

**Possible Amendment to IFRS for SMEs due to
New Approach to Operating Lease Reporting in
Full IFRS: Effect on Financial Analysis Ratios in
Air Cargo Transportation in the Czech Republic**

Hana Bohusova*

Mendel University Brno, Faculty of Business and
Economics,

Patrik Svoboda

Mendel University Brno, Faculty of Business and Economics

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

The paper focuses on the desirability and possibility of amendment to the IFRS for SMEs as a consequence of drafted changes in the full IFRS lease reporting. The main objective of the research is the evaluation of the lease treatments developed for listed companies primarily from the perspective of the SME lessees. The air cargo transportation in the Czech Republic as operating lease intensive sector was chosen for the study. The modified method of constructive capitalization was utilized for capitalization of operating lease. The conclusions of the study show a relation between capitalized future minimum lease obligations as an item of fixed assets and return on assets, relation between capitalized future minimum lease obligations and Indebtedness and between capitalized future minimum lease obligations and D/E ratio. The results of the study confirmed that firms use the operating lease to improve their financial analysis ratios in comparison to acquisition of assets.

Keywords: SMEs, IFRS for SMEs, operating lease, capitalization.

1. INTRODUCTION

Difference in national accounting systems was identified as the main reason of spending additional costs in companies that prepare financial statements based on national generally accepted accounting principles in order to raise capital from different countries. Financial reporting as a result of application of accounting treatments should become a comprehensible source of information for users from different countries. The way out of this situation is a global harmonization of financial reporting. According to Nerudová, Bohušová (2007) the situation in the area of financial reporting harmonization is solved out for large companies listed on the world stock markets. There are full International Financial Reporting Standards (IFRS) used for preparation of consolidated or individual financial statements of large listed companies in many countries except the US companies which prepare financial statements according to US Generally Accepted Accounting Principles (GAAP). The use of the full IFRS enhances the comparability of financial statements, improves corporate transparency and

increases the quality of financial reporting and significantly improves the communication between business users and all their statements.

On the other hand, only the low share of all business entities over the world represents large listed enterprises. The rest are small and medium-sized companies (SMEs). SMEs are considered as the key factor of economic growth and employment in the economies. They are socially and economically important and represent 99% of all enterprises in the EU. Their activities on the international markets are limited by a great deal of obstacles in comparison to listed companies. Different national financial reporting and tax systems can be considered as the most important obstacles (European Commission, 2003). Due to the fact, that the rate of SMEs is significantly high, the International Accounting Standards Board was authorized to develop internationally acceptable accounting standards for companies, which are not obliged to prepare financial statements in accordance with the IAS/IFRS. The IASB (2009) published the International Financial Reporting Standard designed for use by small and medium-sized entities (IFRS for SMEs) on July, the 9th 2009. The IFRS for SME is designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. The IFRS for SMEs is a self-contained standard of about 230 pages tailored for the needs and capabilities of smaller businesses. The IFRS for SMEs is separate from the full IFRSs and is therefore available for any jurisdiction to adopt regardless it has adopted the full IFRSs. It is also for each jurisdiction to determine which entities should use the standard. This standard could be a suitable instrument for the SME financial reporting harmonization. The IFRS for SME is aimed at millions of companies. The aim of the standard is to provide a simplified, self-contained set of standards. According to Deloitte (2013), this standard was meant to provide simplifications to the requirements in full IFRSs that reflect the needs of users of SMEs' financial statements and cost-benefit considerations. It is less complex, no relevant topics are omitted, accounting policy choices are reduced, requirements in full IFRSs are simplified and disclosures are reduced. The IASB had decided that the IFRS for SMEs should be subject to a review approximately once every three years in order to keep the requirements of the IFRS for SMEs broadly in sync with those in the full IFRSs.

The full IFRS has been subject of significant changes since 2002. There is a process of convergence of the full IFRS and US GAAP. The main aim of this project is compatibility of both systems. The process of convergence of US GAAP and the IFRS has been realized through a series of sub-projects aimed at short-term or long-term period. One of the most significant issues of the convergence project is lease. The Boards have been giving the great effort to develop a common standard for lease reporting. The ED of Lease standard was published in 2010, this draft was a subject of a number of comments, in reaction to these comments, Boards amended this ED and published the revised ED in May 2013. The IASB expects to issue a final Leases Standard in 2015. The IFRS for SME should keep balance with the full IFRS. The change of IFRS for SMES would be in a form of regular review in the 2015-2017 period.

2. AIM AND METHODOLOGY

The paper focuses on the desirability and possibility of amendment of the IFRS for SMEs as a consequence of changes in the full IFRS lease reporting in the regular three years amendments. The main objective is the evaluation of the lease treatments developed for listed companies primarily from the perspective of the SMEs lessees. According to PwC (2011) leasing is now a preferred choice for most airlines these days, which is in a contrast to their preference of owning aircraft out right a couple of decades ago. As a result of the above mentioned shift in behavior, leasing market share has increased from around 12% of the global fleet in 1990 to around 32% today. The penetration of leasing companies is likely to increase further as airlines look to fill the funding gap left by banks and investors. Some market forecasts estimates a share of around 40% by 2020. Under an operating lease agreement, the aircraft lessor and the lessee agree the use of an aircraft as set for a period of time in exchange for a rental payment. Lease terms for the largest lease category – single-aisle aircraft – run from three to seven years on average and are predominantly classified as operating lease. Despite this fact, leased aircrafts are used in the same way as owed fixed assets. This classification and the current way of operating lease reporting could lead to significant differences in financial statements and financial analysis ratios of the companies and could affect external users' decision making. Due to the fact, the authors considered comparison of the effects of reporting of different ways of core fixed assets acquisition as necessary.

The paper is concerned with the comparison of two different possibilities of the lease agreement structuring and the impact on financial statement items and financial analysis ratios. The main aim of this paper is quantification of the impact of reporting an operating lease as a balance sheet item (leased asset and lease liability) on the information provided by financial statements as indicators of financial analysis. The modified method of constructive capitalization is applied for quantification of leased asset and lease liability.

The financial statements of not listed medium sized and large Czech airlines companies involved in air cargo transportation data are used for the research. These companies prepare financial statements in accordance with the Czech accounting legislation (CAL). Due to the significant difference in lease reporting according the CAL and the IFRS for SMEs, the finance lease reconciliation according to the current IFRS for finance leasing reporting was necessary for evaluation of the impact of possible change in operating lease reporting. Only the companies whose notes to financial statements comply with all reporting requirements for leases are subject of the research. According to AMADEUS database, there are 5 medium sized and 3 small companies involved in cargo transportation in the Czech Republic (CTR flight services, Aeropartner, Air Prague, Air Bohemia, Aerotaxi, ABS Jet, Grossmann JET Service, Silesia Air). Only 3 companies published all necessary information for evaluation. One company prepares financial statements according to the IFRS, the others prepare financial statement in an accord with CAL.

The following approach is used for evaluation:

Finance lease reported according to the CAL capitalization: the finance lease reported according to the CAL as accruals is included to long-term assets and long term debt (the

Moody's method is employed, to keep the calculations simple and transparent for users of Moody's analysis, multiples are limited to 5X, 6X and 8X rent expense and assigned to individual sectors. Industries such as airlines, shipping and public utilities have the highest multiple reflecting the long economic life of assets.

Operating lease capitalization: The value of capitalized operating leases is added to book value of assets and to long-term debt.

Under current accounting standards, the actual value of leased assets is typically not disclosed, but there are various methods for estimating the value of leased assets. The estimation based on present value (using the 5.5% effective interest rate) of minimum lease payment (PVMLP) is used for the lease liability calculation in this research. The value of leased assets (LA) is equal to the lease liability (at the lease inception). The companies are obliged to disclose the future minimum lease payment for each of the following period:

- not later than one year,
- later than one year and not later than five years: the annual lease payment is estimated when the single figure is disclosed for lease payments between two and five year, it is assumed that all lease payments over the lease term are equal and the annual lease payment are estimated by dividing the minimum lease payment between year two and five by four, later than five years.

Profit or loss reconciliation: implicit lease interest expense is removed from operating income and it is considered as financial cost. The calculation is based on value of the operating lease payment multiplied by the interest rate of secured debt (5%). The remaining rental expense is considered as depreciation of leased assets.

The sample consists of 3 companies. The data for the reporting period 2013 and 2012 are used. The size of the researched sample is similar to other researches focusing this issue carried out in the USA (Duke, Hsieh, 2006), Germany (Imhoff, Lipe, Wright, 1991), Hong-Kong (Tai, 2013). The ratios displaying the structural changes in the financial position statement and income statement were used. It was expected that all above mentioned items are affected by capitalization of operating lease.

To quantify the impact of operating lease capitalization on indicators financial analysis the indicators whose structure is based on items that are affected by the capitalization of operating leases are utilized. Fixed assets, total assets, long-term liabilities, short-term liabilities, total liabilities, operating expenses, financial expenses, operating profit were affected by capitalization of an operating lease. The percentage changes due to capitalization of an operating lease in above mentioned items and the changes in selected financial analysis ratios were expressed. Return on assets (hereinafter as ROA) is used to indicate changes in the profitability of companies' assets, total indebtedness is used to evaluate companies' financial risk, and debt-to-equity (hereinafter as D/E) ratio to assess the way of financing companies' growth.

$$ROA = \frac{\text{Net Income}}{\text{Average Total Assets}} \quad (1)$$

$$\text{Total Debt to Total Assets} = \frac{\text{Total Debts}}{\text{Total Assets}} \quad (2)$$

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholder's Equity}} \quad (3)$$

3. THEORETICAL BACKGROUND

Leases are considered as a significant way of long term assets financing. The annual volume of leases increases from year to year. In 2013, total new leasing volumes worth €251.9 billion were granted by the firms represented through Leaseurope's members. According to Leaseurope it represents a slight increase of 0.7% compared to 2012. Leases could be currently treated in two different ways as an operating or financial. Lease is classified as financial if it transfers substantially all risks and rewards incidental to ownership of an asset to the lessee. It is irrelevant whether after the end of the lease there will be a transfer of ownership to the lessee for classification of lease as a financial lease. Otherwise a lease is recorded as an operating lease. The treatments for operating and finance lease reporting according to IFRS for SMEs differ significantly. In case of the finance lease reporting the substance of transaction prevails over the form. The subject of the lease is reported as a long-term asset and the appropriate liability while the operating lease is not subject of financial position statement presentation. Due to this fact, many leases remain reported off-balance sheet according to the current treatments for operating and financial lease reporting under the IFRS for SMEs.

The company could lease the same asset from a lessor. If the lease agreement does not meet criteria for classification lease as financial, the company records only the periodic rental expense associated with the lease according to the current treatments. In this case a company that leases its assets has lower operating profits due to rental expenses include an implicit interest expense and higher capital productivity. According to Ge (2006) and Imhoff, Lipe, Wright (1991) operating leases are similar to mortgages and other financing plans in which an asset is obtained with financing that requires pre-specified future payments that include principal and interest. In substance, most operating leases represent assets and liabilities of the lessee's company.

The effect of a financial lease on operating and net income differs in comparison to an operating lease. The effects of both types of leases on financial statements are described in a following way.

In an operating lease, the leased asset is not shown on the balance sheet. It means that leases are a source of off-balance sheet financing. It means that the debt on the balance sheet does not reflect the lease liability and there is no asset to reflect that liability on the balance sheet either. The total balance sheet is shrunken due to understatement of assets and debt. In a financial lease, the present value of the lease liability is shown as debt. At the same time, there is an item representing the leased asset. Any measures that are built on these balance sheet items, such as total assets or

invested capital are affected by whether a lease is treated as an operating or financial lease.

According to Damodaran (2009) many firms prefer operating leases, since they hide the potential liability to the firm and understate its effective financial leverage. Currently the line between operating and financial leases remains fine and companies can modify lease agreements to cross the line in the demanded way. Also Duke, Hsieh a Su (2009) stress that many companies use operating lease to hide their current liabilities and assets and increase operating profit to external users in the post Enron era. They present the possibility of financial analysis ratios improvement (ROA, D/E, current ratio) by reporting leases as operating. Lim, Mann and Mihov (2003) consider capitalization of operating leases as a tool for increase of effective leverage, and reduction of interest coverage, and decrease the funds from operation-to-debt. The importance of including operating lease in capital structure decisions stressed Graham, Lemmon, Schallheim (1998). Fuelbier, Lirio Silva, Pferdehirt (2008) stress the gradual shift from financial lease to operating lease and the problem of misleading accounting ratios due to off-balance sheet lease reporting. The ways of including and assessments of lease assets and liabilities in case of operating lease were developed in the course of time (Standard and Poor's Present value method (2005), Moody's Factor method (2006), Fitch Hybrid model (2006), constructive capitalization method used by Imhoff, Lipe, Wright (1991, 1993, 1997)) etc. The purpose of lease capitalization techniques is to adjust the financial statements to show what would have resulted if operating leases had been accounted for as financial lease.

Based on above mentioned studies it is apparent that the current IFRS for SMEs treatments for lease reporting provide a space for structuring of lease in the way to serve demanded data for external users. Financial analysis ratios such as ROA, D/E based on financial statements data do not give a true view on financial position of the company. The ratios are not fully comparable among companies due to the use of different ways of similar lease agreement reporting.

The possible way out of this situation would be a development of new treatments for the lease with the term over one year reporting regardless of the lease classification. The situation is almost solved for listed companies. Since 2006, the IASB and FASB have been working on a joint project with the aim to develop a common standard for lease reporting. The main aim of this project is that the lease reporting should be based on principles that fairly show the substance of the lease transaction. In March 2009 IASB and FASB published the discussion paper Leases – Preliminary Views. Based on comment letters to the discussion paper to the Exposure draft – Leases was issued in August 2010. ED issued by IASB and FASB was built on the presumption that every lease contract with the term over one year represents transfer of right to use leased asset. During 2011 and 2012 the IASB and FASB considered the comments received on the ED. The revised Exposure Draft (hereinafter as Re-ED) was released in May 2013 as a response to the opinions of experts and the general public. The final standard publication is supposed till the end of 2015.

According to the Re-ED the maximum lease term over 12 months is the main criterion for identifying lease and subsequent recognition of assets and liabilities that

arise from leases. The Re-ED uses a model that is very similar to the current approach to the reporting of finance leases. Re-ED requires reporting of all leases on the lessee side using the right to use with the recognition of the corresponding obligation. The only exception is a short-term lease with the lease term under 12 months. When developing methodologies, Boards took into account not only the difficulty of the application of methods but also the anticipated costs incurred in connection with this amendment in reporting. Despite the fact that many respondents demanded use of a single methodology for reporting of all leases (it is the main objective of the Lease project), the Board took into account a wide variety of different forms of leases and evaluated the unification of treatment for reporting of all types of leases as impossible. Re-ED uses again the classification of leases, it introduces a lease Type A and lease Type B. A simplified methodology is optional for leases with the lease term under 12 months.

Recognition, measurement and reporting expenses and cash flows connected with lease is dependent on whether the lease term is for a significant part of the total economic life of the underlying asset or the present value of the lease payments is significant relative to the fair value of the underlying asset at the commencement date. If either criterion above is met, the lease is classified as a Type A lease. This classification is rather subjective in practice. The classification is dependent on many factors as the nature of the relevant assets and others.

Most leases of assets other than real estate (such as equipment, airplanes, cars and trucks), the lessee classifies lease as a lease Type A (it is expected that for the lease term is consumed a significant portion of the economic benefits associated with the leased asset) that requires recognition of these items for the lessee:

- at the commencement date, a lessee shall recognize a right-of-use asset and a lease liability measured at present value of lease payments, and
- after the commencement date, a lessee shall recognize in profit or loss, the unwinding of the discount on the lease liability as interest and the amortization of the right-of-use asset.

The lease expense is reported in a form of two items – financial expense and amortization of right – of –use asset.

The majority of leases of real estate (ie. land and/or buildings or parts of buildings) is classified as a lease type B (it is not expected significant decline in value of leased asset over the lease term) and are recognized the following items:

Right-of-use asset and a lease liability measured at present value of lease payments

A single lease cost, combining the unwinding of the discount on the lease liability with the amortization of the right-of-use asset, calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis. Due to the Boards requirement of steady progress of total as expenses during the lease term it is necessary to amortize the right-of–use progressively. The interest expense decreases due to the shrinking of lease liability during the lease term.

4. The Operating Lease Reconciliation and the Impact of Operating Lease Capitalization

4.1 Impact on Financial Position Statement

The capitalization of operating leases is demanded for comparison of financial ratios of business entities. In the researched sample that meets the conditions of the section 20 of IFRS for SMES and entities present information suitable for capitalization of operating leases, the capitalization of operating leases represents increase of total assets in all cases. The increase in assets is connected with the increase especially in long term liabilities. All the researched units increased the value of fixed assets, for individual entities ranging from 14% to 20%, excluding Silesia which has not any assets leased by operating lease. The results are consistent with the findings of similar studies carried out in the UK (Beatie, 2006), Canada (Durocher, 2008), New Zealand (Bennett, Bradbury, 2003), South Africa (Opperman, 2013), the USA (Mulford, Gram, 2007). According to conclusions of Mulford, Gram (2007) the median of fixed assets increase was 15.5%. The median increase in balance sheet total is 13% for the researched sample. The increase in assets due to capitalization of operating leases is corresponding to the increase in liabilities, in the case of liabilities in the range from 19% to 24%, the median 22.5%. These values are consistent with conclusions of Mulford, Gram (2007) and Bennett, Bradbury (2003). Bennett, Bradbury (2003) examined the impact of capitalizing operating leases on 38 New Zealand firms. Bennett and Bradbury (2003) found out 23% average increase in total liabilities. Mulford, Gram (2007) reached similar conclusions. The detail results are shown in Table 1 in Appendix. The impact of operating lease capitalization is also consistent with conclusions of author's previous research (Bohušová, 2015), which is concerning to the Czech listed companies operating lease capitalization.

According to IFRS for SMEs, operating lease installments are reported only on the income statement, regardless to the lease term. Company incurs the same level of expense concerning the leased asset each accounting period. The capitalization of an operating lease leads to separation of expenses connected to an operation lease into two categories: the depreciation of the long-term assets and interest expenses. The total of the expense connected to lease could differ in case of capitalization. Both parts of income are affected, the operating income and financial income. Using the capitalization model, the leased asset is usually depreciated evenly. The interest expenses decrease during the lease term due to decreasing lease liability. The operating income increases due to the reduction of operating expense by interest expense. Operating expenses are reduced by calculated interest costs as a part of financial costs. The operating profit increases in the range from 9.4% to 62.1%. Financial costs increase due to the distribution of the lease expense and calculation of the value of interest cost appropriate to the lease liability. The results are subject of table 2 in Appendix. This approach is more corresponding to the substance of the long-term lease of fixed assets. The information on interest cost is more significant for external users.

4.2 Impact of Operating Lease Capitalization on Financial Ratios

The changes in items of financial statements entail changes in financial ratios. The capitalization of operating lease decreases ROA. In case of CTR, the company reached loss in the researched period, the ROA rating is inappropriate. Generally, the ROA decreases due to the lease capitalization. It is confirmed by ABS in 2012, 2013 periods (9% respectively 22%). It is quite consistent with the conclusion of Mulford, Gram (2007) they found the 15.5% reduction in ROA. Bostowick, Fahnestock and

O'Keefe (2013) found median of ROA decrease 9.5%. In case of operating lease, returns are generated by firm's assets including unrecorded assets leased by operating lease.

Total indebtedness is the other examined ratio. The capitalization of operating lease leads to the increase of indebtedness for majority of business entities. We could observe a slight increase in indebtedness from 2.27% to 3.75%. It corresponds to Durocher's findings (2008) and Bohušová (2015), the increase observed in other studies is higher – from 5.22% Opperman (2013) to 10.66% Bennett, Bradbury (2003).

D/E ratio is the last ratio examined. The significant increase in this ratio could be observed. The increase was in the interval from 46 to 64%. This increase is slightly higher than shows majority researches carried out in this area. Opperman (2013) observed the average increase 12.54% in the sample indexed on the Johannesburg Stock Exchange. The other studies in this area carried out in different countries revealed increase in D/E ratio in the interval from 9% to 191% in the case of "high" operating lease companies (Imhoff, Lipe, Wright, 1991). The results are shown in Tab.3 in Appendix.

5. Conclusion

Distinction between financial and operating leases and structuring of the lease agreements was the main reason for the draft of significant changes in the lease reporting according to the full IFRS or US GAAP.

This study is concerned with an effect of possible amendment of IFRS for SME in the lease reporting area as a consequence of the new approach to the operating lease reporting in full IFRS and the effect of operating leases capitalization on selected items of financial statements and selected financial analysis ratios of SMEs in the air cargo transportation in the Czech Republic. Results consistently show a relation between capitalized future minimum lease obligations as an item of fixed assets and return on assets, relation between capitalized future minimum lease obligations and Indebtedness and relation between capitalized future minimum lease obligations and D/E ratio. Firms use operating leases to acquire the use of assets while not acquiring legal ownership. The results of the study confirmed that firms use the operating lease to improve their financial analysis ratios in comparison to acquisition of assets. The capitalization of operating lease leads to deterioration of all financial analysis ratios affected by the capitalization (decrease of return on assets and increase of indebtedness and D/E ratio) and to changes in the structure of cost a profit or loss.

The results of this study supports the intention of joint FASB/IASB Leases project proposing capitalization of all non-cancelable operating leases with the term over one year and the subsequent amendment to IFRS for SMEs in the area of operating lease reporting. For all firms currently using operating leases as a way of acquisition of long term assets may fundamentally change financial situation due to the capitalization of operating lease. The new approach to lease reporting could improve comparability of financial statements and financial ratios.

Appendix

Table 1: Changes in financial position items due to capitalization

Item	CTR		Silesia		ABS	
	2013	2012	2013	2012	2013	2012
Fixed Assets (operating lease)	154 765	164 696	215 765	224 536	473 149	487 702
Fixed Assets (capitalization)	175 789	189 604	215 765	224 536	565 871	566 658
Change +/-	14%	15%	0%	0%	20%	16%
Long-term Liabilities (operating lease)	111 988	113 650	213 173	220 850	398 910	397 771
Long-term Liabilities (capitalization)	133 012	138 558	213 173	220 850	491 632	492 419
Change +/-	19%	22%	0%	0%	23%	24%
Total Balance sheet (operating lease)	170 290	172 566	273 972	282 140	762 632	728 643
Total Balance sheet (capitalization)	191 314	197 474	273 972	282 140	855 354	856 141
Change +/-	12%	14%	0%	0%	12%	17%

Source: Authors' calculation

Table 2: Changes in income statement items due to capitalization

Item	CTR		Silesia		ABS	
	2013	2012	2013	2012	2013	2012
Operating profit (operating lease)	-2 417	-2 408	23 029	18 309	47 442	47 652
Operating profit (capitalization)	-1 156	-914	23 029	18 309	52 078	52 117
Change +/-	52.2%	62.1%	0.0%	0.0%	9.8%	9.4%
Financial costs (operating lease)	3 886	3 234	26 507	17 001	29 220	33 698
Financial costs (capitalization)	5 147	4 728	26 507	17 001	33 856	33 895
Change +/-	32.5%	46.2%	0.0%	0.0%	15.9%	0.6%

Source: Authors' calculation

Table 3: Changes in financial analysis ratios due to capitalization

Item	CTR		Silesia		ABS	
	2013	2012	2013	2012	2013	2012
ROA	-3.2967	-1.3502	0.4135	5.1297	1.8209	1.5026

(operating lease)						
ROA (capitalization)	-2.9344	-1.1799	0.4135	5.1297	1.6235	1.2789
Change +/-	0.3623*	0.1703*	0.0000	0.0000	-0.1974	-0.2238
Indebtedness (operating lease)	72.7588	70.2427	91.7858	92.4277	79.02003	79.94724
Indebtedness (capitalization)	75.7524	73.9961	91.7858	92.4277	81.2943	82.25256
Change +/-	2.9936	3.7534	0.0000	0.0000	2.2743	2.3053
D/E (operating lease)	271.4389	236.4709	1117.3973	1220.6049	376.645	398.6846
D/E (capitalization)	317.4975	285.0622	1117.3973	1220.6049	434.5965	463.4617
Change +/-	46.0586	48.5912	0.0000	0.0000	57.9515	64.7771

Source: Authors' calculation

ACKNOWLEDGEMENTS

The paper is the result of the GA ČR no. 15-24867S „Small and medium size enterprises in global competition: Development of specific transfer pricing methodology reflecting their specificities“.

REFERENCES

- [1] Bennett, B. and Bradbury, M., E. (2003), “Capitalizing Non-cancelable Operating Leases”. *Journal of International Financial Management & Accounting*. 14 (2): 101-114.
- [2] Berman, M. (2007), “Capitalization of Operating Leases by Credit Rating Agencies”, Available at: http://www.elfaonline.org/cvweb_elfa/product_downloads/efeb07fw.pdf. [Accessed 2015, June 1].
- [3] Bohušová, H. (2015), “Is capitalization of operating lease way to increase of comparability of financial statements prepared under IFRS and US GAAP?” *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*. 2015, 63, 507-514
- [4] Bostwick, E. D., Fahnstock, R. T. and O'Keefe, W.T. (2013), “Effects of lease capitalization techniques on key measures of financial performance”. *Journal of Finance & Accountancy*. 12: 91-102.
- [5] Damodaran, A. (2009), “Equity Risk Premiums (ERP): Determinants, Estimation and Implications - A Post-Crisis Update”. SSRN [Online] Available at: <http://ssrn.com/abstract=1492717> or <http://dx.doi.org/10.2139/ssrn.1492717> [Accessed 2015, June 1].
- [6] Deloitte (2010), “IFRS in Focus: IASB issues Exposure Draft on Lease Accounting. IFRS Global Office”. [Online] Available at <http://www.deloitte.com/assets/Dcom>

- France/Local%20Assets/Documents/Votre%20Secteur/Immobilier/IAS%2017/IFRS%20in%20Focus%20Newsletter%20.20IASB%20issues%20Exposure%20Draft%20on%20lease%20accounting.pdf. [Accessed 2014, August 1].
- [7] Deloitte (2013), "IASB issues Exposure Draft of proposed amendments to IFRS for SMEs" [Online] Available at <http://www.iasplus.com/en/news/2013/10/sme-ed>. [Accessed 2015, June 1].
- [8] Duke, J.C., Hsieh, S. J. and Su, Y. (2009), "Operating and synthetic leases: Exploiting financial benefits in the post –Enron era". *Advances in Accounting*. 2(1): 28-37.
- [9] Durocher, S. (2008). "Canadian Evidence on the Constructive Capitalization of Operating Leases". *Accounting Perspective*. 7 (3): 227–256.
- [10] European Commission (2003). "Internationalization of SMEs, Observatory of European SMEs", No.4. DG Enterprise publications.
- [11] Fahnestock, R.T. (1998), "A Qualitative Analysis of the Content of Operating Lease Disclosures". *Oil, Gas, and Energy*. (4) 343-358.
- [12] Fahnestock, R.T. and King, C. G. (2001), "An Evaluation of the Impact of Constructive operating Leases on Financial Position and Results of Operations". *Journal of Accounting and Finance Research*. Summer. 39-52.
- [13] Fuelbier, R.,U., Silva,L. J. and Pferdehirt, M. H. (2008), „Impact of Lease Capitalization on Financial Ratios of Listed German Companies”, *Schmalenbach Business Review*. 60 (2):122-144.
- [14] Graham, J. Lemmon, M. and Schallheim, J. (1998), "Debt, leases, taxes, and the endogeneity of corporate tax status". *Journal of Finance*. 53 (1): 131-162.
- [15] IASB (2009), *International Financial Reporting Standard for Small and Medium-sized Entities*, London.
- [16] IASB (2010), ED 2010/9 Leases [online] Available from <http://www.ifrs.org/Meetings/MeetingDocs/IASB/Archive/Conceptual-framework/Previous%20Work/CF-0712b14a.pdf>. [Accessed 2014, August 13].
- [17] IASB, 2013. ED 2013/6 Leases [online] Available from <http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Exposure-Draft-May-2013/Documents/ED-Leases-Standard-May-2013.pdf>. [Accessed 2015, June 3].
- [18] Imhoff, E., Jr., Lipe, R., Wright, D. (1991), "Operating Leases: Impact of Constructive Capitalization". *Accounting Horizons*. 5 (1): 51-63.
- [19] Imhoff, E. Jr. Lipe, R., Wright, D. (1993), "The effects of recognition versus disclosure on shareholder risk and executive compensation", *Journal of Accounting, Auditing and Finance*. 8 (4): 335- 368.
- [20] Imhoff, E. Jr. Lipe, R. and Wright, D. (1997), "Operating leases: Income effects of constructive capitalization". *Accounting Horizons*. 11(2): 12-32.
- [21] Leaseurope (2015), "2013 Leasing Facts & Figures". Available at: <http://www.leaseurope.org/index.php?page=key-facts-figures>. [Accessed 2015, June 5].
- [22] Lim, S. C. Mann, S. C. and Mihov, V. T. (2004), "Market Evaluation of Off-Balance Sheet Financing: You Can Run But You Can't Hide". EFMA 2004 Basel Meetings Paper. SSRN [Online] Available at: <http://ssrn.com/abstract=474784> or <http://dx.doi.org/10.2139/ssrn.474784>[Accessed 2014, August 3].

- [23] Mulford, Ch.W. and Gram, M. (2007), "The Effects of Lease Capitalization on Various Financial Measures: An Analysis of the Retail Industry". *Journal of Applied Research in Accounting and Finance*. 2 (2): 3-13.
- [24] Nerudová, D., Bohušová, H. (2007), "SMEs on the Internal Market – Tax and Accounting Aspects". *Hradecké ekonomické dny 2007, II: Ekonomický růst a rozvoj regionu. Economic Growth and Development in the Region*. Retrieved from http://apps.webofknowledge.com/full_record.do?product=WOS&search_mode=GeneralSearch&qid=4&SID=Y1IbfLL5HLN5HD5i792&page=1&doc=6.
- [25] Opperman, C., P., J. (2013), "Assessing the impact of operating lease capitalization on the financial statements of listed companies", Master Thesis, University of Johannesburg.
- [26] PWC (2011), "Aviation Finance, Fasten your seat belt". Available at: https://www.pwc.com/en_GX/gx/aerospace-defence/publications/assets/pwc-aviation-finance-fastern-your-seat-belts-pdf. [Accessed 2014, August 2].
- [27] Tai, B.Y. (2013), "Constructive Capitalization of Operating Leases in the Hong Kong Fast-Food Industry". [Online] Available at: <http://www.macrothink.org/journal/index.php/ijaf/article/view/3270> [Accessed 2015, June 5].