

# The Impact of MFRS 16 on Key Financial Ratios of Malaysian Public Listed Firms

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## ABSTRACT

The purpose of this article is to identify and examine the material change implications that may arise from the implementation of MFRS 16 Leases on the key financial ratios of Malaysian public listed firms. These key financial ratios inform stakeholders in making strategic decisions by analysing the solvency, liquidity and operational effectiveness of the entity. MFRS 16 Leases (effective from 1 January 2019) supersedes MFRS 117 Leases and the related interpretations. MFRS 16 requires instead of just recognising a lease expense, entities will have to recognise a lease asset (right-of-use of the underlying asset) and a lease liability (for the present value of future lease payments). In other words, MFRS16 requires the majority of lessees to account for lease arrangements on the face of the balance sheet. To validate the effects on financial ratios, paired t-test is used when we are interested in the difference between two variables for the same subject. This research will shed light on the effect of the imminent changes to Malaysia's financial reporting structure, making an important contribution to financial reporting knowledge, transparency and accountability.

**Keywords:** MFRS 16, Key financial ratios, Malaysian public listed firms

