Measuring the capitalisation impact of off-balance sheet items under the new IFRS 16-based lease accounting in Hungary

Árpád Tóth
Assistant Lecturer
Széchenyi István University, Hungary
E-mail: totha@sze.hu

This study discusses the application of IFRS (international financial reporting standard) 16 (Leases), effective as of 2019, and its impact on listed entities. The key objective of the relevant changes is to minimise operational lease-related off-balance sheet items, thus increasing IFRS reporting of company liabilities.

Given that about 85% of all global lease contracts are estimated to be operational leases, the impact of these changes cannot be overstated. A visual analogy would be an iceberg where, before the changes, only the top can be seen; and after the changes, more of the iceberg will be revealed.

In 2016, prior to the issuance of IFRS 16, IASB (International Accounting Standard Board), the standard-setting organisation, prepared an effect analysis based on a sample of 1,022 publicly traded companies (among which there were not any Hungarians). The present value of future payments for off-balance sheet leases for these companies amounted to USD 1.6 trillion. We need data to forecast properly the impact of the changes, and the forecasts should be based on a standard and systematic approach; however, no current statistical data collection covers this area.

This study aims to identify a way to collect information. It is found that the required data are already available. This significantly decreases the cost of data collection, helping to prepare forecasts and creating a win-win situation for regulators.

KEYWORDS:
International financial reporting standards.
Lease accounting.
Statistical data collection.

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The new IFRS 16 – that supersedes IAS (International Accounting Standard) 17 (Leases) currently in effect – was first published in 2016 and will be effective from 1st January 2019 as it was already mentioned. A company can choose to apply IFRS prior that date if it also uses IFRS 15 (Revenue from contracts with customers). Multiple publications address IFRS 16 implementation on an international level. For Hungary, only a limited number of studies are available; most of them were published after 2016 by either the 'Big Four' multinational accounting companies (Deloitte, Ernst and Young, KPMG, and PricewaterhouseCoopers) or other interested parties such as the HLA (Hungarian Lease Association). These papers, however, do not include a quantified impact analysis for Hungary's lease market. The international studies (for example, *Bourjade–Huc–Muller-Vibes* [2017], *Briggs et al.* [2017]) project a significant effect of the new lease accounting on the global market, which is an important motivation to quantify and investigate its impact in Hungary, too.

In the following, a short summary of the upcoming changes is presented, emphasising their importance. Although the definition of a lease itself is changing, the key impact is expected to be from the treatment of operational lease transactions from a lessee perspective. This is quite a significant change because, according to IAS 17, these transactions are only presented in the notes and not in the financial position statement. In other words, they are off-balance sheet items, which are not capitalised or presented as a liability.

As a result of capitalising off-balance sheet items, the structure of the lessee balance sheet is expected to be adversely affected in several ways, including the total balance sheet value and the equity debt ratio. Compared to the current reporting standard, indebtedness will appear much worse, which could be important in cases of debt covenants. A reclassification impact within the comprehensive income statement is also expected, but overall, there will be no significant changes on the profit before tax level. Several key performance indicators are changing as well, including financial and statistical metrics that can drive investor decisions, loan agreements, financial plans, budgets, and even management bonuses. For these reasons, all related parties should try to assess these impacts prior to the implementation of the new lease standard.

1. International impact estimations

The international literature covers a wide range of area as *Wheeler–Webb* [2015] and *Barone–Birt–Moya* [2014] provide summaries of the expected impact of lease capitalisation and its effect on profitability and leverage ratios. These studies indicate that a significant impact is expected in terms of profitability ratios. In Japan, where companies were granted an exception to the international standard application for a limited time, *Kusano–Sakuma–Tsunogaya* [2016] concluded that firms with debt contracting incentives were more likely to choose operational leases. A study by *Briggs et al*. [2017] related to variable lease payments and debt covenants, finds that some companies may gradually shift toward variable payments to reduce the amount of liability on the balance sheet. *Hunt* (2017) reviews the use of the standard in the relationship between managers and tenants, its use in reducing off-balance sheet accounting, and the practice issues of the generally accepted accounting principles. *Gross–Huston–Huston* [2014] describe how changes in accounting standards may have a significant, indirect economic effect on companies as these changes can trigger debt covenant violations, restrict access to capital, and distort key financial information used by investors and lenders. According to the IASB effect analysis (*IASB* [2016]), the most impacted industry is airline business. This conclusion is confirmed by the fact that the highest number of academic studies are available for this specific industry. *Öztürk–Sercemeli* [2016] focus on the differences between IFRS 16 and IAS 17 and evaluate the effect of reporting all lease transactions, such as finance leases, on the airline industry in terms of liquidity and financial structure. *Vuk* [2017] reviews specifically the cars as company's assets. *Beatty–Liao–Weber* [2010] analyse the lease-versus-buy decisions, *Barker* [2010] highlights the operating-financing distinction in financial reporting, and *Collins–Pasewark–Riley* [2012] wrote about the financial reporting outcomes under rules-based and principles-based accounting standards. *Fornaro–Buttermilch* [2006] support the increased clarity in accounting for operating leases. *Imhoff–Lipe–Wright* [1993] developed a method to measure the effects of recognition vs. disclosure. *Eisfeldt–Rampini* [2009] analyse leasing ability to repossess debt capacity and *Cornaggia–Franzen–Simin* [2013] highlight the impact of bringing leased assets onto the balance sheet. *Zechman* [2010] built a relation between voluntary disclosure and financial reporting. *Akbulut* [2017] reviews the changes in operating leases for lessees as required by IFRS 16. All of the former studies confirm that the new lease standard has significant impacts on financial statements. *Karwowski* [2016] analyses the risk in using the impact measurement method for airliners and identifies an important factor, that the carriers' accounting policies can show material differences, which may significantly influence profitability.

From the available international effect analyses, this study relies on the one prepared by IASB on standard setting (*IASB* [2016]), which employs a significant global sample based on published financial statements. After a long standard setting procedure, the IASB issued its detailed impact analysis together with IFRS 16 in January 2016. In this significant work, a sample of 1,022 listed companies across the globe is examined. It is both a qualitative and quantitative study on the likely effects of the new lease accounting requirements. For the sample, the expected impact was estimated to be almost USD 2.2 trillion of off-balance sheet lease commitments that will need to be capitalised on the lessee side after the implementation of the new standard.

In order to gain a better understanding of how financial statements will be affected by IFRS 16 application, see Tables 1 and 2. Due to the nature of the changes, the biggest impact is expected on the capitalisation of assets and liabilities as operational leases.

Table 1

Expected impact of IFRS 16 on the statement of financial position

Denomination	IAS 17/Topic 840		IFRS 16/FASB model
	Finance leases	Operating leases	All leases
Assets		---	
Liabilities	$$	---	
Off-balance sheet rights/obligations	---		---

Note. Here and hereinafter, IAS: International Accounting Standard; IFRS: international financial reporting standard; FASB: Financial Accounting Standards Board, the GAAP standard setting body of the United States. In a joint project with the IASB, FASB has issued Topic 840 and its modified version (Topic 842) for lease regulation. From 2019, instead of Topic 840, Topic 842 will come into force.

Source: *IASB* [2016].

Table 1 shows that off-balance sheet items under the current IAS 17 are going to be presented on both the asset side, as a right to use the asset, as well as the liabilities side, as an obligation from the operational lease contract.

The IASB has observed over 14,000 listed companies (of about the approximately 30,000 listed companies that are IFRS based) and collected the disclosed information on leases from their latest available annual reports. The future payments for

off-balance sheet leases for those 14,000 listed companies in 2016 totalled USD 2.86 trillion (on an undiscounted basis), the present value of which is estimated to be USD 2.18 trillion. Further analysis of off-balance sheet leases for the approximately 30,000 IFRS-based listed companies has revealed that 1,145 among them (i.e. 3.8 percent) account for over 80 percent of the present value of the total off-balance sheet leases (i.e. USD 1.83 trillion of a total of USD 2.18 trillion). These companies each have estimated off-balance sheet leases of more than USD 300 million, calculated on a discounted basis (*IASB* [2016]).

Table 2

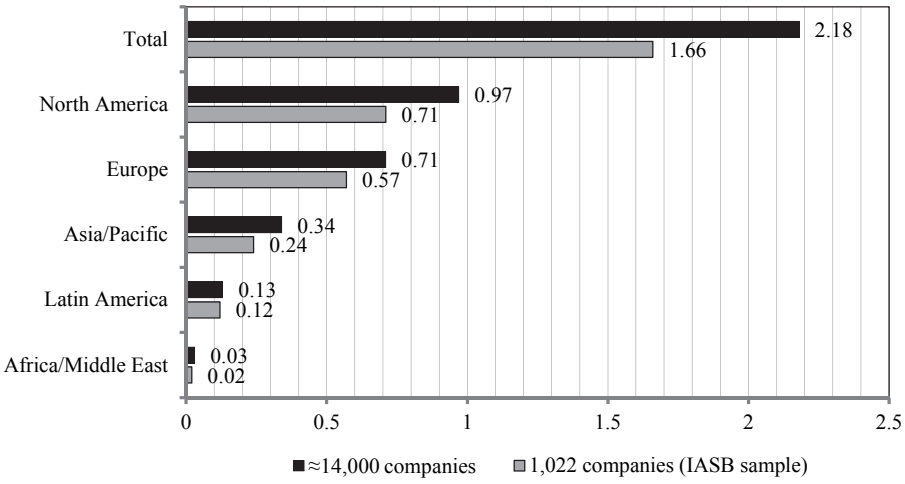
Expected impact of IFRS 16 on income statements

Denomination	IAS 17/Topic 840/FASB model		IFRS 16
	Finance leases	Operating leases	All leases
Revenue	x	x	x
Operating costs (excluding depreciation and amortisation)	---	Single expense	---
EBITDA			⇧⇧
Depreciation and amortisation	Depreciation	---	Depreciation
Operating profit			⇧
Finance costs	Interest	---	Interest
Profit before tax			⇔

Note. EBITDA: earnings before interest, taxes, depreciation, and amortisation.
Source: *IASB* [2016].

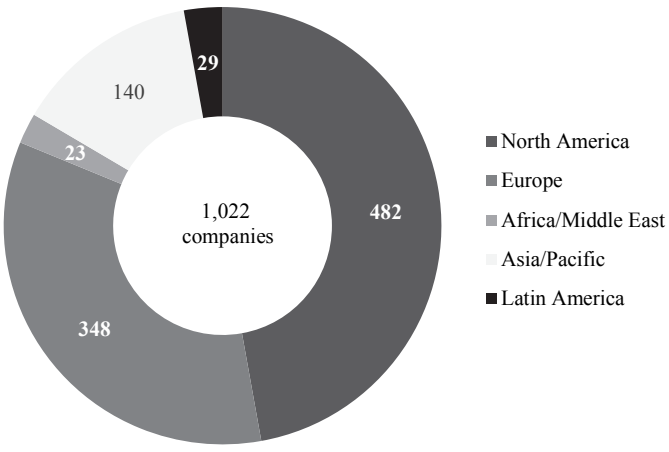
The IASB has used the sample of the formerly mentioned 1,145 companies as a starting point for further analysis. However, they excluded 123 banks and insurance companies from the sample because of the disproportionate size of their respective balance sheets compared with other companies, resulting in a sample of 1,022 companies. The present value of future payments for off-balance sheet leases for those 1,022 companies amounted to USD 1.66 trillion in 2016 – this represents 76 percent of the total off-balance sheet leases for the 14,000 listed companies (USD 2.18 trillion on a discounted basis). The off-balance sheet leases compared with the total assets of the 1,022 companies are presented by industry sector and descending ratios of the IFRS 16 impact in Table 3.

Figure 1. Ratio of off-balance sheet leases of companies by region, 2016
(trillion USD in discounted value)



Source: *IASB* [2016].

Figure 2. Number of companies with the most significant off-balance sheet leases in the IASB sample, by region, 2016



Source: *IASB* [2016].

Table 3

Expected impact of IFRS 16, by industry sector, 2016

Industry sector	Number of companies	Total assets (million USD)	Future payments for off-balance sheet leases (undiscounted) (million USD)	Future payments for off-balance sheet leases (estimate)/total assets (%)	Present value of future payments for off-balance sheet leases (estimate) (million USD)	Present value of future payments for off-balance sheet leases/total assets (%)
Airlines	50	526,763	151,549	28.8	119,384	22.7
Retailers	204	2,019,958	571,812	28.3	431,473	21.4
Travel and leisure	69	403,524	115,300	28.6	83,491	20.7
Transportation	51	585,964	90,598	15.5	68,175	11.6
Telecommunications	56	2,847,063	219,178	7.7	172,644	6.1
Energy	99	5,192,938	400,198	7.7	287,858	5.5
Media	48	1,020,317	71,743	7.0	55,764	5.5
Distributors	26	581,503	31,410	5.4	25,092	4.3
Information technology	58	1,911,316	69,870	3.7	56,806	3.0
Healthcare	55	1,894,933	72,149	3.8	54,365	2.9
Other	306	13,959,223	401,703	2.9	306,735	2.2
Total	*1,022*	*30,943,502*	*2,195,510*	7.1	*1,661,787*	5.4

Source: *IASB* [2016].

From Table 3, it is apparent that the most impacted industry sector is ‘Airlines’. This industry sector had an expected average impact of 28.8% (discounted value: 22.7%) in 2016 compared to the total balance sheet value, while for retailers, travel and leisure, and transportation the average impact was 28.3%, 28.6%, and 15.5% (discounted value: 21.4%, 20.7%, and 11.6%), respectively.

In addition to the average impact of IFRS 16, its dispersion is also an important factor to measure. According to Table 4, for instance, for 28% of the airliners in the sample (14 out of 50 companies), the estimated present value of future payments for off-balance sheet leases to total assets is greater than 50% for 2016, as compared with the 22.7% average for all companies in that sector. Nonetheless, for 27% of the distributor companies in the sample (7 out of 26 companies), the same figure is lower than 5%, as compared to 4.3% for all companies in the sample in that sector.

Table 4

Dispersion of the average IFRS 16 impact in the analysed IASB sample, by industry sector, 2016

Industry sector	Average (%)	Present value of future payments for off-balance sheet leases/total assets															
		<1.00%		1.00–4.99%		5.00–9.99%		10.00–19.99%		20.00–49.99%		50.00–100.00%		>100.00%		*Total*	
		Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	*Number*	*Percentage*
		of companies															
Airlines	22.7	–		2	4	4	8	13	26	17	34	8	16	6	12	*50*	*100*
Retailers	21.4	–		6	3	11	5	37	18	77	38	60	30	13	6	*204*	*100*
Travel and leisure	20.7	–		5	7	11	16	11	16	16	23	15	22	11	16	*69*	*100*
Transportation	11.6	–		10	20	5	10	17	33	14	27	3	6	2	4	*51*	*100*
Telecommunications	6.1	3	5	21	38	17	30	10	18	5	9	–		–		*56*	*100*
Energy	5.5	7	7	43	44	22	22	16	16	8	8	2	2	1	1	*99*	*100*
Media	5.5	–		14	29	13	27	8	17	5	10	8	17	–		*48*	*100*
Distributors	4.3	1	4	6	23	9	35	5	19	5	19	–		–		*26*	*100*
Information technology	3	3	5	31	54	10	17	8	14	6	10	–		–		*58*	*100*
Healthcare	2.9	8	15	20	36	7	13	4	7	10	18	2	4	4	7	*55*	*100*
Other	2.2	35	11	159	52	51	17	26	9	29	9	4	1	2	1	*306*	*100*
Total	5.4	*57*	5	*317*	31	*160*	16	*155*	15	*192*	19	*102*	10	*39*	4	*1,022*	*100*

Note. Here and hereinafter, deviations from 100% result from rounding.
Source: *IASB* [2016].

It is not enough to review the expected impacts only on a global level, we should also take a closer look at the European companies exposed to the new regulation. Out of the sample in 2016, there were 348 Europe-based companies whose estimated off-balance sheet leases amounted to USD 0.71 trillion (undiscounted value). It is important to note that the application of IFRS 16 mainly affects businesses in industry sectors such as airlines, transportation, travel and leisure, retail, and telecommunications, since, for example, transportation vehicles (including airplanes, ships, trains, or cars) are usually used leased in these industries. Prior to further analysis, it is also necessary to clarify the obligatory impact on the listed companies within the EU (European Union).

2. Financial reporting requirements for companies listed in the EU

Starting in 2005, EU-listed entities (companies that are accepted by the EU) have been required to apply IFRS as their reporting framework. There is a body called EFRAG (European Financial Reporting Advisory Group) whose primary duties are to provide expert advice to the European Commission and to publish and report on the status of the formal IFRS acceptance procedure. According to the latest EFRAG report, IFRS 16 was endorsed by the EFRAG body as of 31st October 2017, and it was officially accepted by the European Commission and presented to the public on 9th November, 2017 (*Official Journal of the European Union* [2017]). Based on the regulation, all EU-listed companies shall apply IFRS 16 at the latest from 1st January 2019.

Even before 2019, it is/was possible to conduct an impact analysis and collect information on the off-balance sheet lease obligations from the financial statements of EU-listed companies. IAS 17, the standard currently in force, requires the publishing of information that can be used for an ex ante impact assessment for both accounting and statistical purposes. The financial information, however, provides only a 'snapshot' of the financial position of a company at the end of the fiscal year, which might change at a later point in time.

IAS 17 (IAS 17.35) requires that lessees disclose the following information for operating leases in separate sub-sections of their financial statements:

> *1*. the total of future minimum lease payments under non-cancellable operating leases for each of the following periods: *a*) not later than one year; *b*) later than one year and not later than five years; *c*) later than five years;

2. the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period;

3. lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;

4. a general description of the lessees' significant leasing arrangements including, but not limited to the following: *a*) the basis on which contingent rent payable is determined; *b*) the existence and terms of renewal or purchase options and escalation clauses; and *c*) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

By using these requirements from financial statements, it is possible to obtain the necessary data to measure the capitalisation impact of off-balance sheet operational leases.

3. Listed companies on the Budapest Stock Exchange

Hungarian companies registered on any EU stock exchange have been obliged to apply the IFRS standards since 2005; owing to this obligation, they should file IFRS statutory reports. There are 57 listed companies, as of June 2018, on BSE (Budapest Stock Exchange). The average turnover of their sales is shown by Table 5 by equity category. According to the figures, the Prime Market instruments (premium shares) represent 93.10% of the total average turnover of sales on the BSE stock market.

Table 5

Average turnover of sales on the BSE stock market, 2018

Equity category	Average turnover (HUF/day)	Percentage in the total average turnover	Number of listed companies
Prime Market equities	11,468,941,887	93.10	16
Standard Market equities	242,027,976	1.96	13
T Market equities	607,369,234	4.93	28
Total	*12,318,339,097*	*100.00*	*57*

Note. Here and in the following table, BSE – Budapest Stock Exchange.
Source: Budapest Stock Exchange (www.Bet.Hu).

Prime Market equities include all the most-traded stocks. This study should focus on them since, from an investor or regulatory perspective, disclosures by these companies are the most important for obtaining quality information. Table 6 contains details of the operational leases reported at the end of the fiscal years 2016 and 2017, which should be capitalised after 2019 in the statement of financial position.

Table 6

IAS 17-based disclosure of companies listed on BSE

Company name	Estimated impact (2016)	Estimated impact (2017)	Total equity value (2017)	Total assets value (2017)
	(million HUF)			
MOL Hungarian Oil and Gas Plc.	91,200	31,600	2,055,771	4,231,700
Magyar Telekom Telecommunication Plc.	44,082	40,917	547,195	1,109,661
Gedeon Richter Plc.	17,100	15,500	664,019	760,865
ANY Security Printing Company	n. d.	57	7,374	15,374
Appeninn Holding Asset Management Plc.*	n. d.	n. d.	9,982	22,494
CIG Pannonia Life Insurance Plc.	n. d.	208	9,015	105,629
Duna House Holding Plc.	n. d.	n. d.	4,531	9,456
Graphisoft Park SE*	n. d.	n. d.	8,076	32,227
Konzum Investment and Asset Management Plc.	n. d.	n. d.	40,848	66,400
Masterplast Plc.*	n. d.	n. d.	8,181	21,312
OPUS GLOBAL Plc.	n. d.	n. d.	14,981	48,071
OTP Bank Plc.**	n. d. **	n. d. **	1,640,055	13,190,228
PannErgy Plc.	75	45	9,024	25,023
Rába Automotive Holding Plc.	268	274	19,978	36,438
Waberer's International Plc.*	n. d.	n. d.	54,423	211,316
Zwack Unicum Plc.	n. d.	n. d.	6,736	10,049
Total	*152,725*	*88,393*	*5,083,002*	*19,886,787*

* Companies whose financial reports were issued in a non-HUF currency. For balance sheet items, the year-end Hungarian National Bank rates were used: HUF/EUR 311.02 in 2016; HUF/EUR 310.14 in 2017.

** The consolidated reports of the OTP Bank Plc. that is a financial institution are not comparable to those of the non-financial entities. The former ones include several lease entities with complex financial transactions.

Note. n. d. – the estimated impact figures of the operational lease transactions were not presented in the companies' notes (the impact did not represent a significant amount for the balance sheet).

Source: IFRS financial statements of BSE-listed companies.

Among the 16 companies listed on BSE Prime Market, the number of those that reported quantifiable lease liabilities is increasing: there were five in 2016 and seven in 2017. The remaining nine companies were not disclosing such details in the notes, which indicates that they do not have significant items to be reported. Out of these companies, there is one exception, OTP Bank Plc., which should be separated because this company has already reported that the expected impact of the lease standard implementation will be significant for them, but at the point of the financial statement preparation they were not be able to quantify it.

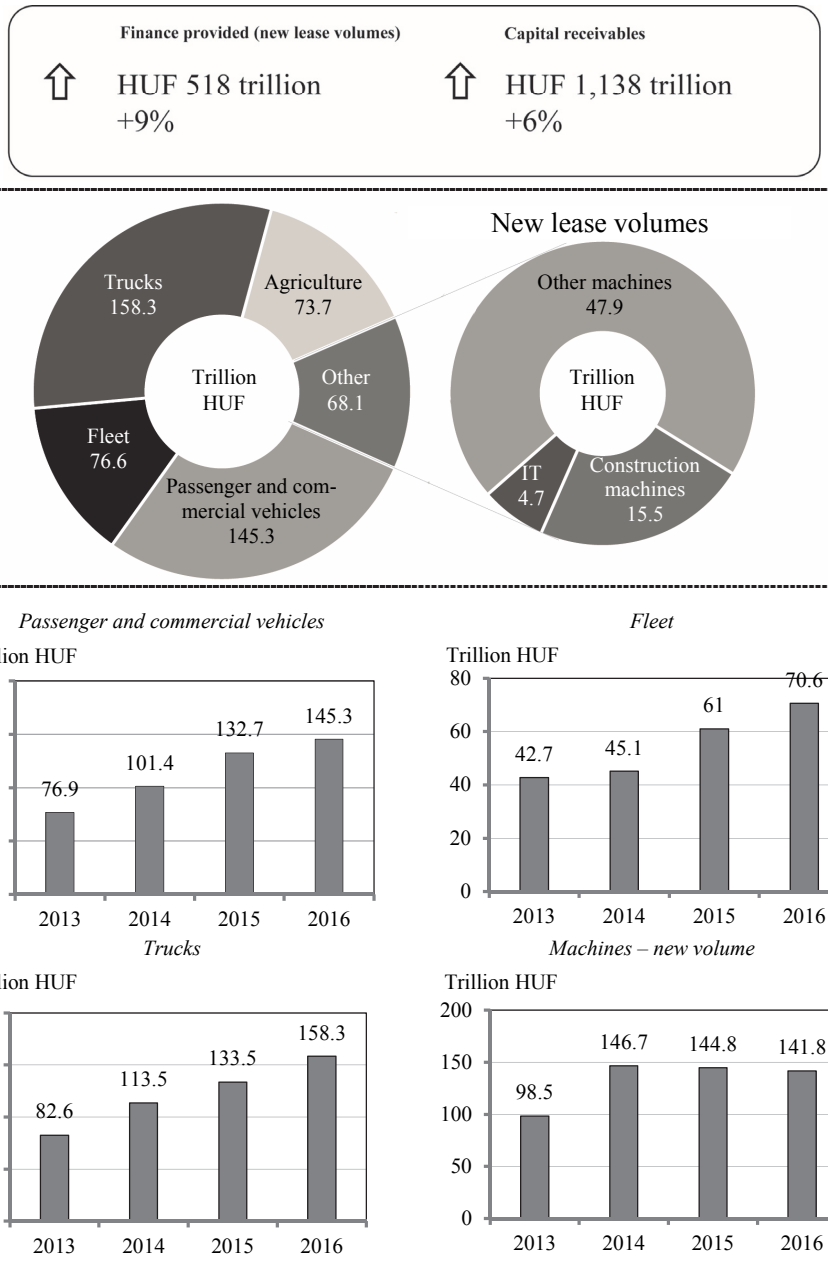
Out of the 16 companies listed on the BSE Prime Market, seven reported HUF 88.3 trillion as off-balance operational lease transactions in 2017, and five disclosed HUF 152.7 trillion in 2016. The percentages of these amounts in total lease transactions are lower than those that are given in the IASB effect analysis. (See Table 6.) However, compared to the total lease market of Hungary (HUF 1,138 trillion), they still represented a significant value (13.42%) in 2016. In 2017, the expected impacts compared to the increasing market of HUF 1,368 trillion represented a decreased estimated impact of 6.45%. It should also be mentioned that off-balance sheet operation lease items can be as per nature various. For instance, in the case of MOL Hungarian Oil and Gas Plc., they are mainly assets leased in foreign countries, while for Magyar Telekom Telecommunications Plc., they are primarily domestic leased properties.

4. The Hungarian lease market

Although off-balance sheet items might not seem material on a company level, in order to analyse properly their potential impact, their value should be compared to that of the total Hungarian lease transactions. For this purpose, market data were obtained from the HLA (Hungarian Lease Association) which is a non-profit organisation that collects data from lessor companies operating in Hungary. The association publishes less detailed quarterly and thorough annual analyses and presentations. The breakdown of data needs time, thus the publication of the comprehensive HLA analyses and presentations entail a certain time lag. The 2018 HLA reports are thus not as detailed as the ones from 2016 or 2017. Here only the key figures are presented.

Figure 3 shows the 2016 Hungarian lease market data in a way that is comparable with the financial statements of companies listed on the Prime Market of BSE. At the end of 2016, the total financed value (new lease volumes) reached HUF 518 trillion and the total capital receivables from a lessor perspective was HUF 1,138 trillion.

Figure 3. Overview of the Hungarian lease market, 2016



Note. The Hungarian National Bank's Funding for Growth Scheme gave 17% of the HUF 518 trillion finance provided in 2016.

Source: Hungarian Lease Association (www.lizingszovetseg.hu).

In the first half of the next record year, 2017, the reported total additional financed value was HUF 279.4 trillion which represented a +19% increase compared to the previous year's figure. The total capital receivables for both 2017 and Q1 2018 reached HUF 1,300 trillion.

5. Statistical IFRS measurement for listed companies

In May 2018, a study was published (in Hungarian) in the *Statisztikai Szemle* journal, which describes the background of the current statistical questionnaire system in Hungary and compares IFRS and statistical reporting (*Madarasiné Szirmai–Szöllősiné Szép* [2018]). It is a great summary and a good starting point for further research and statistical reporting for IFRS-based accounting. The paper analyses Act No. CLXXVIII/2015 (hereinafter IFRS Act) of Hungary, specifically the application of IFRS for individual financial statements that goes beyond the listed companies reviewed in this study. One of the authors' key findings is that the IFRS Act contains no guidance for macro-level statistical tasks. Since the lack of harmonisation between the national macro-statistical and financial ratios could lead to incorrect results and conclusions from a regulatory perspective, they conclude that the questionnaires of the Hungarian Central Statistical Office need to be modified.

Madarasiné Szirmai–Szöllősiné Szép [2018] do not only summarise their findings, but also raise several guiding questions, which can bring us closer to a resolution for the situation. By answering these questions, proper conclusions can be drawn about the specific area of leases, from the aspect of statistical data collection.

Out of the five guiding questions raised by the authors on the IFRS-based data source of statistics, two are general. The first is related to the difference between the IFRS framework and the Hungarian accounting regulations, which is not relevant for this matter because in the present study only the IFRS regulation is compared to the statistical data collection. The second question is associated with the revision of statistical indicators, but it does not have connection with the matter at hand either as no statistical indicators are available for this specific area at the moment.

The remaining three guiding questions are specific, and they can provide answers on the present topic:

– Do or will the statistical time series remain free of significant fractures?

According to IFRS 16, certain potential fractures are expected in the financial and statistical time series as a result of the capitalisation of operational lease transactions in balance sheets.

– Can the application of IFRS 16 have a macro-level impact?

According to estimates, the impact of the IFRS 16 application was HUF 88 trillion in 2017 (HUF 152 trillion in 2016), which should be considered as significant at the macro level since the Hungarian lease market is approximately HUF 1,300 trillion.

– How should the statistical reporting requirements be met without additional reporting burdens on companies?

As is shown by the IFRS 16 effect analysis (*IFRS* [2016]), application of IAS 17 in force has already created statistical data needs. Thus, the necessary data required by IFRS 16 should be available with reasonable resources.

6. Conclusions

The definition and key objective of accounting and statistical information is to provide relevant and meaningful support for economic decisions. The lack of appropriate and significant information conflicts with the IFRS framework.

The introduction of the measurement of off-balance sheet lease items enables the building of such a database that does not only measure a one-time impact, but it can also present a significant business process from the lease market perspective. The number of companies that quantify their off-balance sheet operational lease transactions are increasing from year to year in Hungary. (See Table 6.) Nevertheless, the total impact of the capitalisation of such lease items on the lease market decreased from an estimated HUF 152 trillion in 2016 to HUF 88 trillion in 2017 (though the latter is still a fairly large amount). Based on the database of operational lease transactions and the statistical measurement of their value, some important questions can be raised (that have not been considered by decision makers yet): e.g., 'What is behind the significantly decreasing estimated impact of off-balance sheet lease items?' 'What could be the influence of the changes on business decisions from a financial statement preparer's perspective?' 'Are impact estimates decreasing because companies will have a more precise and better estimation procedure by the time the new lease accounting is nearing implementation?'

Application of IFRS 16 is expected to affect significantly the lease market. It should be considered when deciding what information on operational leases to be collected in statistical questionnaires to identify the potential impact of the new lease standard from 2019. IAS 17 requires disclosing the material off-balance sheet items – including off-balance sheet lease liabilities – in the notes; this information is available at the listed companies and it can serve as a starting point to measure the off-balance sheet liabilities capitalisation impact in the statement of the financial position.

In terms of statistical data collection methodology, the new operational lease requirements should be considered when compiling statistical questionnaires to provide timely information to regulators, decision makers, and the lease market itself. Generating this information would not result in significant costs because disclosure of relevant data is already required by the IFRS standards.

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