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The Impact of IFRS 16 (PSAK 73) Implementation on Key Financial Ratios: An Evidence from Indonesia

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ABSTRACT
IFRS 16 was issued to overcome the criticism of IAS 17, especially regarding the fact that many lease transactions on lessee are not included in the statement of financial position (off-balance-sheet), making it difficult for users to get an accurate view of the assets and liabilities of the leasing company, as well as being difficult to estimate the amount that is off-balance-sheet. After the adoption of this standard, companies with significant operating leases are likely to experience an increase in assets, an increase in liabilities, and a decrease in equity, which can significantly affect their financial ratios. This research objective was to determine the impact of the application of IFRS 16 (PSAK 73) on the financial statements and key financial ratios of an airline company in Indonesia. This research focused on the airline operator company, PT Garuda Indonesia Tbk, which utilizes a lot of lease financing in the procurement of their aircraft fleets. This research has a very appropriate momentum considering that 2020 is the beginning of the implementation of IFRS 16 (PSAK 73) for all public companies in Indonesia. This research used a case-study approach. The results show that the level of profitability (ROA), solvency, and efficiency in the use of assets experience a decline, but the liquidity ratio and profitability (ROE) increase.
Keywords: *IFRS 16 (PSAK 73), operating lease, financial ratios*

1. INTRODUCTION

Lease accounting has a very long controversial history, because it has become the main source of financing that is "off-balance-sheet". Given the large number of public protests for increased transparency in financial reporting, it is not surprising that the accounting profession has increased its interest in lease accounting. However, despite the longstanding concerns, it is truly surprising that lease accounting remains unchanged for more than a third of a century [1]. Before the IFRS number 16 came into force, the lease accounting provisions still referred to the International Accounting Standard (IAS) number 17. In IAS 17, there were two alternatives of lease accounting method, namely operating lease and finance lease, but controversy occurs in accounting for operating lease in the lessees' financial statements.

In operating lease accounting, lessees only record lease expenses on the income statement, while lease assets and liabilities are not listed on their statement of financial position. In finance lease accounting, lessees will record assets and lease obligations on the statement of financial position as well as depreciation and financial charges on their income statement. In accounting terms, operating lease accounting provisions applied to the lessee are often referred to as "off-balance-sheet", because the lessee does not list the leased assets and liabilities on its statement of financial position, while the application of financing accounting provisions is called "on-balance-sheet" because the lessee includes the assets and lease obligations on the balance sheet. IFRS 16 was issued to overcome the criticism on IAS 17, especially regarding the fact that many lease transactions on lessee are not included in the balance sheet (off-balance-sheet), making it difficult for users to get an accurate view of the assets and liabilities of the leasing company, and also difficult to estimate the amount that is off-balance-sheet [2]. The absence of information about a lease in the statement of financial position means that investors and analysts do not have a complete picture of the lessee's financial position, and cannot make financial comparisons among the lessees due to differences in accounting treatment of lease (operating lease or finance lease) made possible by the provisions of the IAS 17.

IFRS 16 regarding Leases will fundamentally change the way leases are recorded and reported in the financial statements. The most important problem is the operating leases above one year that will be capitalized, which means that the accounting treatment "off-balance-sheet" is effectively eliminated. After the application of this standard, companies with significant operating leases are likely to experience an increase in assets and liabilities, as well as a decrease in equity, which can significantly affect their financial ratios [3].

Financial ratios are one type of measuring instrument that companies use to analyze financial reports. By using financial ratios, we can analyze the good or bad condition or financial position of a company from one to the next period.

Several studies on the impact of IFRS 16 on key financial ratios have been conducted by researchers in several countries. [3], for example, examined the impact of IFRS 16 on retail companies in Turkey whose shares are publicly traded on the Istanbul Stock Exchange. The results show that the new standard has a statistically significant effect on several financial ratios tested (debt/assets, debt/equity, ROA, and ROE) for the period of 2010-2013. [4] examined the impact of IFRS 16 implementation on the three largest construction companies (Lemminkäinen Corporation, YIT Corporation, and SRV Group Plc) in Finland regarding the financial statements and several financial ratios: gearing ratio, current ratio, and EBITDA, for the 2015 business year. The result shows that the gearing ratio and current ratio of those three companies are getting worse, but the EBITDA figure is getting better.

Currently, Indonesia has adopted IFRS 16 into the Statement of Financial Accounting Standards (PSAK) number 73, replacing PSAK 30 (adoption of IAS 17) and has only been effective since January 1st, 2020. This study attempted to illustrate the impact of IFRS 16 adoption (PSAK 73) in the financial statements and key financial ratios in public companies in Indonesia, especially those that widely apply the operating leases to their business activities. This research focused on the airline operators, bearing in mind that this type of company makes use of lease finance in the procurement of their aircraft fleets. This research has a very appropriate momentum considering that 2020 is the beginning of the implementation of IFRS 16 (PSAK 73) for all public companies in Indonesia.

This research objective was to determine the impact of the IFRS 16 (PSAK 73) implementation on the financial statements and key financial ratios of an airline company in Indonesia. The implementation of IFRS 16 (PSAK 73) will force corporate entities that have been applying the operating lease accounting based on IAS 17 (PSAK 30) to change their accounting policies. The consequence is that there will be changes in the figures related to the financial statements of an entity, which in turn will affect its financial ratios. This becomes the research problem in this study.

PT Garuda Indonesia Tbk. was chosen as the research subject, because it is one of the leading airlines in Indonesia, which has been using the lease financing a lot in the procurement of their aircraft fleets. The lease structure of PT Garuda Indonesia Tbk uses a lot of "operating leases" in which many financial accounts are "off-balance-sheet" so that the company's financial statements are less transparent. The implementation of IFRS 16 (PSAK 73) will force companies to use a “financial lease” structure that is “on-balance-sheet”, thereby increasing the transparency of its financial statements. However, at the same time, there is a strong suspicion that the change in accounting policy will deteriorate the financial performance as measured by financial ratios.

This research benefit is to enrich the results of previous studies in exploring the impact of the IFRS 16 (PSAK 73) implementation in various business sectors that utilize leases as a source of financing for their business activities. From the academic point of view, the results of this study can be used as a complementary study material by accounting lecturers in learning the accounting theory, in particular, in discussing the sub-topic of accounting theory development methodology, linked to discussions of language rules approaches in accounting theory development (syntactic, semantic, pragmatic), or a behavioral approach in developing the accounting standards (taking into account the interests of users of financial statements) in the formulation of financial accounting standards. For the formulator of financial accounting standards (in Indonesia, the Financial Accounting Standards Board), the results of this study can be used as an empirical evidence of feedback in understanding the users’ reactions to the issuance of Statement of Financial Accounting Standards (PSAK) 73. For users (investors or potential investors), the results of this study can be used to obtain additional information on changes in the tenant entity's financial statements during the transition period as a result of changes in the accounting policies from operating leases to finance leases, before making decisions related to the financial performance of the corporate entity, which is the tenant.

2. LITERATURE REVIEW

2.1. Agency Theory

In the context of this agency relationship, financial statements serve as a tool for management accountability (as an agent) to stakeholders (as a principal) [5]. Financial statements can also be interpreted as a business language between the management (agents) and the stakeholders (principals) of a corporation.

2.2. Positive and Normative Accounting Theories

The positive accounting theory, known as the 'practical approach', looks at what is happening in the business. Positive accounting examines the company's real-world transactions. Unlike the positive accounting based on observation, the normative accounting theory advises policy makers about what should be done based on the theoretical principles; starting with the theory and deducing specific policies from this. Positive accounting looks at past data while the normative one works with events in the future [6].

Both accounting theories (positive and normative) are influential, but often the question arises regarding which of the two is preferable and can or should both be used together? In certain cases, a business entity may choose one theory from another, but in many cases, a corporate entity uses a combination of positive and normative; because these two theories complement each other.

Lease accounting standards that refer to IAS 17, which classifies two options for the method of accounting for leases - operating leases and finance leases – based on the criteria: "who (lessee or lessor), that will get the benefit and bears the substantial risk", is an example of the normative accounting theory. However, many critics on IAS 17 from the users of financial statements, forces the IASB to pay attention to the reactions of these users. The revision of lease accounting that was outlined in IFRS 16 as a reaction to various criticisms on IAS 17, can be an example of the use of a positive theory (practical approach).

2.3. Financial Reports and Financial Ratios

The purpose of financial statements is to provide the information about financial position, financial performance, and cash flow of an entity that is useful for a broad number of users in the economic decision-making process [7]. The essence of the analysis of financial statements from the user's position is to review and evaluate information in the financial statements to obtain reliable conclusions about the past state of an organization that aims to predict its function in the future [8]. The use of financial ratios is undoubtedly the oldest and still the most preferred tool for financial statement analysis as a mean of analyzing financial statements for consistency [9]. The ratio is the proportion or fraction or percentage that states the relationship between the two variables in the financial statements [10].

Ratio analysis is an effective and fast method for assessing a company's financial position and the results of operations based on a set of logically-related indicators. Ratio analysis covers some areas such as: liquidity analysis, operational-efficiency analysis (efficacy), debt analysis (solvency), and profitability analysis [11].

Profitability ratios assess the ability of an entity to generate profit. This ratio group consists of return-on-equity, return-on-assets, profit-margin ratio, and so on. Liquidity ratios assess the ability of an entity to meet its short-term financial obligations. Included in this group are the current ratio, working capital-gross revenue ratio, quick ratio, and etc. Financial efficiency ratios measure how well financial resources have been used to generate sales/income. Included in this group, are asset-turnover ratios, operating-expense ratios, depreciation ratios, and so on. Solvency ratios (North American textbooks), or stability ratios (European textbooks) measure the ability of an entity to fulfill all its obligations. Included in this group, are debt-to-equity ratio, debt-to-total-asset ratio, fixed-asset-to-total-asset ratio, and etc. The payment capacity group measures the ability of cash flows to meet payment obligations. The popular ratio in this group is the debt-coverage ratio [12].

2.4. Lease Accounting

For quite a long time, the internationally-accepted accounting regulations or standards for leasing refer to IAS 17 (in Indonesia: Statement of Financial Accounting Standards / PSAK 30), but this IAS 17 was immediately replaced by IFRS 16 (in Indonesia: PSAK 73). IFRS 16 is effective starting from January 1st, 2019 (in Indonesia, it will only be effective as of January 1st, 2020). IFRS 16 [13] introduces a single lease-accounting model and requires the lessee to recognize the assets and liabilities for all, except for low-value leased assets, or lease periods under one year. The main difference between IAS 17 and IFRS 16 is provided by [14] as shown in Table 1 below:

Table 1 The Differences between IAS 17 and IFRS 16

Difference	*IAS* 17	*IFRS* 16
Financial lease	Certain criteria must be met to be considered as finance lease; such as the transfer of risks and benefits substantially.	IFRS 16 introduces a single accounting model for all leases with terms of more than one year, to recognize the assets (rights-of-use asset) and liabilities. The exception is for low-value assets.
Operating lease	Other than those that do not meet the criteria for finance lease.	For Lessee: There is no concept of operating lease, except for low-value leased assets and leases with terms of less than 1 year. For Lessor: Lease is recognized as operating lease if the recognition criteria for finance lease are not met.

Source: Alexandru [14]

2.5. Prior Research

With the adoption of lease accounting based on IFRS 16, which replaces IAS 17, the impact of IFRS 16 on the financial statements can be seen in Table 2 below:

Table 2 The Impact of IFRS 16 Implementation

Effects on the Income Statement	Effects on the Statement of Financial Position	Effects on the Cash Flow Statement
EBITDA increases	Leased assets increase	Cash from operating activities increases
Operating profit and finance costs increase	Financial liabilities increase	Cash from financing activities decreases
Profit-Before-Tax is relative constant	Equity decreases	Total cash flow is relatively constant
Prior research: Bontas [2];	Prior research: Bontas [2]; Sari et	Prior research: EYGM Limited

Alexandru [14]; Deloitte The Netherlands [15]; EYGM Limited [16]; Díaz and Ramirez [17]; Hladika and Valenta [18]; Magli et al. [19]; Tanase et al. [20]; and Todorova and Sokolova [21]	al. [3]; Alexandru [14]; Deloitte The Netherlands [15]; EYGM Limited [16]; Díaz and Ramirez [17]; Hladika and Valenta [18]; Magli et al.[19]; Tanase et al. [20]; Todorova and Sokolova [21]Wong and Joshi [22]; Öztürk and Serçemeli [23]; and Jia You [24]	[16]; Hladika and Valenta [18]; Tanase et al. [20]; and Todorova and Sokolova [21]

Source: Data processed by Researchers

The previous researches show an increase in profitability ratios [1] [16] [17] [21] [23] [25] [26]. On the other hand, [3] and [20] found no evidence of the effect of IFRS 16 on ROA and ROE.
The solvency ratio becomes worse [16] [20] [21] [23] [24] [26]. However, [1] and [3] found that DAR is not affected by IFRS 16.
[22] and [26] show that asset turnover has decreased due to the implementation of IFRS 16. Meanwhile, [17] and [20] show that net cash flow from operating activities has increased.

3. RESEARCH METHODS

This research uses the case study method. One public company listed on the Indonesia Stock Exchange (IDX) was selected as a sample to be the subject of this case study. The research subject is PT Garuda Indonesia Tbk, that meets the following criteria: a. The company is a lessee entity that mostly applies the operating lease accounting method in its lease activities; b. Has an audited financial statement with unqualified opinion in 2019, and; c. Has supporting information related to asset leasing activities in the company's annual report. Data in this study is the secondary data in form of financial reports and other supporting documentation.
This study analyzes some key financial ratios associated with financial statements; First, reflects the size of profitability, which consists of Return on Assets (ROA = Profit before tax /total asset) and Return on Equity (ROE = Profit before tax /total equity); Second, reflects the solvency or capital structure consisting of Debt-to-Equity Ratio (DER = Total debt/total equity) and Debt-to-Total Asset Ratio (DAR = Total debt/total asset). Third, reflects the efficient-use of assets consisting of Asset Turnover (ATO = Total sales/total asset) and Fixed-Asset Turnover (FTO = Total sales/total fixed asset). Fourth, reflects the liquidity or cash flow consisting of Cash Flow from Operations (CFO = Net cash flow from operating activities) and Interest Coverage Ratio (ICR = CFO/total interest charges).

The research object in this study is the financial statements of PT Garuda Indonesia Tbk in 2019, which was downloaded from the IDX website, namely www.idx.co.id. The financial statements that were used are:

1. Notes to the Consolidated Financial Statements for the year ended on December 31st, 2018 and 2019.
2. Consolidated Statements of Income and Other Comprehensive Income for the year ended on December 31st, 2019;
3. Consolidated Statements of Financial Position as of December 31st, 2019; and
4. Consolidated Statements of Cash Flows for the year ended on December 31st, 2019.

From the Notes to Consolidated Financial Statements for the year 2019, we found the information regarding the operating leases such as: the type and number of aircraft leased and also the operating lease payments. Because this information is too little, so we looked for additional information from the Notes to Consolidated Financial Statements for the year 2018, in which the following information was obtained: name of lessor, type of aircraft leased, total assets leased, periods of start and end of the operating-lease period, and also the interest-rates for financial leases.
From the Consolidated Statements of Income and Other Comprehensive Income, we obtained the data such as: total net sales, lease expenses, interest expenses, and net income for the year 2019. From the Consolidated Statement of Financial Position, we obtained: the balance of fixed-assets, total assets, the balance of lease-liabilities, total liabilities, and total equity. From the Consolidated Statement of Cash Flows, the net cash from operating activities and the net cash used for financing activities were obtained.
In addition to the information that has been obtained from PT Garuda Indonesia Tbk's financial statements, there are several other information not found in the financial statements, such as: the value of the lease expense per type of aircraft and the interest-rate of leasing used for each type of aircraft leased. Given these limitations, the following assumptions were used in this study:

1. All leases are assumed to be made at the beginning of 2013;
2. The lease interest-rate used is the average interest-rate of financial lease, that is: (4.22% + 5.24%) : 2 = 4.73%. This is because in 2019 there were only a few additional aircraft leased, which was 7 aircrafts, so we assume that the interest rate is not much different from that of 2018;
3. We used the average lease expense to determine the lease expense for each lease term group, namely: 8 years, 10 years, 11 years, 12 years, 13 years, 14 years, 15 years, 16 years, and 18 years;
4. Tax is ignored;
5. There are no bargaining in purchase options, provisions, and no purchase of lease assets at the end of the lease term.

4. RESEARCH RESULTS

PT Garuda Indonesia Tbk is a lessee entity that leases its assets from the lessor and records its lease transactions using operating lease. It has the latest published financial statements (at least the end of 2019) using PSAK 30 and has supporting information related to lease activities in the company's annual report.
On January 1st, 2020, IFRS 16 (PSAK 73) began to be implemented for all public companies in Indonesia. With the implementation of IFRS 16 (PSAK 73), there will be some changes in the company's financial statements. Changes for 2019 are presented in Table 3 as follows:

Table 3 Comparison of Consolidated Statements of Income and Other Comprehensive Income Before and After the Implementation of IFRS 16 (PSAK 73) (in US$)

Description	Before the Implementation of IFRS 16 (PSAK 73)	Addition (deduction)	After the Implementation of *IFRS* 16 (PSAK 73)
Lease expense	1,110,195,916	(1,110,195,916)	0
EBITDA	374,223,157	1,110,195,916	1,484,419,073
Depreciation expense	181,972,648	872,565,320	1,054,537,968
Operating income	147,014,670	237,630,596	384,654,266
Interest expense	139,990,076	227,366,898	367,356,974
Income (loss) before tax	52,260,433	10,263,697	62,524,130

Source: Data processed by researchers

Table 3 shows a significant change due to the implementation of IFRS 16 (PSAK 73) whereas the EBITDA experienced a significant increase due to the lease expense decreased by $ 1,110,195,916. The decrease in lease expense is greater than the increase in depreciation expense of $ 872,565,320, which caused a decrease in operating expenses that increased the company's operating profit. Interest expense increased materially by $ 227,366,898, due to the change from operating leases to financial leases. The results of this study are consistent with [2] [14] [15] [16] [17] [18] [19] [20] [21]. The total decrease in lease expense exceeded the increase in interest expense and depreciation, that caused the company experienced an increase in profit-before-tax of $ 10,263,697.
Changes in the statement of financial position of PT Garuda Indonesia Tbk can be seen in the following Table:

Table 4 Comparison of the Consolidated Statements of Financial Position Before and After the Implementation of IFRS 16 (PSAK 73) (in US$)

Description	Before the Implementation of IFRS 16 (PSAK 73)	Addition (deduction)	After the Implementation of *IFRS* 16 (PSAK 73)
Total fixed assets	1,977,885,996	4,329,070,576	6,306,956,572
Right-of-use Asset	1,143,600,991	4,329,070,576	5,472,671,567
Total asset	4,455,675,774	4,329,070,576	8,784,746,350
Lease liability	52,533,237	5,034,277,773	5,086,811,010
Total liability	3,735,052,883	5,034,277,773	8,769,330,656
Total equity	720,622,891	(705,207,197)	15,415,694

Source: Data processed by Researchers

PT Garuda Indonesia Tbk's statement of financial position also experienced a significant increase in assets and liabilities. With the implementation of IFRS 16, the company must recognize the assets and liabilities related to the leased assets in which the right-of-use asset will increase as seen from the total increase in fixed assets of $ 4,329,070,576 (shown in table 4.). This also increases the total assets. Total liabilities also increased significantly by $ 5,034,277,773 due to an increase in lease liabilities of the same value.
On the other hand, the company's equity has decreased due to two things, namely: First, profit-before-tax has increased due to the implementation of IFRS 16, amounting to $ 10,263,697 and the second, cumulative effect of changing operating leases to finance leases for 6 years (from 2013 to 2019) which would reduce the retained earnings for $ 715,470,895, so the final balance of the company's equity becomes $ 15,415,694. The results obtained in this study are in line with [2] [3] [14] [15] [16], [17] [18] [19] [20] [21] [22] [23] [24].
In addition to the income statement and the statement of financial position, the financial statements of PT Garuda Indonesia Tbk which also experienced changes due to the implementation of IFRS 16 are the cash-flow statements which can be seen in Table 5 as follow:

Table 5 Comparison of the Consolidated Statements of Cash Flows Before and After the Implementation of IFRS 16 (PSAK 73) (in US$)

Description	Before the Implementation of IFRS 16 (PSAK 73)	Addition (deduction)	After the Implementation of *IFRS* 16 (PSAK 73)
Net cash flow from operating activities	513,101,286	1,110,195,916	1,623,297,202
Net cash flow used by financing activities	(146,735,782)	(1,110,195,916)	(1,256,931,698)

Source: Data processed by Researchers

Table 5. shows an increase in net cash-flow from operating activities of $ 1,110,195,916 arising from the write-off of leases after IFRS 16 implementation. On the other hand, the net cash-flow used by financing activities decreased due to an increase in lease payments of $ 1,110,195,916. These results are consistent with [16] [18] [20] [21].

The comparison of the key financial ratios of PT Garuda Indonesia Tbk before and after the implementation of IFRS 16 (PSAK 73) is shown in Table 6 below:

Table 6 The Comparison of Key Financial Ratios Before and After the Implementation of IFRS 16 (PSAK 73)

Financial Ratio	Before the Implementation of IFRS 16 (PSAK 73) (A)	After the Implementation of IFRS 16 (PSAK 73) (B)	% of changes (B – A) x100% / A
ROA = Profit before tax/total asset	1.1729%	0.71174%	-39.318%
ROE = Profit before tax/total equity	7.2521%	405.58753%	5,492.691%
DER = Total debt/total equity	518.3089%	56,885.73504%	10,875.256%
DAR = Total debt/total asset	83.8269%	99.82452%	19.084%
ATO = Total sales/total asset	1.0263 times	0.52052 times	- 49.279%
FTO = Total sales/total fixed asset	3.9985 times	0.83554 times	-79.103%
CFO = Cash Flow from Operation	$ 513,101,286	$ 1,623,297,202	216.370%
ICR = CFO/total interest charges	3.6653 times	4.41885 times	20.560%

Source: Data is processed by researchers

The key financial ratios of PT Garuda Indonesia Tbk underwent a very significant change due to the implementation of IFRS 16. Table 6 shows that the level of profitability, which is proxied by Return-on-Assets (ROA) decreased by 39.318% due to the increase in profit in the income statement which was lower than the increase of assets in the statement of financial position. On the other hand, Return-on-Equity (ROE) experienced a very sharp increase of 5,492.691% due to a very significant decrease of equity in the company's financial position statement. This result is consistent with the research conducted by [1] [17] [18] [22] [24] [25] [27]. However, this study is not consistent with [3] and [21].

The level of solvency has become worse, due to the leverage ratio measured by using Debt-to-Equity Ratio (DER) and Debt-to-Total-Asset Ratio (DAR) experienced a sharp increase caused by increased liabilities in the company's statement of financial position. Table 6 shows that for DER, there was a very significant increase of 10,875.256% from that before the implementation of IFRS 16, while for DAR there was an increase of 19.084%. The DER ratio increased very significantly due to an increase in total liabilities while the company's total equity decreased, but the DAR ratio did not increase significantly, because the increase in total liabilities and total assets did not differ too greatly. The results of this study are consistent with [17] [21] [22] [24] [25] [27]. On the other hand, this study is not in line with [1] and [3].

The level of efficiency in the use-of-assets, which is measured by using Asset Turnover (ATO) and Fixed Asset Turnover (FTO), has decreased significantly. From Table 6, the ATO ratio showed a decrease of 49.279% and the FTO also showed a significant decrease of 79.103% from the results before the implementation of IFRS 16. This decrease occurred due to the value of sales which was constant while both total assets and total assets increased significantly. These results are consistent with [23] and [27].

Cash Flow from Operations (CFO) and Interest Coverage Ratio (ICR) are used to measure liquidity ratios. Table 6 shows that Cash Flow from Operations (CFO) experienced a significant increase of 216.370% compared to that before the implementation of IFRS 16. This was due to the elimination of lease expenses so that the cash flow from operating activities increased. However, for ICR, there was an insignificant increase of 20.560% due to the implementation of IFRS 16. These results are consistent with [18] and [21].

In accordance with the agency theory, financial statements should be designed based on the wishes of the manager (agent) and company owner (principal) in order to minimize the agency costs.

Positive accounting theory is intended to explain and predict the consequences that occur when managers determine their choice. Explanations and predictions in positive accounting theory are based on the agency relationships between managers and other groups such as investors, creditors, auditors, capital market managers, and government institutions. Positive accounting theory is based on the premise that individuals always act based on personal motivation and seek to maximize personal gain.

From the perspective of agency theory, the implementation of IAS 17 (PSAK 30) raises more agency problems in the form of conflicts of interest between the agents and principals compared to the use of IFRS 16 (PSAK 73). From a positive and normative theory perspective, the IAS 17 (PSAK 30) guidelines are designed from a normative approach by providing the operating or financial lease options based on certain criteria, while the IFRS 16 (PSAK 73) guidelines are more designed based on a positive approach by taking into account the reactions and interests of the users of financial statements.

5. CLOSING

5.1. Conclusions

The conclusions of this study are: (1) The level of profitability, which is proxied by Return-on-Assets (ROA), has decreased, while Return-on-Equity (ROE) has experienced a very sharp increase due to a significant decrease of equity in the company's statement of financial position; (2) The level of solvency has become worse due to the leverage ratios measured using Debt-to-Equity Ratio (DER), and Debt-to-Total-Asset Ratio (DAR) experienced a sharp increase caused by increased liabilities and decreased equity in the company's statement of financial position; (3) The level of efficiency in the use of assets, which is measured by using the Asset Turnover (ATO) and Fixed-Asset Turnover (FTO), decreased significantly, because the value of sales did not change while both total assets and total liabilities significantly increased; (4) Liquidity ratios using Cash Flow from Operations (CFO) and Interest Coverage Ratio (ICR), have increased, although if being viewed from the overall cash flow, there were no significant changes.

The greater the lessee uses operating lease accounting in its financial reporting, the greater the impact of a decrease in financial performance if the company changes the lease accounting policy from the old standard (IAS 17 or PSAK 30) to the new standard (IFRS 16 or PSAK 73).

5.2. Limitations

Because the data used in this study are only secondary data, there are several other information not found in the financial statements, such as details of the contents of the lease contract per aircraft which include, among other things: the value of lease expense per aircraft type, lease period, lease interest-rate, and other related information. For information that is not found, try to use critical assumptions that are quite rational.

5.3. Suggestions

For the results of this study to be more thorough, it is recommended to further researchers to conduct as follows: in addition to using the secondary data, direct observations and interviews with related officials in companies can also be done as research subjects.

Learning from the changes in the lease accounting guidelines from IAS 17 (PSAK 30) to IFRS 16 (PSAK 73), several suggestions can be provided, including: (1) From the perspective of the standard-setting authority, further preparation of accounting standards, it is not enough to only use the normative approach alone, but must also be combined with a positive approach; (2) From the perspective of agency theory, the choices of accounting methods should be narrowed further to narrow the agency problems between agents and their principals; (3) From the perspective of users, the design of accounting standards should always improve the quality of transparency, reliability, and relevance of these financial reports for users.

5.4. Implications of research results

The implications of changing financial accounting standards, from IAS 17 (PSAK 30) to IFRS 16 (PSAK 73) can be seen from at least four perspectives: (1) The perspective of accounting theory, (2) The perspective of financial ratios and performance metrics of lessee entities, (3) The agency relationship perspective; and (4) The economic and legal perspective from changes in accounting standards.

From the perspective of accounting theory, the formulation of lease accounting standards in IAS 17 (PSAK 30) seems to be based more on normative approaches / theories, while the formulation of lease accounting standards in IFRS 16 (PSAK 73) puts forward a positive / pragmatic approach / theory. The formulation of new accounting standards in the future seems can no longer ignore the interests of the users of financial statements, especially investors and creditors.

From the perspective of financial ratios and performance metrics of lessees, the adoption of new lease accounting standards causes the financial ratio and performance of the lessee to appear worse. This is reflected in the level of profitability, solvency, and efficiency in using the assets significantly. In terms of liquidity, although there has been an increase in Cash Flow from Operations (CFO) and Interest Coverage Ratio (ICR), total cash flows have remained relatively unchanged.

From an agency perspective, the interests of management (as an agent) and users, especially investors (as principals), are often opposed. Concerning the lease transactions, for example, management will tend to prefer old standards, because financial ratios and company performance metrics appear to be better, but conversely, principals will prefer new standards, because those can further enhance the transparency of financial statements.

From an economic and legal perspective, there will be many changes; however, this is outside the scope of this study which requires further research. Changes, for example, will appear, among others: structure and contents of lease contracts, investment financing patterns, credit ratings and credit terms, taxation, capital market activities, and others.

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