IMPACT OF IFRS-16 LEASE STANDARD ON FINANCIAL STATEMENTS OF TRANSPORTATION AND STORAGE COMPANIES: EVIDENCE FROM BIST

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PLAGIARISM

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

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ÖZET

Uluslararası Finansal Raporlama Standartları (UFRS), finansal raporlari tutarlı ve karşılaştırılabilir hale getirmek için dünyanın dört bir yanındaki şirketler tarafından uygulanmaktadır. Yeni yürürlüğe giren uluslararası finansal raporlama standardı (IFRS-16, "Kiralamalar"), Uluslararası Muhasebe Standardı 17 (UMS 17) kapsamında faaliyet kiralamalarından kaynaklanan bazı eski bilanço dışı varlık ve yükümlülüklerin muhasebeleştirilmesini gerektirmektedir.

Bu araştırmanın amacı, finansal tablolari ve oranlari kullanarak ocak 2019'da yürürlüğe giren yeni finansal kiralama standardı UFRS-16'nın finansal tabloları nasıl etkilediğini araştırmayi amaçlamaktadır. IASB'nın etki analizinde en çok etkilenecek sektörlerden biri olarak tanımlanan ulaştırma ve depolama sektörü bu kapsamda incelenmiştir. Bu çalışma, 2020 yılı itibari ile BİST'te (Borsa İstanbul) işlem gören ulaştırma ve depolama sektöründe yer alan firmaları kapsamaktadır.

Anahtar kelimeler: IFRS 16, IAS 17, Finansal Oranlar, Finansal Kiralama, Operasyonel kiralama, Ulaştırma ve Depolama sektörü, BIST

ABSTRACT

The International Financial Reporting Standards (IFRS) have been implemented by firms around the globe to make financial information internationally consistent and comparable. The newly established international financial reporting standard (IFRS-16, "Leases") requires recognition of certain old off-balance-sheet assets and liabilities resulting from operating leases under the International Accounting Standard 17 (IAS 17).

The objective of this research aims to employ financial statement items and ratios to investigate how the new leasing standard IFRS-16 affected financial statements following its first implementation in January 2019. The transportation and storage sector, which the IASB's impact analysis identifies as one of the industries that would be impacted the most has been looked into in this context. This study covers firms included in the transportation and storage sector that are traded in BIST (Borsa İstanbul) as of 2020.

Keywords: IFRS 16, IAS 17, Operating lease, Financial lease, Financial Ratios, Transportation and Storage Sector, BIST

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LIST OF ABBREVIATION

BIST	Borsa İstanbul
CPA	Certified public accounting
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
KAP	Public Disclosure Platform
POA	Public Oversight Accounting and Auditing Standards Authority
ROU	Right of Use
SEC	American Securities and Exchange Commission
TAS	Turkish Accounting Standards
TURMOB	Union of Chambers of Certified Public Accountants of Turkey
TFRS	Turkish Financial Reporting Standard
VAT	Value Added Tax

1. INTRODUCTION

Leases are classified as either financial as well as operational. All risk and revenue are passed towards the lessee in financial leasing, meanwhile, the risk and return maintain with the lessor in operating leasing. As a result, IAS 17 Leasing Transactions Standard stated that assets and liabilities connected to financial leasing transactions should be accounted for in financial statements, however operating lease transactions ought not to be demonstrated in the financial statements (Gökgöz, 2019, p.320). Furthermore, because operational leasing contracts are not reported in the financial statements, consumers frequently are unable to obtain comprehensive and accurate accounting records (ISMMMO, 2019, p. 20). The overarching function of IFRS / IAS (International Financial Reporting Standards /International Accounting Standards) seems to be to improve the accuracy and consistency and quality of financial information, while also attempting to present accurate information to shareholders, creditors, and other users in order for them to make sound economic judgments (KGK, 2018, p. 5). The IASB (International Accounting Standards Board) carried out research in 2015 to assess the influence of operating lease contracts on the financial statements of 30,000 companies, and it has been obtained that now the total liability of 2.86 trillion dollars associated here to an operating lease wasn't really recognized in the financial statements. Similar fashion, the SEC (American Securities and Exchange Commission) assessed in 2005 that the obligations for operating leases that have not been represented in the financial statements of American business corporations were 1.25 trillion dollars (Magli, et al., 2018, p. 77). Operating leases can indeed be a considerable amount, and the truth of the matter is that these obligations are not reflected in the financial statements allowing the firms' liabilities to be incorrectly analyzed for investors. Furthermore, significant assets that may produce revenue for renters are not documented in the financial statements (Gökgöz, 2019, p. 320; ISMMMO, 2019, p. 23).

Following criticism among corporations, particularly airlines, transportation corporations, chain stores, and service-intensive organizations, the IASB launched an initiative to address weaknesses in the IAS 17 Standard and consider replacing it with the IFRS 16 Leasing Standard. The new standard went into effect in January 2019. (ISMMMO, 2019, p.20). Accordingly, on January 1, 2019, the IAS 17 Leases Standard was replaced by the

IFRS 16 standard (Gökgöz, 2019, p. 320). Irrespective of whether a lease is a financial or operating lease, according to IFRS 16 Leases Standard, financial leasing agreements must be disclosed in the lessee's financial statements. In conformity with the newly in-use standard, the right-to-use will be accounted for in the company's current financial statement as an asset itself, while liabilities resulting from the right-to-use will be reported in the financial statement as lease credit (Diaz and Ramirez, 2018, p. 106; ISMMMO, 2019, p. 23). This inclusion of operating leasing transactions as new assets and liabilities in the financial statements under IFRS 16 is anticipated to result in significant financial disparities (Diaz and Ramirez, 2018, p. 106). In particular, customers who commonly use financial leasing as a financing strategy may find the information about the potential financial effects of the new standard to be helpful.

The objective of this research aims to employ financial statement items and indicators to investigate how leasing transactions affect financial statements following the implementation of IFRS 16. The transportation and storage industry, which the IASB's impact analysis identifies as one of the industries that would be most financially impacted, has been looked into in this context. This study covered firms from the transportation and storage industry that are traded in BIST (Borsa İstanbul)

This study consists of 3 parts; In the first part of this study, the concept, classification, and historical development of financial leasing will be explained. In the second chapter, the changes brought by the International Financial Reporting Standard 16, Leases Standard and how the changes can affect the accounting policies and financial statements of the enterprises will be discussed. In the third part, the application of the new IFRS 16 regarding the accounting of lease transactions and the effect of the changes on the financial statements of the transportation and storage companies that are traded in BİST will be given.

2. LEASES

2.1. Concept Of Lease

Corporations require various types of resources for the production of services and goods. Businesses can obtain these resources they require for the production of goods and services in different ways. These are, the availability of direct purchase, loan and/or lease. It is can be observed that there is a vast majority of today's companies opting leasing to purchasing.

Leasing is a financing mechanism used by enterprises to cut capital expenses and borrow more (Öztürk, 2016: 2). Specifically, it is preferable to lease rather than buy expensive machinery, equipment, aircraft, buildings, and operational equipment that demand substantial investment.

Following the slowdown encountered by the U.S. economy in the 1930s, leasing has emerged as a new alternative and a new source of funding for businesses that would like to invest but have limited equity and credit prospects. Today, the system is effectively applied in the United States, Europe, and a number of Far Eastern nations, with leasing corporations accounting for most of overall investments in developing economies (Akgüç, 2013).

The broadest definition of leasing is the temporary transfer of the right of a use or asset to another in exchange for payment. Leasing is the use of a property acquired, produced, or otherwise obtained by the lessor to the lessee for a certain length of time and at a specified price under the terms of the agreement between the lessor and the lessee.

While the lessor retains ownership of the asset in a lease transaction, the lessee acquires the right to use that asset for the duration stipulated in the contract (Suiçmez, 2017). "Leases should really be considered as a specific type of debt financing," according to a financial point of view because the cornerstone of leasing is the borrowing of an economic item other than money, and the lessee is bound by the lease contract" (Akgüç, 2013).

The International Finance Corporation defines Leasing as “Leasing is a mechanism of acquiring financial resources, one of the parties makes the other party use an asset for a

specified amount of time and in return for certain payments. Leasing income is based on the acquiring of an item through utilizing it rather than owning it." (Toroslu, 1998).

There are numerous assets that might be leased, and leasing arrangements always include at least two parties. The term "lease" can refer to a variety of transactions. While leases are contracts that pass the right of use of a leased asset to the lessee for a determined period of time, leases also include arrangements that assure the transmission of the right of use of a long-term leased asset to the lessee (Ulga, 2015).

2.2. History of Leasing

"Financial leasing," which is really a vital source of financing for numerous capital goods and has expanded dramatically in the previous 20-25 years, has a long and successful history.

It is generally acknowledged that the theory presented by Adam Smith at the end of the 18th century, that the source of capital accumulation is not ownership of the means of production, but utilization of the factors of production, formed the foundation of leasing activity (Korkmaz, 2001. 54).

The history of leasing goes all the way back to the Sumerians about 2000 BC. Agricultural equipment and hand tools had been leased as operating leases by the Sumerians. Detailed policies separating between financial leasing and operating leases first emerged during the reign of Roman Emperor Justinian (Tom, 1985.55).

During the Middle Ages, financial leasing of real estate was widespread in Europe. In the 1840s, railway vehicles were rented as the earliest example of equipment leasing in England. (Tom, 1985.56).

The Birmingham Wagon Company, as world's earliest leasing company, was founded in 1855 and immediately began its operations by leasing railway carriages for five to eight years in order to transport various raw materials and minerals (Tom, 1980.56).

Leasing in subsequent years, particularly during World War II. has established significance as a medium and long-term financing method in the purchasing of equipment during and after World War II. During World War II. the Americans' plan to lease war materials to the

Russians instead of selling them to the Russians provided "brilliant new ideas" for the post-war period. The postwar economic expansion, as well as the massive investments necessary, drove the quickly emerging technology and finance market to look for new and alternative methods hence leasing transactions have grown increasingly crucial as the short-term preferences of banks are included in this overall table (Ihsan,2018).

The terminology financial leasing first appeared in the literature in 1877, when the Bell Telephone Company in the United States began leasing telephones to its clients by exploiting its monopoly position (Şoğur,1989). The leasing approach of financing investments is being used for the first time in the 1930s in the United States to overcome financial hardships caused by the economic crisis. During World War II, the Americans' approach of leasing rather than selling military supplies to the Russians demonstrated a valuable source of finance for the substantial investment brought about by the postwar economic recovery (Şoğur,1989).

Leasing procedures as we know them now in the modern times originated in the 1950s. In San Francisco, USA, one of the world's largest leasing corporations, 'United States Leasing International Inc.,' was founded in 1952. Following that day, leasing transactions grew rapidly in the United States and subsequently extended to European countries. The explanation of why there is a prominence of financial leasing activities in advanced economies initially is attributed to the fact that these countries have greater marketing and capital resources. (Erol, 2011)

The manufacturing and transportation sectors in England significantly increased throughout the industrial revolution, and the financial leasing business grew and progressed in pace. In terms of leasing, the first registered leasing firm in the world was created in the United Kingdom. As explained previously, the Birmingham Wagon Company leases the trains it manufactures through financial leasing (Toroslu, 1998). subsequently, In the 1960s, The Mercantile Leasing Company was formed as a financial leasing company. The taxation of financial leasing came to the fore in the 1980s, much as it did in the United States, with the passage of the Finance Act. According to the Finance Act, the lessee may deduct the fee charged from the term income. As a consequence, the financial leasing market has boomed and grown dramatically (Erol et al., 2011). The United Kingdom has

become one of the countries with the highest use of international financial leasing in the world. Moreover, institutions that are divisions of banks operating in the country were incorporated, with financial leasing as their primary operation (Ergül et al.,2003).

Construction equipment were leased for about the first time in Germany in the 1890s, while information processing systems were leased for the first time in the 1900s. The first leasing firm in Germany, "Deutsche Leasing GmbH," was incorporated in Düsseldorf in 1962 by an American-German collaboration. Thus, the emergence of leasing in European Countries aligns with the start of the 1960s. Leasing's emergence as a beneficial solution encouraged professional financial leasing businesses to take action, and banks soon appeared to take an interest in leasing. During this time, because banks were more skilled and experienced in this subject, and their capital potential was greater, German banks began to conduct out leasing activities through partnerships or independent divisions created by the banks directly.

The merger of the two leasing organizations at the end of 2001 can be regarded a significant milestone for the industry, with a new job prospect of 47 billion Euros in 2004. The merger of the Bundesverband Deutscher Leasing-Unternehmen and the Bundesverband Deutscher Leasing-Gesellschaften resulted in 86 percent market share. Until 1993, leasing firms in Germany were not regarded as credit institutions and were not subject to banking regulations. In the consolidation of the banks' subsidiaries, only the leasing firms owned by the banks were indirectly subject to banking supervision, whereas all of the other leasing firms were not heavily regulated and not regarded as credit institution (Karişman, 2005 p.5).

Financial leasing activities, which were established in the 1960s, were not as compelling in France as they were in Germany and England. The requirements for organizations associated with financial leasing operations to be founded exclusively for this objective, as well as the notion that banks typically provide low-interest loans, prompted the financial leasing market to be unpopular in France (Köteli, 1991).

Since the 1980s, initiatives have been undertaken in Turkey to strengthen and diversify financial markets in order to preserve the country's economy from inflationary pressures and to boost the development and depth of capital markets (Toraman, 2000: 30). In this

environment, leasing first began to surface in Turkey with the "Decree on the Establishment of Private Finance Institutions," which was published in the Official Gazette on December 19, 1983 numbered 18256. The legal basis of financial leasing was formed by the Financial Leasing Law dated 10.06.1985 and numbered 3226, which was later published (Tuglu and Atila, 2005: 37). The first leasing company was launched in Turkey in 1986, and the proportion of leasing in investments has escalated ever since (Ernst & Young, 2014).

In the 2000s, a significant step forward was achieved in the subject of financial leasing taxation and accounting when the 290th provision titled Valuation in Financial Leasing Transactions was introduced to Tax Procedure Law No. 213. The challenge of how financial leasing contracts should be considered in terms of both the lessee and the lessor seems to have become transparent and legitimate as a consequence of this article. (Türkan et al., 26)

In consideration of all of these regulations and legislation, whereas the manufacturing sector remained the leader in financial leasing in Turkey, the service sector has risen to prominence, particularly during the 2000s. The construction industry plays an important role in terms of total payments, trailed by the textile and agriculture sectors. (Erol et al., 2008 p.29)

2.3. Counterparties Of Lease Agreements

A leasing contract, in the legal sphere of obligations, is a contract that sets responsibilities on both parties. Within this arrangement, the leasing arrangement has two parties: the lessor and the lessee. The leasing transaction, on the other hand, encompasses the seller selling the subject matter of the financial lease as well as the contract of sale between the seller and the lessor. Moreover, the lessors might provide the lessee authority to make the sales contract with the seller on their behalf in practice. In this situation, the financial leasing arrangement includes authorization.

While outlining the leasing agreement in Article 4 of the Leasing Law, headed "Agreement," ...the lessor purchased from a third party upon the request and desire of the lessee or otherwise provided..." has been used. Generally, the lessor is obligated to get products particularly for each leasing transaction at the lessee's instruction. In other words,

the legislation prohibits leasing corporations from leasing things that they already own to lessees through the provision of products in advance. There have been, nevertheless, exceptions to this rule. For example, following a leasing arrangement, the property that is not taken by the lessee and returned to the leasing firm might be re-leased.

Many countries have established different measures in their legislation to prevent lessors from holding assets, but they have specified that this regulation would not apply to re-leasing (renting) operations. (Yalçın, 2011)

2.3.1. Seller

The seller is defined as the proprietor of the products or the owner of the assets subjected to leasing. In other words, the seller is the individual or entity which sells the asset subject to the lease to the leasing firm. The seller may be the manufacturer of the contractual items as well as the trader of the assets in discussion. At the same time, the seller may be in the country as well as outside of the country.

Because there are no limitations on leasing, sellers can be the owners of the assets subject to leasing or those who are capable of producing these assets.

As a result of the agreement with the lessee who will make the financing of the asset subject to leasing and the lessee's securing funding for the above item from the leasing company, the seller is bound to deliver the asset to the lessee in compliance with the requirements stipulated in the contract. As the seller transfers the leased asset to the lessee, the leasing company needs to pay to the seller the asset value. (Aydoğdu, 2017, s. 11).

2.3.2. Lessee

Within the structure of the leasing arrangement, it is the individual or institution that leases the goods from the leasing firm. Leaseholder can be any actual or legal person who has the power to take legal proceedings. Leaseholders might be a sole trader, partnerships, or self-employed individuals. The investor selects the asset, and all types of advantages are acquired by using the property in line with the contract provisions during the contract duration.

There is indeed a component in leasing that separates the lessee from other renters: the lessee isn't just the person who will make the lease, but as well as the person who ultimately decides the asset to be leased in conjunction with its objective and use and then shall inform the lessor of this item for purchase. A lessee whose lease is still in existence may pass the leased product to another party, provided that it is specified in the leasing contract. The new lessee, who has taken over, is required to follow the prior leaseholders' conditions. The lessee must carefully implement the contract for which he has acquired the goods subject to leasing in conformity with the contract's terms and conditions. Unless otherwise specified in the financial contractual obligation, the lessee is obliged for all types of property maintenance and safeguarding, and all repair and maintenance costs are borne by the lessee. (Vural, A. 2006).

2.4. Types Of Leases

All leases are classified as operating leases or finance leases under IFRS 16. Although there are several distinct forms of leases when their features are considered, the most highlighted lease types in the IFRS 16 Leases standard will include operational leases, finance leasing, and sale and leaseback arrangements.

2.4.1. Operating lease

An operating lease is one in which the risks and benefits of ownership of the leased asset are not considerably passed to the lessee. For example, if an office complex is leased on an operating lease, the lessor can gain from a rise in the property's worth by boosting the building's sales value or increasing the monthly rental payment. The lessor, on the other hand, bears the decline in the market value of the property. Assets acquired under the terms of an operating lease are often susceptible to technological innovation and require maintenance and upkeep. Lessors continue to carry the risk of technological degradation and asset obsolescence with this type of leasing. They try to insulate themselves against negativity by making their rental costs high that's because the risk they undertake is greater. Operating leases provide the lessee with the flexibility of obsessively checking evolving technologies and developing competitiveness in the market. Within in the scope of the lease agreement, there is an operational lease for a period shorter than the economic life of the asset subjected to the lease, and the contract can be discontinued by informing the other

party within period specified in the contract before. Operating leasing is a recommended approach across the world since it is less risky and generates more revenue than financial leasing because of the non-existence of total benefit and risk passing (Yalçın, 2006)

IFRS 16, which comes into effect on January 1, 2019, significantly eliminates the differentiation among both operating leases and financial leasing for the lessee while keeping this variation for the lessor. If the risks and benefits associated with the acquisition of the leased asset are just not sufficiently passed to the lessee, the arrangement is classified as an operational lease. According to IFRS 16, the majority of leases lasting more than 12 months must be recorded as assets and liabilities on the lessee's balance sheet (IFRS 16 art.)

2.4.2. Finance lease

Financial leasing is some of the most widely used forms of financing in the world. It is commonly defined as a financial arrangement under which the lessor acquires an investment property determined by the investor and leases it in exchange for predetermined lease payments. The lessee selects the property they desire to lease out from leasing company's machinery and equipment portfolio or through the market under the financial leasing method. This asset is then purchased from the market by the financial leasing firm in order for it to be leased to the lessee. The lessee and the lessor corporation then negotiate a new contract that specifies the lease timeframe and yearly lease payments. Aside from legal ownership, the notion of economic ownership is also in discussion with financial leasing. While the lessor preserves legal ownership, the lessee enjoys economic ownership. These two separate ownership conceptions act as a foundation of financial leasing, and they originate from the understanding that the primary advantage of the investment is derived through usage rather than ownership. Financial leasing is essentially the financing of the lessor to the lessee in consideration for the utilization of the leased property. As a result, there is a substantial difference between purchasing the asset and acquiring it through financial leasing. But even though the lessor maintains ownership of the leased asset, control transfers to the lessee here under the form of lease. The lease term encompasses the entire or a considerable portion of the asset's economic life. The leasing procedure is commonly a three-way engagement that involves a leasing firm. Ships,

airplanes, wagons, containers, building material, residences, and also many varieties of equipment and machinery are all examples of financial leasing. Financial leasing is governed by the European Leasing Association (Leaseurope) and adopted the definition as "It is a contract made between the lessor (leasing) and the lessee for a specific timeframe that transfers ownership of the assets to the lessor while permitting the lessee employment of the goods, which are specified from the supplier by the lessee and bought by the lessor. The lessee is allowed to utilize the property in exchange for a monthly rent payment."

Turkey in Article 3/ç of the financial leasing, factoring and financing companies law published in the Official Gazette dated 13.12.2012 and numbered 28496, Financial leasing is defined as "the lease period of the ownership of an asset for financing by the lessor permitted in compliance with the Provisions or the relevant legislation, stipulated that it must be depending on a financial leasing contract. eventually handed over to the lessee; granting the lessee the right to purchase the property at a price lower than the current market price; A lease transaction that provides the circumstances in which the lease term encompasses well over eighty percent of the economic life of the commodity or the aggregate of the present values of the lease payments to be delivered underneath the financial leasing contract represents more than ninety percent of the market value of the property. "

Financial leasing is described in the IFRS 16 Leases standard as arrangements under which the advantages and disadvantages associated with ownership of the leased asset are carried by the lessee. The risks indicated in the description can be used to demonstrate losses that may develop from excess production, technological degradation, and occurrences that may emerge from changes in economic conditions and decrease the enterprise's revenue. Growth in the business's profitability as a consequence of the asset's employment are examples of advantages gained from ownership, as is an increase in the asset's recoverable amount. For a lease transaction to be recognized a finance lease, it must satisfy at least one of the following requirements, according to the FASB's FAS 13 lease standard: 1. If the property is transferred to the lessee at the completion of the lease period, 2. If the contract involves a handover of the property to the lessee at the end of the lease period for less than the asset's current valuation,

3. If the lease term comprises approximately 75% of the asset's anticipated economic life.
4. If the sum of the lease payments matches or exceeds 90% of the asset's selling price at the commencement of the lease period.

Prior to the implementation of the IFRS 16 Leases standard, financial leasing was previously described fundamentally on the priority of substance in the IAS 17 Financial Leases standard in Turkey.

According to international regulations, if the advantages and risks associated with the asset's ownership rights are passed to the lessee, this form of lease is known as a financial lease. The following are the conditions defined in the standard for a lease to be classified as a financial lease according to IFRS 16;

- The lease period represents a significant proportion of the leased asset's economic life;
- The lease payment equal in value to the asset's market valuation is calculated at the commencement of the contract,
- The leased asset is manufactured with attributes that can only be exploited by anyone except the lessee.
- Transferring ownership of the leased property to the lessee at the completion of the term of the lease,
- Granting the lessee, the opportunity to purchase the asset at the end of lease term reasonably and expecting the lessee to take advantage of this advantage,

Section 11 of the IAS 17 Financial Leases standard specifically states that, in addition to the previously mentioned considerations, the following concepts are also regarded a financial lease if any of the following situations arise alone or in combination;

- If the lessee terminates the lease, the lessee should make up for the loss that will emerge as a consequence of the lessor's discontinuation.
- Risks and returns directly resulting from changes in the fair value of the asset's salvage value go over to the lessee,
- The lessee has the option to extend the lease for one further term at a significantly reduced price.

The widespread adoption of IFRS 16, which came into operation on January 1, 2019, in Turkey and many other nations around the globe, has brought about a dramatic change for lessees, whereas prior practices remain viable. Except for leases with a period of less than 12 months and leases of assets with an insignificant amount, IFRS 16 classifies all leases as finance lease. Tax procedural legislation art. 290, on the other hand, keeps referring to contracts whereby all risks and advantages associated with ownership of an economic asset are passed to the lessee, irrespectively of whether ownership rights may be relocated to the lessee afterwards when the lease period was up.

2.5. Benefits and Disadvantages of Leases

Although leasing has many advantages for businesses on a microeconomic scale and for the economy on a macro level, it is important to explore whether it could also have a negative effect on the economy.

2.5.1. Benefits and disadvantages of leasing for companies

Leasing, in addition to the numerous benefits that it provides to businesses, can also have a number of drawbacks. Positive and negative aspects of leasing for lessee and lessor firms are discussed below.

2.5.1.1. Benefits of leasing for lessee companies

-Generates Funding: Almost all business investments may be covered through leasing. If the corporation so desires, in addition to the purchase price of any investment asset, it can charge taxes, fees, funds and other similar charges to the leasing company and present them in rent payments What is important for the lessee is the income to be obtained as a result of the use of assets. Therefore, it is more advantageous for the lessee to lease the asset rather than purchase it and spend more (Ergül; Dumanoğlu, p.12).

- Better Usage of Capital: the truth of the matter that businesses would not commit their money to investment assets allows companies a liquidity advantage. Under this situation, the business can finance the capital necessary to finance various manufacturing expenses. As a result, sales and asset profitability will improve. Goods or equipment that have been the issue of a lease investment immediately contribute in the business and then have an important influence on the company's profits. As a result, the lessee leverages on its equity and has greater equity in maintaining the investments. When a company decides to lease

an asset rather than purchase it, it frees up resources for the firm to use to support other capital requirements or to save for a better capital investment option. (Yalçıner, 2008: 83).

Reduced Risks: Because of the fast advancement of technology over the years, leasing items, machinery, and comparable purchasing alternatives presents less risk. The risk element goes to the owners of the machinery and equipment if the leased products become outdated before the end of their technological usefulness. In these circumstances, the business may choose to transfer the risk to the leasing company. (Koç, 2004 p.19)

-It's a Medium and Long-Term Financing Option: The leasing system provides attractive financing conditions, particularly for medium and small-sized firms in nations where medium and long-term financing options are restricted (Altop, 1990 p.20). Leasing contracts, which are contracts that last at least four years, are an innovative finance technique. Although it is complicated and expensive to secure medium and long-term bank loans in Turkey, medium and long-term funds can be obtained through leasing.

-Firms are unaffected by interest rates and inflation: Firms know the lease total amounts in the agreements at the start of the lease period and these numbers stay consistent across the year, so the lessee firms are not severely impacted by changes in government policies and are also safeguarded against inflation (Koç, 2004 p.19). Although interest rates in bank loans can simply change at any moment, they can be decided once and on an agreed-upon basis in leasing contracts.

-Offers for Efficient Budgeting: Because leasing-financed projects have regular and clearly outlined payment schedules, the investor entity can anticipate budgets and cash flows easily. (Ergül; Dumanoğlu, p.12)

-Arrangements accomplished in a brief duration of time: Lease agreement arrangements are quick and easy than bank lending activities and take less time to be completed (Altop, 1990).

-Down Payment Advantage: Unlike the traditional sales, which require a large down payment, leasing agreements require no down payment and can be easily paid over the period.

Potential Outcome of Acquiring the Leased Premises at the End of the Agreement duration: The lessee has the opportunity of obtaining the leased asset at the end of the contract period in exchange for the symbolized amount stipulated in the agreement (Koç, 2004 p.19).

-Importance of Keeping Up with Technology: When leasing investment products, the lease time is frequently designed to be equivalent to the consumption period, making it easier to renew facilities for whom economic life has passed. The above allows for the monitoring of technical growth without such requirement for enormous sums of money. (Koç, p.19).

-Achieving Needs Despite a Restricted Financial Structure: Due to the restricted financial structure, the lessee has the great opportunity to develop a facility that cannot be acquired in advance by leasing. As a direct consequence, the lessee's balance sheet is completely inadequate. The financial structure has not worsened significantly because its debts have not risen. (Koç, p.19).

-Almost no Collateral: Overall risk of leasing arrangements is lower for leasing organizations than for lending institutions. Because the leasing business is the legal owner of the leased asset, if the operator undermines the conditions of the contract, they would reclaim ownership of the asset that they provided to use. Because of leasing company's legal ownership of the property serves as an adequate and appropriate assurance, no extra security is often sought from the lessee. (Uyanık, 1990 p.62.)

-Avoiding Seizure in the Event of Bankruptcy: There in the event of the lessee business's going bankrupt because properties gained via leasing cannot be seized, the corporation would continue operations and avoid bankruptcy upon schedule (Uyanık, 1990, p.191)

2.5.1.2. Disadvantages of leasing for lessee companies

-Limitations of Freedom of Use: The freedom of use of an asset leased through leasing is somewhat more constrained than one from a purchased product. The lessee's functions are generally limited for the reasons indicated in the regulations as well as the requirements of the contract (Koç, p.19).

-**Potential of Having to waste Resources**: It is theoretically possible for public institutions and organizations to meet their needs through leasing, which they cannot purchase due to various obstacles in the legislation hence there is a potential where this situation can cause a waste of resources (Köteli, 1991).

-Complications Caused by the Contract Term: In the event of termination due to reasons arising from the lessee, it is concluded that the lessee is obliged to both return the goods and pay the undue financial leasing costs, and that the financial leasing company is also responsible for the loss exceeding this.

As a direct consequence, the lessee cannot cancel the contract unless there is a cause originating from the financial leasing institution, and if they do, they will suffer severe penalties. (Akdoğan et al, 2011)

-**Challenges at the Contract's End**: Whenever the duration of the lease agreement expires, the claimant's right to utilize the premises expires as well. If the leased property cannot be covered and the lessor refuses to lease the premises to the lessee anymore, the leaseholder may encounter problems as it might be difficult to replace the leased asset (Akdoğan et al, 2011).

-**Challenges with Contract Commitment**: Because the lessee must always be legally compelled by the contract over all the lease period, outrageously high fees and expenditures must be paid in the eventuality that the firm has a financial slowdown. In this regard, leasing contracts are used by well-established businesses with a track record of success rather than by newly established, unsophisticated, or fragile businesses. (Köteli, p.50-51.).

-**Credit Rating Issues**: Credit rating institutions may raise questions about a firm if the company’s most assets are obtained through leasing and may lead to bad credit rating which as a consequence arise a challenge to secure loans from credit institutions (Karasioğlu, 2001).

-**Restriction of Salvage Value**: Unless no regulations are in place in the contracts about the assets expected to receive through the use of leasing, the lessee would never be allowed to own all the properties related to leasing at the expiration of the lease period. As a

consequence, the lessee may well not benefit from the property's salvage value (Karasioğlu, 2001).

2.5.1.3. Benefits of leasing for leasing companies

-On impact on the investment Discount: The lessor company benefiting from the investment discount provides tax savings. Thus, by using its own resources, have the opportunity to finance additional investments (Köteli, 1991).

-With regards of customs tax: whenever investment has been made from abroad, any leased property will indeed be imported into the country in compliance with that of the temporary exemption regime's criteria. Customs taxes will be received and returned to the government. As a result, substantial sums of customs tax would not be charged (Köteli, 1991).

-In terms of ownership: Because leasing corporations maintain the ownership towards the leased assets, leasing companies always had the authority to terminate the agreement and reclaim the asset if somehow the lessee becomes unable for payment. Nevertheless, the processing for secured receivables seems to be more sophisticated and time-consuming (Köteli, 1991).

2.5.1.4 Disadvantages of leasing for leasing companies

-**Currency Exchange Risk**: Leasing corporations potentially face currency exchange risk. If it has been determined whether lease payments will be made in Turkish Lira (TL), then investment's profitability in perspective of leasing firms would deteriorate as the TL drops in value (Koç, p.19).

2.5.2. Benefits and disadvantages of leasing for the country's economy

Leasing has a wide range of benefits and downsides for businesses at the microeconomic scale, as well as a number of different of consequences somewhat on country's economy there at macro level. Such implications will be summarized below.

2.5.2.1. Benefits of leasing for the country's economy

-It helps to Lower Financing Costs: The leasing development facilitates the investment availability necessary for new projects to enhance while actually reducing cost of capital.

Leasing is a perfect answer for business finance needs in nations where accumulation of capital is inadequate. Leasing arrangements meet the finance needs of small and medium-sized businesses in particular (Toroslu, 2000).

-Real impact on Exports: Whenever a company from abroad leases an asset from a lessor in Turkey may help improve the country's exports. Export growth and the proportion of the country's goods in global marketplaces would boost export earnings and therefore make an important contribution towards the country's economy (Toroslu, 2000).

-Tends to affect Resource Rationalization: Leasing contributes to the generation of accumulation of capital, which also will redirect the country's economy to profitable ventures by maintaining that financial resources were indeed employed most efficiently (Ertuğrul Şenay 1986, p.25).

-Significance on the Balance of Payments: Making investments in the country through leasing rather than international financing should reduce the government's budget deficit. Imports managed to obtain through leasing will also have a positive influence on the balance of payments (Ertuğrul Şenay, 1986).

-Allows for the Introduction of New Technologies: Because rather than employing a shorter economic life of the asset subject to leasing, it is financially viable to lease a property based on new technology. This approach enables for the introduction of new technology into the country. (Uyanık, p.119.)

-Provides Foreign Capital: Associated with the risk aspect, leasing machinery and equipment from the outside could be a sound investment for foreign capital who seem to be reluctant to step to the country. (Ertuğrul Şenay, 1986).

-Leasing enhances the formal economy: by encouraging the so-called informal economy to be recognized. Leasing is a useful mechanism for tracking all financial activities and transmitting information to accounting records in order to develop a reliable and healthy tax system. (Ertuğrul Şenay, 1986).

-Supports a demand-increasing overall impact: Companies with inadequate buying power can utilize existing investment products through lease agreement. The above

circumstance strengthens the country's economy and facilitates for the generation of new resources. A growing economy is one in which demand is continuing to rise. (Ertuğrul Şenay, p.25)

-Makes an important contribution to Employment: By making a significant contribution to investments, leasing could very well support to create additional job possibilities, potentially reducing unemployment in the country (Ertuğrul Şenay, p.25).

2.5.2.2. Disadvantages of leasing for the country's economy

Whenever investments are made through the use of import: when the leased machinery and equipment are introduced to Turkey in conformity with the temporary exemption regime's guidelines. Imports can benefit from custom tax advantage thus have impact on country.

3. IFRS-16 LEASES STANDARD

In 2006, the IASB and the FASB launched a joint working group in response to the claim that the IAS 17 Lease Transactions Standard's accounting procedures and regulations do not always produce in consistent and accurate results being reported in the financial statements. This same working group's draft was decided to open to public discussion in May 2013, and indeed the IFRS 16 Leases Standard, accepted for publication on 13 January 2016, came into effect on 1 January 2019. The IFRS 16 standard introduces significant modifications in the categorization, measurement, estimation, accounting, and reporting criteria and principles concerning lease transactions in lease accounting and reporting. (IFRS 16 Project Summary and Feedback Statement, 2016).

TFRS 16 Leases Standard, issued in the Official Gazette on April 16, 2018, with the number 29826, to be used for accounting periods commencing after December 31, 2018.

3.1. Why A New Standard Was Needed?

Leasing agreements have been utilized by businesses as an essential financing strategy in terms of generating value from the beginning of the twentieth century to the present. Another of the subjects that social researchers have been engaged in for a long time is what the parties need to do in regard of both legal and financial reporting throughout the lease's implementation. Whenever it comes to financial reporting regarding leasing agreements, effective estimation and reporting are fundamental for all business relationships and information users, both for the lessee and the lessor. Following the accounting scandals in the United States and the resulting loss of credibility in financial reporting, research has begun to develop truly innovative "principle-based" standards, equal to International Financial Reporting Standards, to replace the American Accounting System, which would be kept referring to as "rule-based" due to its complexity and confusion in the application (Başları and Dalkılıç, 2007,110). On September 18, 2002, the American Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) represented a tremendous breakthrough in confirming their determination to harmonize American and International Accounting Standards. They agreed to the Norwalk Agreements. The above agreement, which demonstrates both organizations' commitment establish high-quality, complementary approaches to immediate and potential accounting-

related challenges, is a major turning point in International Accounting Standards (Tyson, 2011).

With both the structure it defines under the areas of identifying, measuring, recording, and presenting transactions associated to leasing transactions, IAS 17: Lease Transactions Standard, that had been in around since 2006, has made an enormous contribution to the reporting of such transactions. The accounting standards that the lessor and lessee will henceforth use were established in clarity in IAS 17 leasing transactions, which are separated into two categories: finance lease and operating lease. IAS 17 is particularly noteworthy because of its guidelines in the context of financial leasing transactions, while the leasing transactions that should be treated as financial leasing are clearly outlined, it is specified that leasing transactions which does not meet the characteristics will be designated as operating leases. An even more significant distinction introduced by this standard would be that it establishes the accounting policy of reporting financial lease balances in the statement of financial position and operating lease appears in the notes to the statement of financial position. As a result of this circumstances, financial statement users' needs have not been entirely addressed throughout period, and the intended policy has not fully reflected in reality. (IFRS 16, 2016: IN5).

IFRS 16 demands the lessee to record assets and liabilities for all leases with durations of more than 12 months, unless the underlying asset is of low value. A lessee must account for a right-of-use asset, which represents the right to use the associated leased asset, as well as a lease liability, which takes into account the commitment to make lease payments.

Accounting standards is intended to provide such an approach for businesses to report financial information that is accurate, highly reliable, consistent, and comparable in quality, in compliance with the principles of transparency, and to contribute to the improvement that information users can utilize from the financial statements in their decision-making strategies. The consistent implementation of accounting standards is required to provide information in financial statements that will suit the expectations of investors and other market players. Off-balance sheet financing transactions, that would become the center of interest following the accounting scandals that erupted in the US capital markets at the end of 2001 and eventually begin to have long-term consequences, present major challenges to

the application of accounting standards and the accuracy and reliability of financial statements. (IFRS 16 Project Summary and Feedback Statement, 2016).

Off-balance-sheet financing transactions, that also attempt to not include certain enterprises' assets and liabilities, income and expenditure from the financial statements, consequentially significantly reducing the potential losses they may face and perhaps even the tax benefits, could very well try to manipulate their stakeholders, potential investors, and lenders if public disclosure is undermined or not executed adequately. A financial position statement completed in accordance with accounting concepts, principles, and standards and supported by explanatory notes should also include details on the company's current liquidity management, asset and resource composition, operations, the firm's current internal risks, the forecasts and methodologies used in the financial statements, and the potential of impairment. And from the other side, the information in financial statements may not always be adequate to fully grasp an enterprise's financial standing. The single most important interpretation for this has been thought to be off-balance-sheet financing practices, which firms have increasingly been like that since the 1970s. (Deloitte, 2007,1).

Modern world's recent financial crises had already clearly highlighted to all concerned the necessity of "trust" in capital markets as well as the information dependability that underpins it. Off-balance-sheet financing arises when a company pursues funding in order to preserve operational processes while without negatively impacting the assets and liabilities on its balance sheet. Off-balance-sheet financing, which seems extensively used by businesses with all types of financial structures in countries with developed capital markets such as the United States, England, and Germany, is pretty much exclusively intended to make financial statements appear stronger to investors and institutions loaning to collaborations, thereby cutting the cost of capital and achieving tax advantages. Whenever viewed in this perspective, we appear to be coming across as a method of leveraging from off-balance-sheet financing options for a company reporting in line with accounting rules, particularly operating leases and lease transactions in the form of sell and lease back. (Pamukçu, 2010, p.488).

IAS 17 has been questioned, which is the leasing transaction requirements, for its inadequacies. The Securities and Exchange Commission (SEC) of the United States estimated that there has been approximately $1.25 trillion in footnotes documentation from operating leases in 2005. Because a quantity of this magnitude was under recognized, the openness of the information reported in the financial statements then became subject of controversy. (IFRS 16 Effects Analysis, 2016, p.3)

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) collaborated on a system to improve financial reporting of leasing transactions, addressing the problems such as financial statements that do not tell the whole story and a lack of transparency. The following are the significant problems that established the framework for this cooperative initiative and were used to critique the present existing standards:

a) Regulating transactions that really are similar in terms of economic benefits to the business but still have different accounting methods;

b) The lessor struggles providing adequate and appropriate information about the risk of the leased asset and its receivables originating from the lease transaction;

c) The knowledge acquired from the operating lease is wholly inadequate, and financial data does not enable users change the data using various methodologies and estimation methods in order to provide a more accurate picture.

d) The lessee's accounting strategy for the operational lease makes it virtually impossible to calculate the real amount and ratios, resulting in the asset exposed to the lease being excluded from the company's current financial position statement.

The new International Financial Reporting Standards (IFRS) 16: Lease Transactions Standard, which was emerged in response to all of these viewpoints, will begin to guide lease transactions on January 1, 2019. The Board addressed here to majority of the issues, primarily by incorporating the lessee's rights and obligations within the statement of financial position. Through perspective of both numbers and ratios, the new standard promises to give financial information users with rather accurate and comprehensive info.

Furthermore, by establishing an extended disclosure mandate, IFRS 16 proposed an answer to the criticism made about by the lessor's risk and returns. (IFRS 16B-BC3-BC4).

3.2 IFRS 16 Leases Standard Accounting And Reporting

3.2.1 Objective

This Standard establishes the framework for recognizing, calculating, reporting, and disclosing leases. The objective is to guarantee that lessees and lessors deliver required information which accurately portrays business transactions. This information serves as the foundation for viewers of financial statements to investigate the impacts of leases on an institution's balance sheets, financial performance, and cash flows.

Whenever adopting this Standard, a business organization must take into account the terms and conditions of arrangements, as well as any essential evidences and circumstances. A corporation also should consistently apply this Standard to contracts sharing similar features and under comparable circumstances.

3.2.2 Scope

The above Standard is applicable including all leases, which would include leases of right-of-use assets under such a sublease. With the exception of;

(a) leases that discover for as well as consume mineral, petroleum, natural gas, and other fossil fuel-based resources

(b) leases involving biological property acquired by a lessee under IAS 41 Agriculture

(c) service concession agreements which thus belong within the bounds of IFRIC 12 Service Concession Arrangement

(d) intellectual property licenses issued by a leaseholder in accordance with IFRS 15 Revenue from Contracts with Customers

(e) rights possessed by a lessee through licensing agreements including materials sometimes including cinematographic films, video footage, plays, scripts, trademarks, and copyrights together within scope of IAS 38 Intangible Assets.

This Standard may, and is therefore not compelled, to be applied by a lessee to leases of intangible assets apart from those outlined in paragraph (e).

Recognition exemptions;

A lessee might not want to adhere to the standards to;

(a) short-term leases; and

(b) lease agreements with only a low-value underlying asset

Whenever a lessee may choose to not want to adhere the provisions in short-term leases or agreements with a low-value underlying asset, the lessee should indeed capture the lease payments as just an expenditure on a straight-line method over the lease timeframe or perhaps another systematic approach. When another systematic approach is more representational of the nature of the lessee's benefit, the lessee should use that basis.

Whenever a lessee records for short-term leases using this standard, the lessee should always regard the lease as such a new lease for the specific purpose of this Standard if:

(a) the lease is altered, or

(b) the lease duration is revised (for instance, the lessee applies a decision not formerly counted in its determination of the lease span).

Short-term leases must always be decided depending upon the nature of underlying asset whereby the right of use corresponds. A category of underlying asset is a collection of underlying assets which have numerous similarities and are treated in a similar way in an entity's functions. On a lease-by-lease basis, this same preference for leases with a low-value underlying asset can also be established.

3.2.3 Identifying A Lease

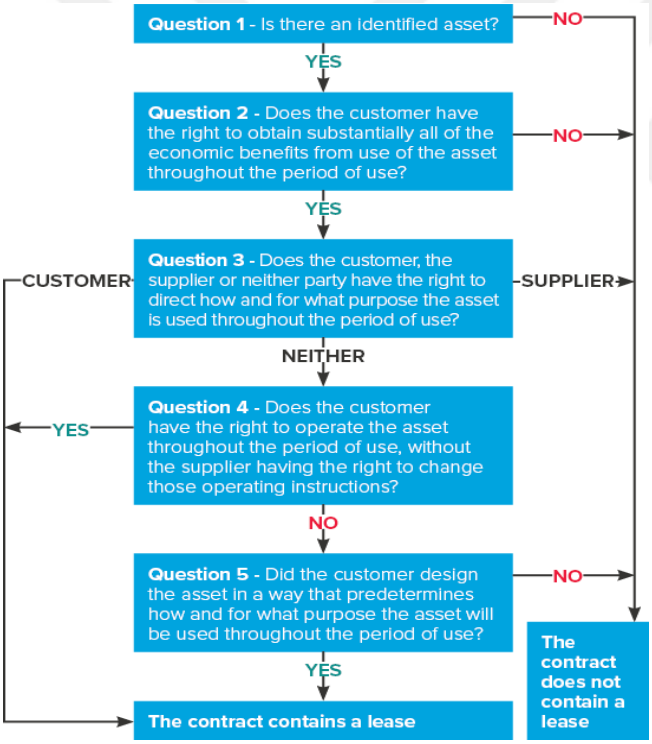
It is necessary to identify whether such a contract is a lease contract or an arrangement that contains a lease at the commencement. A lease agreement or a lease contract that features a lease is a contract that transmits the use of such an underlying asset (identified asset) for a predetermined period of time in exchange for a pre - determined amount (IFRS 16.9).

The length of the lease process can indeed be defined both in terms of time and in terms of function. The duration of a manufacturing equipment rental, for example, can be defined by the accomplishment of 5 million units of production (IFRS 16.10).

If the contract's terms and conditions change, that the very first assessment about whether the transaction is a lease agreement or a contract involving a lease should be reiterated (IFRS 16.10).

The following diagram below would help you in determining whether a contract is really a lease contract or an agreement containing a lease (IFRS 16.B3 1).

Figure 1 Lease Contract



Like the one in the flow diagram, in accordance with the contract to be characterized as a lease agreement, ownership of the defined assets must have been transmitted to the other entity over a certain significant period of time. Throughout the event of a transfer, the lessee must receive the following entitlement;

- This same entitlement to practically just about all the economic advantages that even the defined asset can only provide: Corporations could give economic advantages directly or indirectly in a variety of ways, as well as using the asset,

retaining it, or subleasing it to another party. Every one of the above benefits must still be transferred on to the lessee's company (IFRS 1 6, B21-23).

- The ability to designate where, how and for what intention the designated asset will be utilized: The lessee should always be able to choose how and for what reason the property is being used in beforehand, but it should also be able to make adjustments throughout the contract duration (IFRS 16, B24-30).

3.2.4 Identified Asset

In a broad sense, the asset that has been the feature of the leasing agreement should therefore be mentioned in detail and explicitly in the agreement. Anything other than that, establishing whether the agreement is a lease contract may be challenging (IFRS 16.10). Under certain situations, the leased asset could become the feature of the agreement when it becomes available to be used by the lessee, as opposed to when it is originally leased (IFRS 16, B13).

Proper identification of the leased asset at the commencement of the contract is extremely crucial in order to determine possession of the rights on the asset. However, in other types of situations, the inadequacy to describe the asset properly does not necessarily prevent the right of use from being established. To illustrate, even when an asset's serial number is still not stated, the reality of course that the asset is described in the contract is unchanged, and it is considered that the asset is indirectly identifiable in this situation (IFRS 16. BCI 11).

And although the asset subject to the contract is specified all throughout contract, this same lessee does not even have the authority to utilize the defined asset if the asset supplier does have the right to be replaceable within the lease period. The supplier's right to replace the indicated asset is considered to be significant if and only if the following conditions are met:

- within inside the lease agreement, the lease supplier's capacity to replace assets which can be substituted to the defined asset.

- This same right to replace an alternative asset for the designated asset delivers economic benefits to the seller (IFRS 16.B16).

Whereas if the lease supplier's privilege to replace the recognized asset with such an alternative asset is conditional there at time when the contract is executed, there seems to be no substantial substitution right. For illustration, the notion that the supplier might exercise the substitute right as of a particular date or when a certain incident happens clearly shows that now the substitution right is not substantial (IFRS 16.B15).

The supplier company's substitution right is reviewed at the start of the contract based on the established parameters and requirements. The emergence of unforeseeable conditions at the commencement of the contract, on the other hand, is removed from the assessment. For particular, the supplier's exercise of the substitute right is not considered when the designated asset is more impacted by technical improvements well over contract duration, significant developments in its price emerge, or it does not operate as envisioned (IFRS 16.B16).

If indeed the identified asset is also not working appropriately or a technological upgrade is necessary, the supplier's employment of the substitution right for maintenance and upgrades by itself doesn't restrict the lessee's power to exploit the identified asset (IFRS 16.B18).

The identified asset might have been the complete asset or a demonstrably kept separate component of the capacity of an asset. Whenever a company leases but instead of leases just one area of a building, that area is a specified asset (IFRS 16.B20).

3.2.5 Right to Economic Benefit from Use

In something like a lease, every lessee must receive just about all of the financial benefits mostly from identified asset throughout the term in which the lessee does have the entitlement to exploitation of the identified asset. Economic benefits can indeed be received from the identified property in a number of different ways, either directly or indirectly, such as by employing it, preserving it, or subleasing it (IFRS 16.B21).

When calculating the ratio of the lessee's economic revenue from the asset to overall income, the context of the identified asset should be considered. For example, whenever a

service vehicle is limited to a particular location or kilometer, the economic value derived from its use inside that location or kilometer should then be taken into consideration (IFRS 16.B22).

The lessee could revert back some of the fund inflow generated by the asset's utilization to the lease asset supplier or a third party in exchange for the right to use it. In this instance, the fees paid by the lessee to the suppliers or a third party are recognized as part of the economic excess by the lessee from such right to use the identified asset (IFRS 16. B23).

3.2.6 Right to direct the use

Either of the following requirements should always be maintained in order for the lessee to obtain the ability to control the use of the identified asset. The ability to determine how and why the identified property will be used. Then one should plan ahead of time how and why the identified asset will be benefited from. Whereas during a period of utilizing, the lessee must have the right to operate the asset, and thus the lessor firm has no rights to modify the lessee's previously established operating rights. The purchaser needs to design exactly how and for what specific reason the identified asset should be used beforehand (IFRS 16. B24).

All across of the contract duration, the lessee would have to be able to choose the right how and for what objective the identified asset will be utilized. Anything other than that, discussing the lease agreement would not be suitable as it mean that the lessee would not have the right to use it. Only such term of use should be examined when analyzing the right of use; before or after the useful lifetime, the lessee will have the same entitlements as the customers who acquire the service or product (IFRS 16. B29).

Every lessee can adjust exactly how and for what function the property will be used through the lease period inside the context of the contract's right of use. Decision-making rights are applicable if changes implemented throughout the usage process influence the economic gain derived from the use. Also, every contract may have separate decision-making rights (IFRS 16. B25).

In something like a lease contract, the lessee enjoys usage rights, but the lessor entity has the rights to protect assets. The reality of course is that the leasing firm possesses protective

rights doesn't exclude client from controlling the right of use, it rather determines the extent of the right of use. The leasing firm could influence the lessee's right of utilization for such a number of reasons, including safeguarding the identified asset, providing protection to its people, or maintaining legal compliance. For example, truck leasing companies may place restrictions on how many kilometers the truck may travel, if there are any hazardous or unlawful items in the products to be delivered, and even where it can be operated (not beyond the country's borders or in specific areas) (IFRS 16. B30).

For example; Business X enters a two-year contract regarding the use of an identified passenger jet with Supplier Y, an airplane proprietor. The agreement specifies the airplane's interior and external parameters. It moreover takes into account contractual and regulatory constraints about where the passenger jet can operate. Entity X controls wherever and when the passenger plane will travel, along with which passengers and goods will be carried on it, depending to these constraints. Y is in full control of flying the plane with their own crew and personnel.

The restrictions about where the airplanes could operate determine X's right to benefit from the aircraft. X decides how and with what objective the airplanes will be used throughout the two-year timeframe of usage since it designates if, where, and then when the airplane travels, and also the people and freight that it could carry. X does have the flexibility to adjust these settings at any time all across the use duration.

The legal and contractual, places constraints on where the passenger jet can fly are still only protective rights; they cannot exclude X from possessing the right to control the airplane's operation.

3.2.7 Separating components

If a corporation matches the requirements needed, it considers the right to utilize an underlying asset as a separate lease element if;

- The lessee would profit from utilizing that underlying asset on its own and in combination with other readily accessible resources,

- as well as the property would be neither heavily reliant on nor strongly interrelated to any of the other assets in the contract (IFRS 16. B32(a)–(b)).

Whenever resources being sold or leased alone by the lessor or other sellers, or even when the lessee already has acquired resources from the lessor or through other transactions or situations, these always been can be called easily available. If indeed the lessee never could lease the underlying asset with not severely altering its rights to utilize another underlying asset in the contract, the asset is largely dependent upon, or inter-related therewith, the other assets. The distinction guideline is basically comparable to IFRS 15's guidance on identifying performance obligations in such a revenue contract.

The broad guidelines for distinguishing distinct lease components extend to both lessees and lessors. The lessor then categorizes individual lease element as a finance or an operating lease depends on the degree to whereby the lease passes the risks and benefits that come with owning the underlying assets. (IFRS 16. B53)

Particular single leases are guided by IFRS 16. But nevertheless, as a matter of practicality, a corporation might very well implement the standard to a group of lease contracts with attributes that are similar if the company justifiably anticipates that the outcomes of accounting for the contracts as a portfolio will never be substantively different than those of accounting for specific leases within the same portfolio. Following the selection of the portfolio methodology, the organization employs hypotheses and estimations that represent the portfolio's size and structure. (IFRS 16. B1)

3.2.8 Lease term

The lease term is an important consideration. The lease duration determines the size and scope of the lease liability for lessees. It may have an influence on the lease categorization for lessors.

In something like a lease agreement, the lease term is the non-cancellable timeframe wherein which the lessee does have the right to employ the leased asset. When a lease term draws to a close, the lessee has three different options. Among these is the leased property.

- Simply purchase

- Going to extend the lease agreement's period

- discontinuing the lease agreement

It's indeed extremely crucial for the lessee to pick one of these alternatives when choosing the lease length. Whether it is reasonably sure that the new lessee will exercise the lease extension option, this amount of time must be included to the lease term (IFRS 16.18).

This same premise that indeed lessee will not break the contract and therefore will prefer the extending option ought to be evaluated individually in the leasing contract from the start. The metrics to be taken into account at the commencement of the lease are resemblance of the lease contract with comparable leases with in market, estimation of the lessee's moving expenses, expenditures created for the leased asset, special expenditures, the significance of the current place of the leased property, if there really are substitute assets, and the consideration to lengthen or discontinue the lease contract. (IFRS 16. B37)

Under certain circumstances, the quantity may well be used rather than time to determine the lease duration. The lease term determines the quantity of usage of an item subject to lease, such as the number of goods to be generated using a manufacturing equipment (IFRS 16.10).

The lease term commences on the lease's exact commencement date and includes every discounted lease period granted by the lease business to the lessee (IFRS 16. B36). Whenever a substantial circumstance only within lessee's influence or a fundamental change in circumstances emerges that influences whether such a lessee is sensibly certain will execute an alternative that was not addressed when setting the lease period, the lease term is reconsidered. Developments in major events and circumstances are illustrated below;

- In the situation that the lessee retains the lease, additional leasehold charges emerge which were not existing at the initial stage of the term,
- Upon that asset covered in the lease, an important development that was not anticipated at the start of the lease arrangement has occurred,
- The new lease agreement commences with the sublease of the leased property at the completion of such lease agreement,
- The lessee should then made new commercial considerations (IFRS 16. B41).

When one of the events mentioned below occurs during in the lease agreement's non-cancellable term, the lease agreement term is updated.

- If the lessee chooses an alternative they had not previously explored,
- If somehow the lessee should not use the alternative choice that they formerly discussed and expected they would have used,
- A circumstance arises that obligates the lessee to execute a previously unconsidered option under the lease,
- The emergence of an incident that precludes the lessee from executing the contract option that it would have previously thought and planned to employ (IFRS 16.21).

3.2.9 Accounting By The Lessee

Except if a lessee does choose to use the recognition exemptions, a lessee uses a single lease accounting model whereby all leases are recorded on the statement of financial position. A lessee recognizes a right-of-use asset, which demonstrates the rights to use the underlying asset, and a lease liability, which represents the commitment to make payments. (IFRS 16.22)

3.2.9.1 Initial Measurement Of The Lease Liability

The property covered in the lease is calculated over its total cost and reported in the financial statements on the date of the lease agreement's execution and the lease's actual beginning. This standard provision is primarily related to the notion of cost method of accounting. When determining the cost of the leased asset, the measurement amount at the initial stage of the asset is also established (IFRS 16.26).

The leased asset's cost comprises the below-mentioned components: (IFRS 16.22-24).

- Overall cost of such leased asset would be the present value of the total sum of lease payments that have not yet been paid at the time of the lease's beginning and first recognition. If the implicit interest rate is calculated directly in the lease agreements, it is applied to calculate the present value of the sum of all lease

payments. Whereas if implicit interest rate cannot be calculated, the lessee's substitute borrowed rate is applied.

- The lease incentives, whether any, usually reduced out from fees paid at or before the lease's official start date.
- The direct initial expenditures that the lessee expects to cover are also included in the cost of the leased property.
- All expenditures spent by the lessee for disassembling the leased property, relocating its placement, organizing the place in which the property will then be installed, and getting it all into accordance with the contract's requirements are included to the property's cost, presuming they are not associated to production.

The lease payments added to the original measuring of the lease just at lease's initiation time consist of the fees to be paid during the lease period and the subsequent payments which have not been made at the lease's commencement date (IFRS 16.27-28).

- The sum left over after eliminating lease incentives and fixed payments.
- Payments paid in conformity to that rate or index in the initial recognition of changeable payouts, the initial estimation of which will be related to a rate or index in the agreement.
- The guaranteed residual value of the property that the lessee is supposed to pay.
- The option's execution price if the lessee is fairly sure that doing so will exercise the option to purchase the property at the contract conclusion.
- The sum of the lessee's penalty if the contract is canceled.

From an example application, we can estimate that the initial measurements will be as follows:

Example 1

The entity has signed a 5-year building lease agreement. Rent payments for a 5-year period are $50,000 per year.

A three-year extension option is provided at the conclusion of the contract period. In the event of an extension, the lease payments will be $50,000 annually for the additional time. Although the lessee had the option to extend the term, at the outset of the agreement, s/he chose to limit it at five years instead. Although there is no interest rate mentioned in the contract, the leaseholder's alternative borrowing rate is 5%.

The lessee will make the lease payments at the end of the relevant periods.

Solution 1

The lessee must first record the value of the right-of-use asset and the finance lease liability by measuring it. The present value of the payments made and the payments to be made in the remaining years will constitute the value of the right-of-use asset.

Table 1

Solution for Example 1

	1	**2**	**3**	**4**	**5**	**Total**
Lease Payment	50,000	50,000	50,000	50,000	50,000	250,000
Present Value						227,298

Right To Use Asset		227,298	
	Lease Liability		227,298

Source: own calculations

3.2.9.2 Subsequent Measurements

Subsequent Measurement of Right-of-Use Asset.

If the lessee does not apply one of the alternative measurement methods in the following periods, he/she should follow the right-of-use asset with the cost method (IFRS 16.29). In the cost method, the lessee should measure the right-of-use asset at cost less accumulated

depreciation and accumulated impairment losses and re-measurement of the lease liabilities (IFRS 16.30).

The lessee must take into account the depreciation regulations in "IAS 16 Tangible Assets" while depreciating the right-of-use asset (IFRS 16.31). The lessee is required to depreciate the right-of-use asset over its useful life in cases where ownership of the underlying asset is restored to the lessee at the end of the lease term. In other situations, the lessor should determine depreciation by determining shorter one of the asset's useful life and the lease period is. (IFRS 16.32).

The lessee should apply the “IAS 36 Impairment of Assets” standard in order to determine whether there is any impairment in the right-of-use asset and to recognize this impairment loss, if any (IFRS 16.33).

Subsequent Measurement of Lease Liability

After the lease commencement date, the lessee should measure the lease liability as follows (IFRS 16.36):

• Interest on the lease liability should be added to the book value,

• Lease payments made should be deducted from the book value,

• Changes and re-evaluations made in the rental process

The book value should be reviewed and re-measured to reflect fixed lease payments.

During the lease term, the interest amount related to the lease liability for each period is calculated by applying a fixed periodic interest rate to the remaining amount of the lease liability. Periodic interest rate is the implied interest rate in the lease or if this rate cannot be determined easily, it is the alternative borrowing rate of the enterprise (IFRS 16.37).

The lessee should reflect the interest related to the lease liability and variable lease payments that are not included in the scope of the lease liability measurement in the period in which it occurs, to the profit or loss to occur (IFRS 16.38).

The lessee should re-measure the lease liability at the revised lease payments and a revised discount rate if there is a change in the index or rate of the amounts expected to be paid

under the residual value commitment or index-linked lease payments during the lease term, the assessment of the option to purchase the asset, or a revised discount rate. (IFRS 16.40-42). The amount calculated at the end of the re-measurement should be reflected in the financial statements as an adjustment for the right-of-use asset (IFRS 16.39).

If the lessee extends the scope of the existing lease and this expansion causes an increase in the lease value, the lease must be accounted for as a separate lease (IFRS 16.44).

From an example application, we can estimate that the initial measurements will be as follows:

Example 2

The entity in "Example 1" above wishes to complete its accounting entries by the end of the first year since it will make its payment at that time. The results of the impairment test have shown that there is no impairment in the underlying asset.

Solution 2

The lessee should deduct depreciation ($227,298 / 5 years = $45,460) over the lease period from the amount calculated at the beginning of the period (227.298 TL) for the right-of-use asset.

Since the lessee makes the rent payment via bank at the end of the year, the amount calculated for interest in the payment ($50.000 x 5%) should be recorded as interest expense and the remaining amount should be deducted from the lease liability.

As a result of these recordings at the end of the first year, the net book value of the right-of-use asset should be shown as $181,838 and the lease liability as $186,162 in the statement of financial position.

Table 2

Solution for Example 2

	1	2	3	4	5	Total
Lease Payment	50,000	50,000	50,000	50,000	50,000	250,000
Present Value						227,298

Amortization Expense		45,460	
	Right To Use Asset		45,460

Interest Expense		8,865	
Lease Liability		41,135	
	Bank		50,000

Source: own calculations

3.2.9.3 Presentation in Financial Statements

The lessee must present right-of-use assets separately from other assets in the statements of financial position. If not, it should specify which accounts contain the relevant right-of-use assets (IFRS 16.47). This does not apply to right-of-use assets that fall under the definition of investment property, they must be presented as investment property in the statement of financial position (IFRS 16.48).

The lessee must present its lease obligations separately from other obligations in the statements of financial position. If not, it should specify which accounts include the relevant lease liabilities (IFRS 16.47).

The lessee should present the interest expense on the lease liability separately from the depreciation expense on the right-of-use asset in the statement of profit or loss and other comprehensive income (IFRS 16.49).

If the lessee is in the cash flow statement, the following payments should be presented in the relevant sections (IFRS 16.50):

• Payments regarding the principal portion of the lease liability, in financing activities,

• Payments of the interest-related portion of the lease liability, within the framework of the provisions of the interest paid in accordance with “IAS 7 Cash Flow Statements”,

• Present low-value assets lease payments, short-term lease payments, and variable lease payments that are not included in the liability measurement in the operating activities.

3.2.9.4 Disclosures

Along with the information supplied in the statement of financial position, statement of profit or loss, and statement of cash flows, information on leases should be included in the footnotes. It will be crucial for users of financial statements to provide this information in order to assess how the lease may affect the lessee's financial condition, performance, and cash flows. (IFRS 16.51).

The lessee should make the explanations in the 53. article of the standard regarding the leases for the reporting period.

The lessee must primarily present this information in tabular form. It may not use the tabular format when another format is more appropriate. (IFRS 16.54)

In addition, the lessee should disclose information about their lease in a single footnote or in a separate section. In case of mutual reference, the information disclosed in another part of the financial statement will not need to be repeated in these sections (IFRS 16.52).

In order to meet the purpose of the disclosures, the lessee should also disclose additional information to help him or her evaluate the following matters (IFRS 16.59):

• The nature of the rental activities,

• Future cash outflows that are not reflected in lease obligations but are likely to be incurred by the lessee,

• Commitments and limitations stipulated by the leases,

• Sale and leaseback transactions.

3.2.10 Accounting by the Lessor

In respect to lessees, the current IFRS 16 standard is similar to the previous IAS 17, which is now being phased out. For the lessor, the categorization among finance leasing and operating leasing has been and still is. As a consequence, before accounting for the asset related to the lease, the lessor should first establish whatever category of lease it is. (Karataş, 2019, s. 27).

Finance leases are categorized as leases whereby the risks and benefits of asset ownership are passed, whereas operating leases are characterized as leases under which the benefits and risks are not transmitted (IFRS 16.62). Whereas the risks include all the likelihood of financial distress due to technological obsolescence and inefficient capacity, and also some negative circumstances that emerge as a consequence of economic developments, benefits would include asset being managed gainfully throughout its expected lifetime and its residual value being anticipated to be turned into cash. (Özerhan and Yanık, 2015, p.403).

The substance of the arrangement, not the structure of the contract, should be questioned when establishing whether certain lease is a finance lease or an operating lease. One or even all of the following requirements may very well be met for a lease to be classified as a finance lease: (IAS 17.63)

• The leased asset will be expected to really be passed to the lessee at the conclusion of the lease term.

• The opportunity to acquire the asset for well below it is fair valuation at the conclusion of the lease period, with the lessee anticipated to exercise that option.

• Even though the lessee doesn't always acquire ownership of the asset, the lease period covers the majority of its useful life.

• The present value of the lease payments was contracted at the start of the contract, the subject item is equal to or more than its fair valuation, and the asset is occupied in a facility which could only be utilized by the lessee.

• In leases in which the lease can perhaps be cancelled, the lessee's recompense for the damages that is certain the lessor would suffer.

• The lessee owns any gains or losses resulting from a change in the fair value of the residual value.

• The lessee seems to have the feature to lease for another period at a considerably lower price than the present price.

The aforementioned facts and instances, however, don't always necessarily lead to a final decision. If additional attributes clearly demonstrate that the risks and rewards of asset ownership are not significantly passed, the lease is designated as an operating lease. The lease should indeed be classified at the start of the contract, however if the lease contract is modified in a manner that produces in a categorization variation, the new contract must be recognized as a new transaction. Changes in estimates or lease terms would not necessitate a classification adjustment. (IFRS 16.66).

3.2.10.1 Accounting for Finance Lease

The item related to the finance lease should therefore be reported as a finance lease receivables equivalent to that same net lease investment in the lessor's statement of financial position first at lease's commencement date. (IFRS 16.67).

3.2.10.1.1 Initial Measurement

The lessor must therefore determine the net lease investment based on the interest rate implied in the lease. The implicit interest rate is defined as the discount rate which equals the total of the lease payments and the uncommitted residual value towards the fair value of the leased asset and the lessor's directly attributable expenditures. Unless for when the lessor is the manufacturer and supplier, initial direct expenditures should be understood in the context of the net lease investments and accounted for as a variable reducing lease revenue during the lease agreement. (IFRS 16.69).

The following lease payments would be included in the net lease investment: (IFRS 16.70):

• Regular payments (less lease incentives)

• The certain residual value agreements made by the lessee, an entity associated to that same lessee, or a party that may fulfill the requirement

• If indeed the lessee is practically sure that the current call option will then be executed, the option strike price should be raised.

• Payments for termination penalties if the lessee is likely to exercise the option to terminate the lease at the end of the lease period.

3.2.10.1.2 Subsequent Measurements

The lessor must also remove financial leasing charges from financial leasing receivables and document received interest payments as finance revenue. To decrease the principle and unrealized finance income, the lessor must decrease the lease payments first from gross lease investment. The lessor should record for the financing income earned on a premise which represents the fixed periodic rate of return on the capital invested in the leased asset. (IFRS 16.75).

The lessor shall attempt to disperse finance income regularly and appropriately over through the lease period, and the finance lease must also represent a set regular return on the lessor's capital invested. Towards the net lease investment, the lessor generally applies the "IFRS 9 Financial Instruments" and "IAS 36 Impairment of Assets" standards. The anticipated uncommitted residual values that were used by lessor in establishing the gross lease investment should be monitored on a continuous basis. If the projected uncommitted residual value falls below a certain threshold, the distribution of finance income all throughout the lease period should be examined, and the reduction in accrued quantities should then be accounted for as soon as practicable. (IFRS 16.77).

Whereas if lessor continues to expand the scope of an original agreement and the lease value increases as a result, the lease should be regarded as a separate lease. If the lessor designates an asset as "IFRS 5 Non-current Assets Held for Sale" inside the of scope of such a finance lease, it must account for the asset in conformance with this kind of standard. (IFRS 16.78).

3.2.10.1.3 Presentation in Financial Statements

The asset matter to the finance lease should always be reflected in the lessor's statement of financial position on the lease's start date as a finance lease receivable equivalent to the net lease investment. Lease profit should be reported separately from other operations, whereas

income generated from interest should be reported with interest income. According to the "IAS 1 Presentation of Financial Statements" standard, the corresponding profit or loss shall be stated at the commencement of the lease. Together within framework of the "IAS 7 Statement of Cash Flows," cash generated from lease payments can indeed be reported in the operations transactions group. (Ernst & Young, 2018, p.11).

3.2.10.1.4 Disclosures

Lease additional data should be included in the notes accompanying the information in the company's balance sheet, financial statements of income, and statement of cash flows. This information must be provided for enabling for users of the financial statements to evaluate the impact of the lease on the lessor's financial condition, performance, and cash flows (IFRS 16.89).

For something like the reporting period, the lessor shall present the following information about the leases (IFRS 16.90):

• Sales profit or loss

• Finance income on net lease financing

• Adjustable lease payment revenue not accounted for in the net lease investment account This same lessor could primarily release that information in structured format.

Whenever another representation is more applicable, that might not apply the table format. (IFRS 16.91).

As for fulfilling the aim of the disclosures, the lessor must therefore additionally provide further information that will assist it in evaluating the following (IFRS 16.92):

• Exactly the sort of leasing activity

• The lessor's management plan is developed and how it addresses the risks that are associated with the assets.

The lessor should always disclose major shifts in the underlying value of the net investment in quantitative and qualitative terms. The lessor is obliged to make public or available the undiscounted lease receivables and their own expiration assessment on an annual basis for

at least that the very first five years, with a full sum for the remaining period. This should also balance the net lease investment to the undiscounted lease receivables, stating the discounted non-committed residual value and unearned finance revenue (IFRS 16.94).

3.2.10.2 Accounting For Operating Lease

3.2.10.2.1 Initial Measurement

Businesses leasing assets subject to operating leases would have to include those kinds of assets in their financial accounts (IFRS 16.88).

3.2.10.2.2 Subsequent Measurements

Unless another comprehensive procedure has been used that adequately represents the timing of the decrease in the gain from the leased asset, lease revenue from operating leases should always be recorded as earnings on a straight-line (uniform) basis during the lease duration. The expenditures committed by the lessor in the association with producing lease revenue, notably depreciation, should be recorded as an expense. (IFRS 16.82).

Directly attributable expenditures accumulated at lessee application should be included to the value on the balance sheet of the leased property and accounted for it as an expense during the period of lease agreement in the same way as lease revenue. (IFRS 16.83).

Leasing companies should distinguish the depreciation of those same assets from the depreciation of other depreciable assets possessed by the company and determine the percentage of depreciation to be recorded in line with "IAS 16 Tangible Assets" and "IAS 38 Intangible Assets" standards. Furthermore, the lessor must therefore implement the "IAS 36 Impairment of Assets" standards to investigate if the asset in consideration is impaired. (IFRS 16.85).

The lessor also shouldn't report any sales revenue for the operating lease under such a lease whenever the leased asset is the producer`s or the seller of the asset, so because arrangement is not a sales transaction. (IFRS 16.86).

3.2.10.2.3 Presentation In Financial Statements

Companies that leased assets subject to operating leases now must include such assets in their financial reports (IFRS 16.88). Leasing revenue should then be clearly distinguished

from all other income. Together within framework of the "IAS 7 Cash Flow Statements" standard, income received through lease payments can always be reported in the operating activities group (Ernst & Young, 2018, p.11).

3.2.10.2.4 Disclosures

Information about the lease should be included within that footnote and together with the information in the company's balance sheet, statement of comprehensive income, and statement of cash flows. The above information should be communicated in order for users of financial information to assess the influence of the lease on the lessor's balance sheet, performance, and cash (IFRS 16.89). flows. Every company shall differentiate lease revenue from income attributable to changeable lease payments which are not rates or index-related during the reporting period. (IFRS 16.90).

The leasing entity should essentially release that information in form of tables. Whenever another formatting is more applicable, it may not apply the table formatting. (IFRS 16.91).

To accomplish the purposes of the disclosures, the lessor should furthermore start providing supplementary information that can assist it in evaluating the following:

• The kind of leasing activity

• The lessor's management plan is developed and how it handles the risks connected with the properties.

The leasing entity is required to declare the undiscounted leasing receivables on an annualized regularly for at least the first 5 years, including the overall amount for something like the rest of the time and their maturity assessments.

The lessor should additionally examine the disclosure requirements in TAS 36, TAS 38, TAS 40, and TAS 41 for the assets under operating lease, depending on their categorization. (IFRS 16.95-96).

4. IMPACT OF IFRS 16 LEASE STANDARD ON THE TRANSPORTATION AND STORAGE SECTOR IN BIST

4.1. The Objective Of The Study

The new lease standard went into effect on January 1, 2019, and it eliminates multiple accounting methods for financial and operating leases, so now all lease agreements will now be included in the financial statements of the lessee.

The objective of this research would be to scrutinize how such a new leasing standard affects the financial statements of Turkish firms in the transportation and storage sector that are listed on the BIST once the new standard is implemented for the first time (IFRS 16) and identify parallels and variations between preceding lease standards (IAS 17) in terms of lessee identification, measurement, presentation, and disclosures. There hasn't been enough analysis conducted on the consequences of implementing the IFRS 16 standard on the transportation and storage sector, despite the fact that the standard is in use for quite a significant time. Thereby further, the goal of this study is to make a contribution to Turkish literature on the impact of the initial implementation of IFRS 16 on the financial statements of firms in the transportation and storage sector that are listed on the BIST.

It is predicted in previous assessments made by IASB in their effect analysis that the transportation and storage sector would be one of the sectors that will be impacted by the new standard due to their specific characteristics. For that reason, this study will try to find an answer to how and in which ways IFRS-16 affected this sector.

The transportation and storage sector is part of the service sector and has strategic importance. At the same time, the sector creates employment and is important for economic growth due to its relationship with other sectors (such as tourism, trade, industry, agriculture, insurance, packaging, customs clearance, and warehouse). The transportation and storage sector, which also directs other sectors, is constantly developing as it has technology and labor-intensive structure.

Transportation and storage services are gaining more and more importance every day as production processes is dispersed in different geographies. In addition to production, it plays an increasingly key role in global trade traffic with the diversification and growth of markets. As a result of globalization, companies need this service at a high standard for the

final product to reach the consumer, as they try to capture the cost advantage at every stage of production. While this need supports the growth of the sector with world trade, it also carries the competition within itself to the top.

World trade is developing between countries that are open to the outside and have efficient transportation and logistics network infrastructures. For this reason, making a difference by getting more effective and efficient results in the fields of transportation and logistics is seen as a competitive advantage. In other words, it is observed that countries that can establish efficient transportation and logistics network structures stand out in the global competition. Developed economies with a high share in global trade are at the top of the World Bank's logistics performance index, which is created according to criteria such as customs clearance procedures, infrastructure, international shipping, logistics quality and competence, tracking and monitoring, and timing of countries.

4.2. Literature Review

Scholars have been studying the capitalization of operational leases, which are neglected by many firms, and their implications on financial statements for many decades. Accounting scandals, in especially, have demonstrated how essential such assets and liabilities, which become hidden from the balance sheet, are in the economic considerations of financial statement consumers. The following studies were conducted in order to reveal operating leases in a clear and concise manner and to display valuable information in financial statements.

Nelson performed one of the first quantitative research on the influence of capitalization of operating leases on financial ratios in the United States. The impact of lease capitalization on the debt/equity ratio of Eleven firms was explored in this research, and it was discovered that there were substantial changes in all of these ratios of corporations in between capitalization (Nelson,1963).

According to Imhoff and Thomas, the capitalization of leases for corporations operating in the United States will contribute to the reduction in financial leases relative to operating leases. Besides, as compared to equity, the percentage of total leasing arrangements in the capitalization of financial leasing obligations as well as other financial liabilities dropped, as it also did in the overall indebtedness level (Imhoff and Thomas, 1988).

Imhoff et al. conducted the first research on how to calculate and record for financial statements in the capitalization of derecognized operating leases. While the process is thoroughly discussed, the implications of operation leases on single-period balance sheets are highlighted. The implications of resources and assets incorporated in the balance sheet, particularly on two ratios which would be Return on Assets and Debt/Equity are explored using certain estimations. It is concluded that Debt/Equity ratio increased whereas a decrease occurred in Return on assets ratio. (Imhoff et al, 1991).

Additional research they undertook in 1997 investigated the implications of lease capitalization on the income statements, as well as the potential consequences on net income and operating profit. They found that executives give importance to return on assets (ROA) and return on equity (ROE) while examining their influence on the income statement, which are some of the ratios they must analyze in possible to correlate and monitor the financial performance of businesses. In their studies, they have reached the conclusion that the financial statement elements that should be reported as assets related to operating lease transactions generally constitute between 60% and 80% of the liabilities that are not reported in the financial statements. (Imhoff et al, 1997).

Beattie et al. (1998), across the other hand, conducted an empirical study on 232 companies in England employing financial data representing the various years and come to the conclusion that is consistent with earlier studies, capitalization of leases will indeed affect basic financial ratios and therefore these effects would eventuate in the service sector, within which leases are relatively high. Furthermore, the analysis indicated that cash flows will be impacted due to operating lease recognition (Beattie et al. 1998).

Again, Beattie et al. (1998) revealed that operating leases constitute a major source of long-term financing in their research of 232 picked at random publicly listed firms in Britain, and also that the average ratio of undisclosed long-term liabilities to disclosed liabilities is 39%. The fraction of assets not accounted for in this manner to total assets is roughly 6%. It has been found that capitalizing assets will have a considerable impact (at the 1% level) on profitability margins, profitability over assets, and asset turnover. According to the research, which predicted that firm valuation assessments would be disrupted, this

consequence was much more noticeable throughout the service sector, wherein operational leases reached the most significant for every company (Beattie et al., 1998).

Bennett and Bradbury (2003) investigated the impact of disclosing non-cancellable operational leases in the statement of financial position, exactly like financial leases, on the financial health of corporations using the statements of 38 publicly listed firms in New Zealand. The capitalization of operating leases seems to have a considerable influence on the presented liabilities, and as per the analysis results. It thus presents itself as something of a larger leverage ratio (debt ratio - total liabilities / total assets). The capitalization of operating leases is projected to enhance leverage. According to the research, capitalizing of operating leases affects company profitability and liquidity ratios (Bennett and Bradbury, 2003).

Beattie et al. (2006) emphasized because for many organizations, operating leases are far more fundamental than finance leasing in their papers, which incorporates debates on the importance of displaying comprehensive leasing transactions there in balance sheet. In a research study of 132 financial statement users and accountants in the United Kingdom, all these classes of survey participants believed that the current standard was inadequate in multiple parts, but then it was brought to light that the reporters didn’t think that the lease regulations could very well clearly differentiate the users' decision (Beattie et al., 2006).

Fülbier, Silva, and Pferdehirt (2008) was using the same methodology to perform an impact assessment on identified German corporations and observed that now the capitalization of leases would disrupt numerous businesses, principally those who are in the retail and fashion categories. Changes will occur to the ratios impacted by changes in assets and liabilities. Therefore, they concluded that there will be no major change in profitability (Fülbier et al., 2008)

Duke Hsieh and Su (2009) primarily designed to see what would happen if the operating leases of 500 corporations in the Standard & Poor's index were structurally capitalized in 2003. As more than just a consequence, they based their sampling on 366 corporations with operational lease disclosures in their financial reports. Five financial measures were employed for the analysis: debt-to-equity ratio, debt-to-asset ratio, return on assets, interest and rental expense coverage ratio, and current ratio. The analysis found that each business

had an average of 450 million dollars in operating lease assets and 582 million dollars in operating lease liabilities that have not been recognized. 11% of total debts and 4% of total assets are removed from the financial reports predicated on these estimates. consumers of financial data are unable to obtain accurate, comprehensive, and comparable data due to this predicament. Additionally, the additional leverage, liquidity, and financial results ratios obtained as a result of the capitalization have been shown to be drastically affected when opposed to the past situation (Duke Hsieh ve Su 2009).

Duke and colleagues examined the influence of lease capitalization on a chosen firm's five financial ratios. As shown by their research, recognizing leases as operating leases can indeed drastically enhance major financial ratios of organizations such as Debt to Equity (D/E), Current Ratio, Return on Asset (ROA), as well as interest and rent expense coverage for corporations whose income might have been reduced if their operating leases had already been identified as capital leases (Duke et al., 2009).

Grossman and Grossman (2010) took into account the financial statement and financial ratio consequences of the reforms introduced inside the proposed document of that same leasing transactions standard made available by the IASB and FASB. They aimed to establish a sampling from each of the 200 largest corporations on the Fortune 500 list in 2009. Approximately 91 corporations' financial accounts incorporating additional data on leasing. At the very same time, he expresses his thoughts on the study's proposal document. Some of these include views that the present standard legitimately acknowledges the differences amongst lease types, the growing importance of the new standard's cost of implementation will really be avoided, and the standard's uncertainty would result in a downturn in leasing activity (Grossman and Grossman 2010).

Gritta and Lippman (2010) began their own exploration by discussing the sector specific financial developments of air transportation and evaluating the sector's characteristics. Afterwards they reviewed about lease transaction guidelines from 1990 to 2008 and then how they directly impacted financial statements. The condition of the commercial airlines companies was investigated and contrasted with statistics in 2008. As just a consequence of the analyses, they arrived at the conclusion that while there were many more leasing transactions in 1994, the share of operating leases among lease transactions grew

exponentially in 2008, and the graphs established with the new standard's consequences appear to be more impactful in the current financial statements (Gritta and Lippman 2010)

The financial leasing arrangements and disclosures of Standard and Poor's 100 (S&P100) corporations were inspected by Kostolansky and Stanko (2011), researchers determined that leasing transactions seemed to have a significant influence on distinctive sectors of the economy. The study results findings backed with the IASB's position on capitalizing operational leases. When compared to the ratios preceding capitalization, the post-capitalization financial ratios, especially in firms and industries wherein operating leases have been frequently applied, demonstrate a double-digit transition (Kostolansky and Stanko 2011).

In their own investigations focusing on the impact of leasing on firms, Tang and Fiedler (2011) propose that the IAS-17 leasing categorization facilitates inappropriate behavior such as concealing debts, because enterprises usually have lorries, ships, and aircraft bought via operating lease. The operating lease payment to financial lease payment ratio was observed to be 3.84 percent in general and especially in aviation corporations. The report highlighted that executives may have a tendency to exaggerate their effectiveness and so promote their own aspirations by defining leasing agreements as "operating leases," and that the present current trend enables for legitimate but unethical actions. (Tang and Fiedler, 2011).

A comparable study has been conducted on the consequences of lease capitalization on Australian businesses. The rise in debt-to-equity ratio shows the relationship to what Duke discovered. However, Duke argued that declines in ROA result in decreased company income, which would have been lowered had their operational leases been recorded as capital leases. Furthermore, this caused a rise in ROA for firms whose revenues have risen through lease capitalization (Wong, K., & Joshi, M. 2015).

Per another research, the fixed asset value, growth level, and company size all influence company operating leases. If a company is unable to base its operational leasing operations on economic factors, it has been agreed that corporations prefer operating leases by removing their leases from financial accounts in order to conceal corporate leases. In just the same investigation, they indicated that the capitalizing of operating leases have a

considerable impact on the company's financial ratios, which is consistent with Lückerath and Boss' study examined the impact of capitalization of operating leases on financial ratios As shown by Lückerath and Boss, if the operational lease is included in the financial statements, the firms' leverage ratios will suffer significantly, whereas profitability ratios will be much less impactful (Nuryani et al.,2015).

Wong and Joshi (2015) discovered a considerable variation in financial statements and ratios after studying the impact of the IFRS 16 standard on the financial statements and financial rates of prominent Australian enterprises. IAS 17 let corporations to classify most transactions as operating leases and thereby omit prospective assets and liabilities from their balance sheets. Businesses claim superior financial success through operating leases, according to Wong and Joshi (2015), but this condition exposes financial statement users, notably shareholders, potential investors, and lenders, to take more risk in their investments. Their findings reveal that debt-to-equity, debt-to-assets, and return-on-assets ratios varied significantly, whereas effect on the return-on-equity ratio is insignificant. (Wong and Joshi, 2015).

The effects of replacing IAS17 with IFRS16 vary depending on the country and industry (IASB,2016). The IASB issued a study paper on the impact of IFRS 16 in January 2016, which looked at yearly financial reports from 14,000 corporations. The total lease obligation of the 14.000 enterprises mentioned was calculated to be 2.86 trillion dollars according to this study. The overall lease obligation's present value has been calculated as 2.18 trillion dollars. Banks and insurance institutions are excluded from the study. The core data of 1,022 organizations was generated, accounting for a major share of the overall debt. The total liabilities of these 1,022 entities is estimated to be $1.66 trillion USD. It accounts for 76% of the 14,000 firms under investigation. Every industry, every firm, every nation, as well as every continent are all carried out in different ways, as shown in the research, and the impact varies dramatically depending on geographic region and sector. (IASB, 2016)

Alterations in the lease standard have quite an impact on the balance sheet, profit-loss statement, and cash flow statement of corporations. As shown in the findings of the IASB's investigation, corporations with considerable leasing commitments are anticipated to

witness significant growth their financial leasing assets and debts. The book values of leased assets are expected to decline quicker than the book values of lease liabilities. Furthermore, corporations with considerable lease obligations would result in reductions in equity. (IASB, 2016)

The introduction of IFRS 16 is projected to boost operational profit for enterprises with considerable lease obligations. The justification for this is that operational expenditures are maintained for leases defined as all operating leases together within scope of IAS-17 implementation, whereas interest components of lease payments are classed as financing costs under IFRS 16. According to the IASB observation, the growth in operational profit and the boost in financing expenses as a consequence of this disclosure have varies dramatically depending on the lease's tenure, volume, and discount rate. (IASB, 2016)

Amongst the most serious concerns leveled by IAS-17 would be that a financial transaction that is substantially the same is subject to various accounting rules since basic leasing transactions are classified differently. These disparities in accounting methods make it difficult for financial statement consumers to deliver translucent, equivalent, applicable, and trustworthy information (Cengiz, 2017:44).

Having looked at research published in Turkey, Sar and Güngör (2019) recently discovered a 10.3 percent increase in total assets by integrating 16 large corporations handpicked from the BIST 100 index and then using the indirect capitalization technique; a 15.7 percent rise in overall liabilities; a 14.7 percent uptick in EBIT; a 27.6 percent increase in interest expense, and a 3.5 percent decline in profitability. (Sarı and Güngör 2019)

(Uygun,2019) in his master’s degree thesis concluded that as a result of the studies carried out within the scope of thesis research, the effect of TFRS-16 on the liquidity ratios is in the course of decreasing; the effect on the financial structure ratios is increasing in terms of leverage ratio and long-term liabilities-to-liability ratio, and decreasing in terms of short-term liabilities-to-liability ratio; its effect on turnover ratios speed is in the direction of decreasing; its effect on the operating profit ratio is in the direction of increasing; the effect of financing expenses on the ratio of net sales is increasing; It has been determined that the result on other profitability ratios is two-way, the size of the operating lease transactions of the sector and companies is important in terms of the ratio / amount in terms of the

direction of the effect, and the effect on the borrowing coefficient is in the direction of increase.(Uygun,2019)

(Arslan, 2020) in their thesis found that it is expected that huge changes will arise in the financial statements of the companies that present their financial statements in line with IFRS for the 2019 accounting period, which will be published for the first time in 2020. For this reason, the financial statements of the companies picked from the aviation sector, in which operating leases are intense, for the 2019 accounting period with IFRS 16 applied and 2018 financial statements for which IFRS 16 has not been applied have been analyzed comparatively. In addition, the changes in the financial statement ratios in the same years were examined. With the implementation of IFRS 16 Leases Standard, it has been determined that the fixed assets and liabilities amounts in the financial statements of the enterprises in general increase, their working capital decreases and the financial statement ratios are negatively affected. (Arslan,2020)

(Yasam Dogus, 2020) in their study, the effects of the implementation of the IFRS 16 Standard and the changes on the financial statements have been tried to be clarified. The objective of the study is to reveal the growth in the assets and liabilities stated in the financial statements of the lessee companies that use their foremost assets through operating leases with the implementation of IFRS 16, and to reveal the degree to which this increase changes the financial indicators of the lessees through financial ratios. As an outcome of the study, it was realized that the IFRS 16 Standard affected the assets and liabilities the greatest, and in this situation, there was an increase in the fixed assets and long-term liabilities. In addition, while the IFRS 16 standard did not produce any change in the revenue and inventories of the sample enterprises, it was observed that there was a general decrease in the ratios presenting the liquidity of the enterprises. (Dogus, 2020)

Some other recent research on the influence of new standards found that as long as the present structure of lease agreements is sustained, the basic financial ratios would not completely alter. In other circumstances though, ROA and ROE will rise. Furthermore, it was determined that the effect of operational lease agreements may be kept acceptable by shortening the rental durations (Giner et al.,2019).

Spanberger and Rista (2020) attempted to investigate the repercussions of IFRS 16 for 279 publicly listed corporations in multiple industries in Sweden, utilizing financial information and annotations published in 2020 for the period of 2019, because when the standard began to be put in place. They discovered a median of 4.7 percent (average) in total assets in their study. 10.1 percent rise; 9.5 percent (average 21.7 percent) rise in overall liabilities; 11.2 percent (mean 39.6 percent) expansion in EBITDA; 9.6 percent (average 22.3 percent) growth in debt/equity ratios; as well as 6.4 percent (average 9.9 percent) decline in firm value/EBITDA ratio. Spanberger & Rista started to look there at developments in some of these measurements by sector, and ended up finding that perhaps the retail, hospitality industry, food, as well as education sectors, which had been categorized as consumption businesses, experienced much more shake up, whereas the financial services, banking and property investment sectors, which have been grouped as financial services, realized the lowest rate. (Spanberger and Rista 2020)

According to Akdogan and Erhan (2020), financial leverage climbed in conjunction with the increasing in the company's current liabilities, as well as the asset turnover rate was higher as a consequence of the rise in total assets (Akdogan and Erhan 2020)

4.3. Scope Of The Study

The financial data of the firms in the BIST index from the transportation and storage sector were used in the scope of the investigation. The transportation and storage sector consists of 10 firms as of May 2020 which will be all included in this research according to their suitability. To assess the impact of IFRS 16 on all of the firms from the transportation and storage sector, enterprises evaluation is done on their financial statements and footnotes for the year 2019 when the new leases standard came into effect and a comparison is made between when IFRS 16 is applied and when IAS 17 is applied.

4.4. Limitations Of The Study

1. Financial statements are acquired from publicly traded Turkish firms listed here on BIST.

2. Companies who have no lease transactions are excluded from the research.

4. The data collected for the study is restricted to firms operating in the "Transportation and Storage" sector on KAP as of May 2020.

5. The research includes companies whose shares are traded in BIST and have reported the essential information on the impact of IFRS 16 in respective 2019 year-end (full year) financial information.

6. Data and results are just as reliable and accurate as of the financial statements themselves.

4.5. Research Data And Method

The purpose of this study is to demonstrate the impact of the IFRS 16 standard on the financial statements and financial ratios of firms in the transportation and storage sector from publicly listed firms in Turkey. The IFRS 16 standard became effective on 16 April 2018 by just being released in the Official Gazette under the number 29826, to be applicable for accounting periods commencing after 31 December 2018, and lessee firms used this standard in producing their financial statements for 2019. The consequence of the standard has been highlighted in this study by evaluating the results of firms' financial statements in 2019 produced under IFRS 16 and then comparing in a case where IAS 17 was used.

4.5.1. Research Data

Within the scope of the research, the data to be analyzed were examined in two categories:

- Financial Statement Items
- Financial Ratios

To assess the impact of the standard on financial statements items, the below indicators have been chosen from among the major items:

- Total Assets
- Total Liabilities
- Total Equity
- Period Net Profit

Though since right-of-use assets and lease liabilities would be displayed in financial statements, the standard will now have a significant influence on total assets and total liabilities. It would be another measure that should be directly influenced by the separation of lease expenditures, which were earlier reflected as operational expenses in EBIT, as depreciation and interest expenses, and even the premise that certain depreciation expense is included during this stage. The change in net income amount might vary depending on the lease portfolio arrangement and tax rate. As a logical consequence, because the term profit is the primary consideration that could trigger a change in total shareholders' equity, the change in total shareholders' equity could also be around the same as the variation in net profit value. These metrics were chosen for the study because they are widely acknowledged as primary measures in financial statements.

The below primary financial ratios have been proposed in order to monitor the influence of the standard on financial ratios, including at a minimum a single financial ratio among each performance category (liquidity, profitability, efficiency, and indebtedness).

• Current Ratio (Current Assets / Current Liabilities)

• Asset turnover (Revenue/ Assets)

• Debt/Equity Ratio (Total Liabilities / Total Equity)

• Return on Equity (Net Profit / Average Total Equity)

• Return on Assets (Net profit / Total Assets)

• EBITDA

Though since alterations will emerge in the related metrics in the financial accounts, these calculations on financial ratios will also shift. As a result, financial ratios had been added to the original scope of the effect analysis in the study, and above selected financial ratio elements were derived mostly from areas of liquidity, efficiency, indebtedness, and profitability.

4.5.2. Sample Selection

The study's area comprises of firms from transportation and storage listed on BIST. The reason for selecting these corporations as the study set is to have exposure to thoroughly examined financial statements with the implementation of IFRS 16 as well as the sectoral representative qualities of these corporations.

The financial statements, disclosures, and footnotes of 6 businesses in the Transportation and storage sector in the BIST, which also formed the study's scope, have been analyzed for the year **2019 -** which was the first year of IFRS 16 implementation - through the use of the public disclosure platform www.kap.org.tr, and the implications of IFRS 16 when excluded and included are examined.

As an outcome of the sector inspections, it was concluded that there is 6 firms of the total 10 firms had lease transactions and those firms did demonstrate the effect of IFRS 16 on the financial position statement and profit or loss statement in an understandable manner and clarity. Also, 2 firms from the sector did not have lease transactions while one of the remaining two firms is a lessor and the other one did not apply IFRS-16 at all, so they are kept out of the research scope.

Table 3 Transportation and Storage Sector

ÇELEBİ HAVA SERVİSİ A.Ş.
PEGASUS HAVA TAŞIMACILIĞI A.Ş.
TÜRK HAVA YOLLARI A.O.
GSD DENİZCİLİK GAYRİMENKUL İNŞAAT SANAYİ VE TİCARET A.Ş.
TRABZON LİMAN İŞLETMECİLİĞİ A.Ş.
DO & CO AKTIENGESELLSCHAFT

KAP.org

4.5.3. Analysis Of Data

In the studies conducted in the literature, it has been estimated that one of the sectors that will be most affected by the IFRS 16 standard will be the retail sector. For this reason, in this study, an analysis was made on 10 firms that were classified as operating in the

"Transportation and Storage" sector in KAP as of May 2020. As a result of the examinations made in the financial statements of the year 2019, in which IFRS 16 was applied for the first time, 6 companies have been identified that have disclosed the necessary detailed information about the effect of TFRS 16 regarding the analyzes to be made. Content analysis was applied to the 2019 reports of the 6 enterprises in question, the necessary information was classified, summarized and made suitable for analysis.

4.6. Findings of the Study

4.6.1. Financial Statements And Ratios Of Sample Companies Prepared According To IAS 17 Standard

First of all, the financial ratios of the companies operating in the Transportation and Storage sector were analyzed based on the data summarized according to IAS 17 Standard, using the financial statements and footnotes of the 6 companies that were independently audited as of 31 December 2019.

Figure 1

Summary of Financial Statement Data of Sample Companies Prepared According to IAS 17 Standard (31.12.2019).

	Summary of Independently Audited Financial Statements Before the Change in Accounting Policy					
	ÇELEBİ HAVA SERVİSİ A.Ş.	PEGASUS HAVA TAŞ. A.Ş.	TÜRK HAVA YOLLARI A.O.	GSD DENİZCİLİK A.Ş.	TRABZON LİMAN İŞLET. A.Ş.	DO & CO AKTIENGESELLSCHAFT
TL	IAS 17	IAS 17	IAS 17	IAS 17	IAS 17	IAS 17
Total Assets	1,796,137,272	9,152,566,233	65,977,000,000	248,005,000	136,500,716	6,874,840,000
Total Liabilities	1,188,470,168	5,719,770,247	47,156,000,000	107,444,000	44,195,070	5,417,530,000
Total Equity	607,667,104	3,432,795,986	18,821,000,000	140,561,000	92,305,646	1,457,310,000
Revenue	1,877,885,618	11,025,224,523	75,118,000,000	41,285,000	60,097,964	6,740,550,000
Net Profit(Loss	230,601,088	1,275,362,905	6,324,000,000	(5,120,000)	53,097,738	(71,980,000)

Source: own calculations

Figure 2

Summary of Financial Ratios Data of Sample Companies Prepared According to IAS 17 Standard (31.12.2019).

	Ratios Before the Change in Accounting Policy					
Ratio	ÇELEBİ HAVA SERVİSİ A.Ş. IAS 17	PEGASUS HAVA TAŞ. A.Ş. IAS 17	TÜRK HAVA YOLLARI A.O. IAS 17	GSD DENİZCİLİK A.Ş. IAS 17	TRABZON LİMAN İŞLET. A.Ş. IAS 17	DO & CO AKTIENGESELLSCHAFT IAS 17
Current Ratio	0.86	1.89	1.04	0.18	2.81	3.07
Return on Asset Ratio	0.13	0.14	0.10	-0.02	0.39	-0.01
Asset Turnover Ratio	1.05	1.20	1.14	0.17	0.44	0.98
Debt/Equity Ratio	1.96	1.67	2.51	0.76	0.48	3.72
Return on Equity Ratio	0.38	0.37	0.34	-0.04	0.58	-0.05
EBITDA	276,207,583	1,815,928,212	5,334,000,000	6,142,000	31,876,777	305,940,000

Source: own calculations

4.6.2. Financial Statements And Ratios Of Sample Firms Prepared In Accordance With IFRS 16 Standard

In this section, the financial data in the financial statements of the sample businesses, which were independently audited as of 31 December 2019 and prepared in accordance with the IFRS 16 Standard, are summarized and the financial ratios of the businesses are analyzed based on the table data.

Figure 3

Summary of Financial Statement Data of Sample Firms Prepared in accordance with IFRS 16 Standard (31.12.2019)

	Summary of Independently Audited Financial Statements After the Change in Accounting Policy					
	ÇELEBİ HAVA SERVİSİ A.Ş.	PEGASUS HAVA TAŞ. A.Ş.	TÜRK HAVA YOLLARI A.O.	GSD DENİZCİLİK A.Ş.	TRABZON LİMAN İŞLET. A.Ş.	DO & CO AKTIENGESELLSCHAFT
TL	with IFRS 16	with IFRS 16	with IFRS 16	with IFRS 16	with IFRS 16	with IFRS 16
Total Assets	2,219,589,688	21,059,321,198	146,871,000,000	248,931,000	138,602,501	7,853,600,000
Total Liabilities	1,647,152,724	15,717,151,991	106,076,000,000	108,469,000	46,282,491	6,366,820,000
Total Equity	572,436,964	5,342,169,207	40,795,000,000	140,462,000	92,320,010	1,486,780,000
Revenue	1,877,885,618	11,025,224,523	75,118,000,000	41,285,000	60,097,964	6,740,550,000
Net Profit(Loss	195,463,901	1,334,567,915	4,536,000,000	(5,745,000)	52,046,845	(112,590,000)

Source: own calculations

Figure 4

Summary Financial Ratios of Example Firms Calculated on IFRS 16 Applied Statements (31.12.2019)

	Ratios After the Change in Accounting Policy					
Ratio	ÇELEBİ HAVA SERVİSİ A.Ş. with IFRS 16	PEGASUS HAVA TAŞ. A.Ş. with IFRS 16	TÜRK HAVA YOLLARI A.O. with IFRS 16	GSD DENİZCİLİK A.Ş. with IFRS 16	TRABZON LİMAN İŞLET. A.Ş. with IFRS 16	DO & CO AKTIENGESELLSCHAFT with IFRS 16
Current Ratio	0.76	1.28	0.80	0.18	2.73	1.41
Return on Asset Ratio	0.09	0.06	0.03	-0.02	0.38	-0.01
Asset Turnover Ratio	0.85	0.52	0.51	0.17	0.43	0.86
Debt/Equity Ratio	2.88	2.94	2.60	0.77	0.50	4.28
Return on Equity Ratio	0.34	0.25	0.11	-0.04	0.56	-0.08
EBITDA	291,145,667	2,111,494,306	6,830,000,000	6,539,000	32,927,670	505,250,000

Source: own calculations

4.6.3. Comparative Analysis Of Financial Statements Of Sample Firms In The Scope Of IAS 17 And IFRS 16

When we look at the comparison of IAS 17 and IFRS 16 Standards of sample businesses operating in the Transportation and Storage sector, it is seen that there are changes in many financial statement items. With the implementation of the IFRS 16 Standard, the “assets” and “liabilities” reflected in the financial statements have increased. In addition, depreciation expense and interest expense related to lease liabilities, which occur with the right-of-use assets, have replaced rent expenses, which are included in a single item in operating expenses. The increase in liabilities caused the liquidity ratios to decrease and the financial structure ratios to increase.

To begin the analysis with, assets of all companies have shown an increase in different levels. There was an increase of 24% for Çelebi Hava Servisi A.Ş., 130% increase for Pegasus Hava A.Ş., 123% increase for Turk Hava Yollari, an increase for GSD Denizcilik A.Ş, 2% increase for Trabzon Liman İşlet. A.Ş. and lastly 14% increase for Do & Co Aktiengesellschaft. From the above data is seen that the assets of airline companies have increased much higher when compared to the rest of the companies in the sample which supports the notion that airline firms have greater off-balance sheet activities.

Similarly, liabilities of all companies have shown an increase to different extents. There was an increase of 39% for Çelebi Hava Servisi A.Ş., 175% increase for Pegasus Hava A.Ş., 125% increase for Turk Hava Yollari, 1% increase for GSD Denizcilik A.Ş, 5% increase for Trabzon Liman İşlet. A.Ş. and lastly 18% increase for Do & Co Aktiengesellschaft. Again, airline companies have shown greater increase from the other companies which indicates that they had much more off-balance sheet activities.

For equities of the firms, the picture varied from one company to another where there was a decrease of 6% for Çelebi Hava Servisi A.Ş., 56% increase for Pegasus Hava A.Ş., 117% increase for Turk Hava Yollari, a decrease for GSD Denizcilik A.Ş, also a small increase for Trabzon Liman İşlet. A.Ş. and lastly 2% increase for Do & Co Aktiengesellschaft. Equities picture is less obvious than the assets and liabilities since a decrease or increase is not a uniform for all firms. However, attention must be given the fact that airline firms have shown a considerable increase in equities after the standard.

When it comes to the net profits of the companies, all the companies have experienced decrease in net profit apart from Pegasus Hava A. Ş. There was a decrease of 15% for Çelebi Hava Servisi A.Ş., 5% increase for Pegasus Hava A.Ş., 28% decrease for Turk Hava Yollari, 11% decrease for GSD Denizcilik A.Ş, 2% decrease for Trabzon Liman İşlet. A.Ş. and lastly 36% decrease for Do & Co Aktiengesellschaft.

Figure 5

Comparison of Financial Statements Prepared in accordance with IAS 17 and IFRS 16 Standard (31.12.2019)

Financial Statements	ÇELEBİ HAVA SERVİSİ A.Ş.		Difference		Change
TL	With IFRS 16	Without IFRS 16	Number	%	
Total Assets	2,219,589,688	1,796,137,272	423,452,416	24%	Increase
Total Liabilities	1,647,152,724	1,188,470,168	458,682,556	39%	Increase
Total Equity	572,436,964	607,667,104	(35,230,140)	-6%	Decrease
Revenue	1,877,885,618	1,877,885,618	-	0%	
Net Profit	195,463,901	230,601,088	(35,137,187)	-15%	Decrease
Financial Statements	TÜRK HAVA YOLLARI A.O.		Difference		Change
TL	With IFRS 16	Without IFRS 16	Number	%	
Total Assets	146,871,000,000	65,977,000,000	80,894,000,000	123%	Increase
Total Liabilities	106,076,000,000	47,156,000,000	58,920,000,000	125%	Increase
Total Equity	40,795,000,000	18,821,000,000	21,974,000,000	117%	Increase
Revenue	75,118,000,000	75,118,000,000	-	0%	
Net Profit	4,536,000,000	6,324,000,000	(1,788,000,000)	-28%	Decrease
Financial Statements	TRABZON LİMAN İŞLET. A.Ş.		Difference		Change
TL	With IFRS 16	Without IFRS 16	Number	%	
Total Assets	138,602,501	136,500,716	2,101,785	2%	Increase
Total Liabilities	46,282,491	44,195,070	2,087,421	5%	Increase
Total Equity	92,320,010	92,305,646	14,364	0.016%	Increase
Revenue	60,097,964	60,097,964	-	0%	
Net Profit	52,046,845	53,097,738	(1,050,893)	-2%	Decrease

Source: own calculations

Figure 6

Comparison of Financial Statements Prepared in accordance with IAS 17 and IFRS 16 Standard (31.12.2019)

Financial Statements	PEGASUS HAVA TAŞ. A.Ş.		Difference		Change
TL	With IFRS 16	Without IFRS 16	Number	%	
Total Assets	21,059,321,198	9,152,566,233	11,906,754,965	130%	Increase
Total Liabilities	15,717,151,991	5,719,770,247	9,997,381,744	175%	Increase
Total Equity	5,342,169,207	3,432,795,986	1,909,373,221	56%	Increase
Revenue	11,025,224,523	11,025,224,523	-	0%	
Net Profit	1,334,567,915	1,275,362,905	59,205,010	5%	Increase
Financial Statements	GSD DENİZCİLİK A.Ş.		Difference		Change
TL	With IFRS 16	Without IFRS 16	Number	%	
Total Assets	248,931,000	248,005,000	926,000	0.4%	Increase
Total Liabilities	108,469,000	107,444,000	1,025,000	1.0%	Increase
Total Equity	140,462,000	140,561,000	(99,000)	-0.1%	Decrease
Revenue	41,285,000	41,285,000	-	0%	
Net Profit	(5,745,000)	(5,120,000)	$ (625,000)	-11%	Decrease
Financial Statements	DO & CO AKTIENGESELLSCHAFT		Difference		Change
TL	With IFRS 16	Without IFRS 16	Number	%	
Total Assets	7,853,600,000	6,874,840,000	978,760,000	14%	Increase
Total Liabilities	6,366,820,000	5,417,530,000	949,290,000	18%	Increase
Total Equity	1,486,780,000	1,457,310,000	29,470,000	2%	Increase
Revenue	6,740,550,000	6,740,550,000	-	0%	
Net Profit	(112,590,000)	(71,980,000)	(40,610,000)	-36%	Decrease

Source: own calculations

4.6.4. Comparative Analysis Of Financial Ratios Of Sample Firms In The Scope Of IAS 17 And IFRS 16

After analyzing how financial ratios were impacted by the new lease standard, it is seen that there are some significant changes in key financial ratios where there was increase in some while others have decreased.

Current ratio is one of the ratios where there was a decrease in all of the companies from the sector. There was a decrease of 11.6% for Çelebi Hava Servisi A.Ş., 32% decrease for Pegasus Hava A.Ş., 23% decrease for Turk Hava Yollari, almost 1% decrease for GSD Denizcilik A.Ş, 2.7% decrease for Trabzon Liman İşlet. A.Ş. and lastly 54% decrease for Do & Co Aktiengesellschaft.

Also, return on asset ratio has shown mainly a falling pattern apart from two companies. There was a decrease of 31% for Çelebi Hava Servisi A.Ş., 54% decrease for Pegasus Hava A.Ş., 67% decrease for Turk Hava Yollari, 11% increase for GSD Denizcilik A.Ş, 3% decrease for Trabzon Liman İşlet. A.Ş. and finally 36% increase for Do & Co Aktiengesellschaft.

Again, asset turnover ratio is one of the ratios that has shown a decrease in all of the firms in the sample. There was a decrease of 19% for Çelebi Hava Servisi A.Ş., 56% decrease for Pegasus Hava A.Ş., 55% decrease for Turk Hava Yollari, 0.3% decrease for GSD Denizcilik A.Ş, 1.5% decrease for Trabzon Liman İşlet. A.Ş. and finally 12% increase for Do & Co Aktiengesellschaft.

Debt/Equity ratio on the other hand, is one of the ratios that has shown a increase in all of the firms in the sample. There was an increase of 47% for Çelebi Hava Servisi A.Ş., 76% increase for Pegasus Hava A.Ş., 4% increase for Turk Hava Yollari, 1% increase for GSD Denizcilik A.Ş, 4.7% decrease for Trabzon Liman İşlet. A.Ş. and finally 15% increase for Do & Co Aktiengesellschaft.

Return on Equity ratio has decreased in all of the firms contrary to the above ratio. There was a decrease of 10% for Çelebi Hava Servisi A.Ş., 32% decrease for Pegasus Hava A.Ş.,

66% decrease for Turk Hava Yollari, 10% decrease for GSD Denizcilik A.Ş, 1% decrease for Trabzon Liman İşlet. A.Ş. and finally 34% increase for Do & Co Aktiengesellschaft.

Lastly, EBITDA is also analyzed to understand if the expected changes occurred. EBITDA of the firms in the sector has increased in all of them. There was an increase of 5% for Çelebi Hava Servisi A.Ş., 16% increase for Pegasus Hava A.Ş., 28% increase for Turk Hava Yollari, 6.4% increase for GSD Denizcilik A.Ş, 3% increase for Trabzon Liman İşlet. A.Ş. and finally 65% increase for Do & Co Aktiengesellschaft.

Figure 7

Comparison of Financial Ratios Calculated Using IAS 17 and TFRS 16 Applied Statements (31.12.2019)

Financial Ratios	ÇELEBİ HAVA SERVİSİ A.Ş.		Difference		Change
Ratio	With IFRS 16	Without IFRS 16	Number	%	
Current Ratio	0.759	0.859	-0.100	-11.60%	Decrease
Return on Asset Ratio	0.088	0.128	-0.040	-31.41%	Decrease
Asset Turnover Ratio	0.846	1.046	-0.199	-19.08%	Decrease
Debt/Equity Ratio	2.877	1.956	0.922	47.12%	Increase
Return on Equity Ratio	0.341	0.379	-0.038	-10.02%	Decrease
EBITDA	291,145,667	276,207,583	14,938,084	5.41%	Increase
Financial Ratios	**TÜRK HAVA YOLLARI A.O.**		**Difference**		**Change**
Ratio	**With IFRS 16**	**Without IFRS 16**	**Number**	**%**	
Current Ratio	0.800	1.040	-0.240	-23.05%	Decrease
Return on Asset Ratio	0.031	0.096	-0.065	-67.78%	Decrease
Asset Turnover Ratio	0.511	1.139	-0.627	-55.08%	Decrease
Debt/Equity Ratio	2.600	2.505	0.095	3.78%	Increase
Return on Equity Ratio	0.111	0.336	-0.225	-66.91%	Decrease
EBITDA	6,830,000,000	5,334,000,000	1,496,000,000.00	28.05%	Increase
Financial Ratios	**TRABZON LİMAN İŞLET. A.Ş.**		**Difference**		**Change**
Ratio	**With IFRS 16**	**Without IFRS 16**	**Number**	**%**	
Current Ratio	2.73	2.81	-0.076	-2.71%	Decrease
Return on Asset Ratio	0.38	0.39	-0.013	-3.47%	Decrease
Asset Turnover Ratio	0.43	0.44	-0.007	-1.52%	Decrease
Debt/Equity Ratio	0.50	0.48	0.023	4.71%	Increase
Return on Equity Ratio	0.56	0.58	-0.011	-1.99%	Decrease
EBITDA	32,927,670	31,876,777	1,050,893	3.30%	Increase

Source: own calculations

Figure 8

Comparison of Financial Ratios Calculated Using IAS 17 and TFRS 16 Applied Statements (31.12.2019)

Financial Ratios	PEGASUS HAVA TAŞ. A.Ş.		Difference		Change
Ratio	With IFRS 16	Without IFRS 16	Number	%	
Current Ratio	1.278	1.886	-0.608	-32.25%	Decrease
Return on Asset Ratio	0.063	0.139	-0.076	-54.52%	Decrease
Asset Turnover Ratio	0.524	1.205	-0.681	-56.54%	Decrease
Debt/Equity Ratio	2.942	1.666	1.276	76.57%	Increase
Return on Equity Ratio	0.250	0.372	-0.122	-32.76%	Decrease
EBITDA	2,111,494,306	1,815,928,212	295,566,094	16.28%	Increase
Financial Ratios	**GSD DENİZCİLİK A.Ş.**		**Difference**		**Change**
Ratio	**With IFRS 16**	**Without IFRS 16**	**Number**	**%**	
Current Ratio	0.178	0.180	-0.001	-0.81%	Decrease
Return on Asset Ratio	-0.023	-0.021	-0.002	11.79%	Increase
Asset Turnover Ratio	0.166	0.166	-0.001	-0.37%	Decrease
Debt/Equity Ratio	0.772	0.764	0.008	1.03%	Increase
Return on Equity Ratio	-0.041	-0.036	-0.004	-10.94%	Decrease
EBITDA	6,539,000	6,142,000	397,000	6.46%	Increase
Financial Ratios	**DO & CO AKTIENGESELLSCHAFT**		**Difference**		**Change**
Ratio	**With IFRS 16**	**Without IFRS 16**	**Number**	**%**	
Current Ratio	1.41	3.07	-1.657	-54.03%	Decrease
Return on Asset Ratio	-0.01	-0.01	-0.004	36.92%	Increase
Asset Turnover Ratio	0.86	0.98	-0.122	-12.46%	Decrease
Debt/Equity Ratio	4.28	3.72	0.565	15.19%	Increase
Return on Equity Ratio	-0.08	-0.05	-0.026	-34.78%	Decrease
EBITDA	505,250,000	305,940,000	199,310,000	65.15%	Increase

Source: own calculations

After comparing financial ratios of the same year with IFRS-16 and without IFRS-16, trend analysis of financial ratios over four years is conducted to gain full picture and see how the financial ratios have changed over the 4-year period.

In the above comparison, we observed that Current Ratio has decreased for all the firms from the sample. Instead, if we look at the trend of Current Ratios for firms over the years, we can see that current ratios of all firms have decreased in year 2019 when compared to their preceding years in 2017 and 2018 apart from Trabzon Liman Islet.A.s. and Pegasus Hava Tas. A.S. This is consistent with the results from the comparison analysis where only Trabzon Liman Islet.A.s. and Pegasus Hava Tas. A.S. are outliers.

Again, return on Assets ratio has shown a decrease for the most companies in the above comparison. After further looking at the trend of the Return on asset ratio over four-year period, it can be seen that Return on Asset ratio has decreased in 2019 when compared to the previous years in 2017 and 2018 apart from one company. This result is also in line with our above results from comparison analysis where there was an overall a decrease for firms.

Asset Turnover ratio has shown a decrease in the above comparison analysis where with IFRS-16 and without IFRS-16 are compared. Also, the same has happened where a decrease has happened in 2019 compared to the preceding years in our trend analysis over the four-year period for all the companies from the sample. This further strengthens the results from the comparison analysis.

For Debt/Equity ratio, it is one of the ratios that the effect of IFRS-16 has resulted in an increase for all the companies from our sample when compared in 2019. Also, when looked at the trend analysis, the situation is not clear as it is in the above comparison. It seen that while three of the firm's Debt/Equity ratio has increased in 2019 compared to the preceding years and on the other hand three companies has shown a decrease in 2019.

Finally, in the above comparison of effect of IFRS-16 on Return on equity, there has been a decrease for all the firms from the sample. Similar to the Debt/Equity ratio, Return on

Equity ratio in trend analysis over the four years has shown an increase in 2019 for some firms when compared to the preceding 2017 and 2018 while the was a decrease in other.

Overall, financial ratios of the firms from the sample in the trend analysis over the four years has increased or decreased in consistent with comparison analysis where financial ratios in 2019 are compared when IFRS-16 applied and when not applied.

Figure 9

Trend of Financial Ratios of the Sample Companies

ÇELEBİ HAVA SERVİSİ A.Ş.	2017	2018	2019
Current Ratio	1.39	1.18	0.80
Return on Asset Ratio	0.10	0.14	0.09
Asset Turnover Ratio	1.10	0.88	0.85
Debt/Equity Ratio	1.89	6.92	2.88
Return on Equity Ratio	0.24	1.23	0.34
TÜRK HAVA YOLLARI A.O.	**2017**	**2018**	**2019**
Current Ratio	0.85	0.87	0.80
Return on Asset Ratio	0.01	0.04	0.03
Asset Turnover Ratio	0.58	0.58	0.51
Debt/Equity Ratio	2.40	2.49	2.60
Return on Equity Ratio	0.03	0.13	0.11
TRABZON LİMAN İŞLET. A.Ş.	**2017**	**2018**	**2019**
Current Ratio	2.14	2.55	2.73
Return on Asset Ratio	0.24	0.31	0.38
Asset Turnover Ratio	0.55	0.67	0.43
Debt/Equity Ratio	1.04	0.62	0.50
Return on Equity Ratio	0.48	0.50	0.56

Source: own calculations

Figure 10

Trend of Financial Ratios of the Sample Companies

PEGASUS HAVA TAŞ. A.Ş.	2017	2018	2019
Current Ratio	1.67	1.24	1.28
Return on Asset Ratio	0.06	0.04	0.06
Asset Turnover Ratio	0.66	0.61	0.52
Debt/Equity Ratio	2.25	2.68	2.94
Return on Equity Ratio	0.20	0.14	0.25
GSD DENİZCİLİK A.Ş.	**2017**	**2018**	**2019**
Current Ratio	1.01	0.95	0.18
Return on Asset Ratio	-0.04	0.12	-0.02
Asset Turnover Ratio	0.16	0.26	0.17
Debt/Equity Ratio	3.14	1.27	0.77
Return on Equity Ratio	-0.17	0.27	-0.04
DO & CO AKTIENGESELLSCHAFT	**2017**	**2018**	**2019**
Current Ratio	1.66	1.95	1.36
Return on Asset Ratio	0.06	0.06	-0.01
Asset Turnover Ratio	1.50	1.44	0.86
Debt/Equity Ratio	1.31	1.29	4.28
Return on Equity Ratio	0.13	0.14	-0.08

Source: own calculations

4.6.5. Financial Statement Items That Increase/Decreased Due To IFRS 16

After the table above is analyzed thoroughly, it is seen that some financial items have increased constantly in all of the samples while some other items varied in each sample and some decreased continuously. In this context, items such as total assets and total liabilities have increased constantly in all of the 6 examples to different degrees, where in some cases the increase was substantial and in other cases not so significant. Also, net profits have continuously decreased over the board apart from the Pegasus example. On the other hand, total equity varied from one example to another, where also the difference was not great compared to the other financial items

4.6.6. Financial Ratios That Increase/Decreased Due To IFRS 16

Similar to the financial statement items, some financial ratios were in constant increase for all of the 6 examples, while other financial ratios decreased overall in the research sample. Debt/equity and EBITDA ratios have shown an increase in all of the firms. While on the contrary, liquidity and profitability ratios such as current assets, return on asset, asset turnover and return on equity have decreased for all examples.

5.CONCLUSION

Today, the leasing mechanism has evolved into a significant financing instrument for companies, and its effectiveness has rapidly expanded even more in the fast-booming and developing corporate sector. Because companies frequently undertake leasing to acquire assets, the accounting and reporting process of leasing transactions has indeed evolved into one of the key tasks undertaken by companies.

IAS 17 Lease Transactions Standard, which had been in application since 2006, was abolished in January 2019 and substituted with IFRS 16 Leases Standard. The implications of this shift on the financial ratios of firms in designated industries traded on BIST were looked into in this research.

IAS 17 distinguishes between financial and operational leases for the lessee and keeps track off-balance-sheet transactions resulting from operational leases. IFRS 16, on the opposite side, has ended this separation in the context of the lessee and has acknowledged all lease transactions as financial leasing transactions (with the sole exception of leases with such a duration of 12 months or less and small-value leases) and that it has tried to bring the assets and liabilities emerging from this transaction further into the balance sheet.

Many factors contributed to the successful replacement of IFRS 16 from IAS 17. As a result, the reality that firms with operational leases manage their assets and liabilities originating from this transaction off-balance sheet presented a stumbling block to analyzing companies' true liability. Furthermore, depreciation and financial expenses associated with these transactions are not shown in the income statement. These circumstances lead firms with operating leases to be viewed differently than they would otherwise be. With the implementation of IFRS-16, organizations will be able to produce more transparent and accurate financial information. As a result, appropriate users will be able to achieve more accurate performance criteria.

With the implementation of IFRS 16, formerly off-balance-sheet assets and liabilities would be recognized in the balance sheet and, in consequence, indirectly in the comprehensive income. This will bring about significant shifts, particularly in industries that rely heavily on leasing transactions (both financial and operational).

For quite a long period, the IASB has been assessing which industries may be strongly affected. It has published the findings of its impact study report. As an outcome, it has been predicted that the aviation, retail, travel, and transportation sectors will be the most impacted. Telecommunications, energy, media, distribution, information technology, and health care will also be affected, albeit to a lesser extent compared to the first category.

In this study, an analysis was made on 10 firms that were classified as operating in the "Transportation and Storage" sector in KAP as of May 2020. As a result of the examinations made in the financial statements of the year 2019, in which IFRS 16 was applied for the first time, 6 companies have been identified that have disclosed the necessary detailed information about the effect of TFRS 16 regarding the analysis to be made. Content analysis was applied to the 2019 reports of the 6 enterprises in question, the necessary information was classified, summarized, and made suitable for analysis.

Financial statement items such as total assets, total liability, total equity, and net profit were chosen for the analysis along with financial ratios including current ratio, asset turnover, debt/equity, return on equity, return on assets and EBITDA. The study will contribute to the effect of the new standard IFRS 16 on this specific sector in the literature

In the study, it was concluded that after the application of IFRS 16 the financial statement items of transportation and storage sector firms were impacted as follows; an increase in the total assets, an increase in the total liabilities, total equity varied as it increased in the most of the examples, while there was a decrease in the net profit of the companies. Additionally, financial ratios were impacted as follows, after the new standard IFRS 16, debt/equity and EBITDA ratios have shown an increase in all of the firms. While on the contrary, liquidity and profitability ratios such as current assets, return on asset, asset turnover and return on equity have decreased for all examples.

Above finding are largely consistent with studies in the literature about this topic as companies' indebtedness may increase as a result of the implementation of IFRS-16. Considering right-of-use assets include operational leases, total non-current assets would then start rising. In another phrase, both the assets and liabilities of businesses will expand.

Nevertheless, there won't be any impact on the asset's current assets component. The increase in the total equity in some cases is parallel to that increase in the total assets. An increase EBITDA and decrease in net profit is expected after the implementation of IFRS 16.

Once IFRS-16 is viewed properly, treating all leasing agreements as financial leasing for the lessee might pose a hardship for firms in the immediate term, but should bring convenience in the long run. On the opposing aspect, this arrangement is crucial for the purpose of delivering a financial statement to users with more transparent and accurate information.

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