td>24</td><td>Mann-Whitney U</td><td>2.000</td></tr>
<tr><td>2019</td><td>4</td><td>3</td><td>12</td><td>Wilcoxon W</td><td>12.000</td></tr>
<tr><td>Total</td><td>8</td><td></td><td></td><td>Z</td><td>-1.732</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Asymp. Sig. (2-Tailed)</td><td>0.083</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>Exact Sig. [2*(1-tailed Sig.)]</td><td>0.114b</td></tr>
<tr><td colspan="7">a. Grouping Variable, b. Not corrected for ties.</td></tr>
</table>

The above table indicates that the value of z is not statistically significant at the level of 0.05, which means accepting the hypothesis that states that there are no statistically significant differences for the application of IFRS 16 to the financing cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

Third Sub-Hypothesis (Ho3-3)

There are no statistically significant differences for applying IFRS 16 to the investment cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 12):

<table>
<tr><th colspan="7">Table 12
TESTING THIRD SUB-HYPOTHESIS TEST (Ho3-3)</th></tr>
<tr><th colspan="5">Ranks</th><th colspan="2">Test Statistics[a]</th></tr>
<tr><th></th><th>Sample</th><th>N</th><th>Mean Rank</th><th>Sum of Ranks</th><th colspan="2">Investment Cash Flows</th></tr>
<tr><td rowspan="3">Investment Cash Flows</td><td>2018</td><td>4</td><td>6.25</td><td>25</td><td>Mann-Whitney U</td><td>1</td></tr>
<tr><td>2019</td><td>4</td><td>2.75</td><td>11</td><td>Wilcoxon W</td><td>11</td></tr>
<tr><td>Total</td><td>8</td><td></td><td></td><td>Z</td><td>-2.021</td></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="2">Asymp. Sig. (2-tailed)</td><td>0.043</td></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="2">Exact Sig. [2*(1-tailed Sig.)]</td><td>0.057b</td></tr>
<tr><td colspan="7">a. Grouping Variable, b. Not corrected for ties.</td></tr>
</table>

The above table indicates that the value of z is not statistically significant at the level of 0.05, which means accepting the hypothesis that states that there are no statistically significant differences for the application of IFRS 16 to the financing cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

Fourth Sub-Hypothesis (Ho3-4)

There are no statistically significant differences for the application of IFRS 16 to the net cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 13):

Table 13
TESTING THE FOURTH SUB-HYPOTHESIS (Ho3-4)

Ranks					Test Statistics[a]	
	Sample	**N**	**Mean Rank**	**Sum of Ranks**	**Net Cash Flows**	
Net Cash Flows	2018	4	5	20	Mann-Whitney U	6
	2019	4	4	16	Wilcoxon W	16
	Total	8			Z	-0.577
					Asymp. Sig. (2-tailed)	0.564
					Exact Sig. [2*(1-tailed Sig.)]	0.686b
a. Grouping Variable, b. Not corrected for ties						

The above table indicates that the value of z is not statistically significant at the level of 0.05, which means acceptance of the hypothesis that states that there are no statistically significant differences for the application of IFRS 16 on the net cash flows of Alia Company - Royal Jordanian Airlines Public Shareholding Limited.

Fourth Main Hypothesis (Ho4)

There are no statistically significant differences for the application of IFRS 16 to the list of changes in property rights for Alia Company - Royal Jordanian Airlines Public Shareholding Limited

The Mann-Whitney test was used to test the above hypothesis where the following results were reached (Table 13):

Table13
TESTING THE FOURTH MAIN HYPOTHESIS (Ho4)

Ranks					Test Statistics[a]	
	Sample	**N**	**Mean Rank**	**Sum of Ranks**	**Changes in equity**	
Changes in equity	2018	4	3.25	13	Mann-Whitney U	3
	2019	4	5.75	23	Wilcoxon W	13
	Total	8			Z	-1.443
					Asymp. Sig. (2-tailed)	0.149
					Exact Sig. [2*(1-tailed Sig.)]	0.200b
a. Grouping Variable, b. Not corrected for ties						

The above table indicates that the value of z is not statistically significant at the level of 0.05, which means acceptance of the hypothesis that states that there are no statistically significant differences for the application of the financial reporting standard. The International 16 is on the list of changes in property rights for Alia - Royal Jordanian Airlines Public Shareholding Limited.

RESULTS AND DISCUSSION

This study aimed to demonstrate the impact of applying the Financial Reporting Standard -16- Lease Contracts on the financial statements of Alia - Royal Jordanian Airlines, which is listed on the Amman Stock Exchange as on December 31, 2019, and the results based on the statistical analysis showed the following:

1. The results of the statistical analysis showed the existence of a statistically significant impact of applying the IFRS 16- lease contracts at a significance level of 0.05 on the list of Alia's financial position - Royal Jordanian Airlines Public Shareholding represented by the following items:

There is a statistically significant impact of applying IFRS 16- lease contracts on the total assets of a high-performing company, as the arithmetic average of total assets increased in 2019 compared to 2018 by 56.3 per cent, as the average right-to-use item that appeared in In 2019, after applying the standard (490,691,500) dinars, this is attributed to the requirements of the new standard that impose recognition of rights-of-use assets within non-current assets, which were not previously shown in the balance sheet, as those contracts were only disclosed as operating contracts. This led to an increase in the total assets after applying the standard. This result is consistent with the results of previous studies such as Veverková (2019); Ramrez, Diaz (2018) study, Topal (2018) study, Al-Aridi (2017) study, Sari, Tas (2016) study, Ozturk, (2016) study.

There is a statistically significant impact of the application of IFRS 16-lease contracts on the total liabilities of Alia Company - Royal Jordanian Airlines, as the arithmetic average of the total liabilities increased in 2019 compared to 2018 by 66.8%, as the average item of lease obligations reached Which appeared in the year 2019 after the application of the standard (393,124,500) dinars, and this is due to the requirements of the new standard that impose recognition of the obligations of all lease contracts (with limited exceptions) while those obligations did not appear in the budget before the issuance of the standard. Commitments after applying the standard.

This result is consistent with the results of previous studies such as the Veverková study (2019), the Ramrez, Diaz (2018) study, the Topal (2018) study, the Al-Aridi study (2017), the YOU (2017) study, the Sari (2016) study, and the study Ozturk & Ellimäki (2016); Joshi (2015).

There is a statistically significant impact of applying IFRS 16-lease contracts on solvency ratios (ratio of total debt to total assets, ratio of total long-term debt to equity, ratio of total assets to equity and the ratio of total debt to equity) For a high company, where the average ratio of total debt to total assets for the year 2019 increased by 7 per cent as total assets and total liabilities increased, which led to the increase in the ratio, and the average ratio of total long-term debt to equity increased by 102 per cent as total long-term debt increased Significantly.

Due to the requirements of the standard that impose recognition of those liabilities while the equity is not affected, and the average ratio of total assets to equity by 37% as total assets have increased significantly due to the requirements of the standard that impose recognition of those assets while equity is not affected, and the average ratio of total debt To equity by 46%, as the total debt increased significantly due to the requirements of the standard to impose recognition of those debts while the equity was not affected.

This result is consistent with the results of previous studies such as the study, Veverková, (2019), the study Ramrez & Diaz (2018), the study (2018) Topal, the study (2017), and the study (2017) Díaz, Ramirez, and the study (2017) YOU, Sari, Tas & Ozturk, (2016), Joshi (2015).

There is a statistically significant impact of applying IFRS 16- lease contracts on liquidity ratios (circulation ratio, cash ratio) for a company - high - as the average trading ratio decreased in 2019 by 12 per cent as current liabilities increased due to the requirements of the new standard. That requires recognition of all lease obligations within the budget, and the average cash ratio increased by 22%, as current liabilities increased due to the requirements of the new standard that require recognition of all lease obligations within the budget.

The results of the statistical analysis showed that there is no statistically significant impact to the application of IFRS 16- lease contracts at a significance level of 0.05 on the income statement of Alia Company - Royal Jordanian Airlines Public Shareholding where the results showed no impact on the total expenses after applying the standard. The new standard is because the new standard replaced the rent expense with both the interest expense and the depreciation expense of ownership of usage rights, and there is no effect on the profitability ratios when applying the new standard because the results of the company's business are not affected by the profit or loss as a result of applying this standard, and this is in line with the study Díaz (2017).

The results of the statistical analysis showed that there is no statistically significant impact of applying the standard-16- lease contracts at a level of 0.05 indications of the cash flows from financing and investment activities. As for the cash flows from operating activities, the results showed that there is a statistically significant effect for the application of the standard as the flows increased. Cash from operating activities in 2019 increased by 215%, as the application of the new standard led to the capitalization of the lease contracts and therefore there are no rental expense payments within the operating activities, which led to an increase in operational cash flows and a decrease in financing cash flows. The results of statistical analysis also showed that there is no statistically significant impact of applying IFRS-16- Lease contracts on the total cash flows of Alia - Royal Jordanian Airlines, a public shareholding company, because according to the previous standard IAS17, the lease payments were shown within the operating flows, and under the new standard, the lease payments were classified within the flows of financing activities, With the exception of the interest paid, which can be presented within the operating or financing flows with consistency in the presentation as required by International Accounting Standard No. (7) The statement of cash flows.

CONCLUSIONS

1. The existence of a material impact on the financial statements of Alia Company - Royal Jordanian Airlines, as the balance sheet and cash flows were affected by operating activities and the liquidity and solvency ratios, which will have a significant impact on the users of accounting information and data in making various appropriate decisions.
2. The existence of an important impact on the analysis of financing risks for the Alia company - Royal Jordanian Airlines, which is carried out by the lending parties (banks and financing companies), as these risks increased due to the recognition of lease obligations in the budget for the first time according to the new standard.
3. Alia Company's budget has become - high - that includes important assets and liabilities that were not previously apparent, which enhances the quality of accounting information and shows the results of management leadership in a more equitable manner.
4. The presentation of new assets and liabilities in the balance sheet of a high-tech company has shown its true size, which gives the company more weight when compared to other companies in the region (the region).
5. The issue of capitalizing lease contracts has been the focus of the accounting controversy for many decades, and international professional societies have been unable to capitalize lease contracts unless the International Accounting Standards Board and the American Accounting Standards Board agree, and the chronic shortcomings in the financial statements of companies across the world have proven that there is nothing impossible in theoretical rooting. For accounting information and a dynamic continuous existence in the science of accounting.

RECOMMENDATIONS

Based on the results obtained by the researcher, and based on the previous various studies that the researcher resorted to, we recommend the following:

1. Financial Reporting Standard No. (16) Lease contracts are among the new standards that still need more study and more expansion, especially in different sectors such as industry, insurance and banking.
2. The effect of applying the standard varies according to the size of the establishments and their reliance on leasing their assets or by relying on the policy of purchasing assets and avoiding leasing, and this has been demonstrated by the adoption of many establishments on the method of direct ownership, especially banks, instead of leasing.
3. The necessity to address the Jordan Securities Commission on the importance of increasing companies 'awareness of Financial Reporting Standard No. (16), as the survey showed that many accountants are not fully aware of Financial Reporting Standard No. (16).
4. Addressing the Jordanian Association of Certified Public Accountants in order to circulate to chartered accountants of the importance of this standard with the importance of holding specialized training courses in this standard for accountants.
5. Conducting more detailed studies in order to demonstrate the tax impact and financial impact in light of the new income tax law.

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