



**AOSSG Survey**  
***Accounting for Islamic Financial  
Transactions and Entities***

**DECEMBER  
2011**

AOSSG Survey:  
Accounting for Islamic Financial Transactions and Entities

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# Introduction

# About the survey

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The Asian-Oceanian Standard-Setters Group (AOSSG) was formed in 2009, and comprises national accounting standard-setters from Asia and Oceania. The purpose of the group is to discuss and share experiences in the adoption of International Financial Reporting Standards (IFRS) and to contribute to the development of a high-quality set of global accounting standards. Within the AOSSG, the AOSSG's Islamic Finance Working Group (WG) aims to provide input and feedback to the International Accounting Standards Board (IASB) on the adequacy and appropriateness of proposed and existing IFRSs to Islamic financial transactions and entities.

Given the extent of the Islamic finance industry in the Asia-Oceania region and the number of regional jurisdictions committed to converging with or adopting IFRS, the AOSSG believes it is important to understand how Islamic financial transactions are reported by its constituents and how entities claiming to be Islamic would prepare their financial statements, in particular, what accounting standards would apply and the circumstances under which they would apply. The AOSSG also seeks to gain insight into the requirements of any differential "Islamic accounting standards".

Towards that end, an on-line survey was initiated by the AOSSG's Islamic Finance Working Group (WG). The purpose of the survey is to establish the significance of Islamic financial transactions and entities today, and accordingly, the importance of having the IASB consider Islamic-based transactions and entities when deliberating its on-going and future projects.

The survey questionnaire was divided into four sections: (1) Islamic finance information specific to the respondent's jurisdiction, (2) jurisdictional financial reporting requirements, (3) respondents' views on Islamic accounting standards; and (4) the requirements of Islamic accounting standards, if any, in the jurisdiction. Respondents were also invited to provide additional comments at the end of the survey. The first three sections were to be answered by all respondents; only respondents which had Islamic accounting standards in their jurisdictions were asked to complete the last section. Questions on the requirements of Islamic accounting standards concern only transactions and entities that are explicitly identified as Islamic financial transactions and entities.

In recognition of the global reach of Islamic finance, the survey was distributed to national standard-setters in Asia-Oceania as well as to the geographically diverse members of the National Standards Setters (NSS) group. The survey was run between 1 July and 15 October 2011. This report presents the responses from 24 participating standard-setters. The purpose of this report is to document the significance of Islamic financial transactions and entities in respondent jurisdictions, and to communicate the importance of having the IASB consider Islamic financial transactions and entities in deliberating its on-going and future projects.

# Executive summary

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Several key conclusions can be derived from the survey. Firstly, entities involved in Islamic finance are not globally subject to a common set of standards. Most respondents had indicated that such entities under their purview are subject to International Financial Reporting Standards (IFRS) or national standards based on IFRS. Others indicated that distinct standards, collectively referred to as 'Islamic accounting standards', would apply to entities engaged in Islamic finance.

The survey found that the term 'Islamic accounting standards' does not refer to a homogenous set of standards. Instead, the term appears to refer to various sets of religiously-influenced standards that can have markedly different requirements for similar transactions. While some requirements may be comparable with IFRS, others are not. Foremost among Islamic accounting standards are those issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), but some jurisdictions have locally-developed Islamic standards which may or may not be based on AAOIFI standards.

Most importantly, an overwhelming majority of respondents thought that having separate Islamic accounting standards would be incompatible with IFRS convergence. Of those respondents with separate Islamic accounting standards, most indicated they may need to review their Islamic accounting requirements in light of the global move towards IFRS convergence. Two respondents, however, expect to retain their Islamic accounting standards. This indicates that while the importance of convergence is recognised, there may be aspects of reporting Islamic financial transactions and the statements of Islamic entities that are not thought to be adequately addressed by IFRS.

It should be emphasised that only five respondents to this survey have accounting standards specific to Islamic financial transactions and entities. The AOSSG Islamic Finance Working Group had difficulties in contacting the bodies responsible for standard-setting in some jurisdictions. As such, the data collected is limited to a few jurisdictions, and it may not be appropriate to make generalisations about Islamic accounting standards based on these responses. This report nevertheless concludes that there is a need to improve the cross-border comparability of entities engaged in Islamic finance, and that any discussion on the matter must take into consideration the increasing global acceptance of IFRS. Ideally, there ought to be a mechanism for the IASB to consider Islamic financial transactions and entities in the development of existing and future IFRSs.

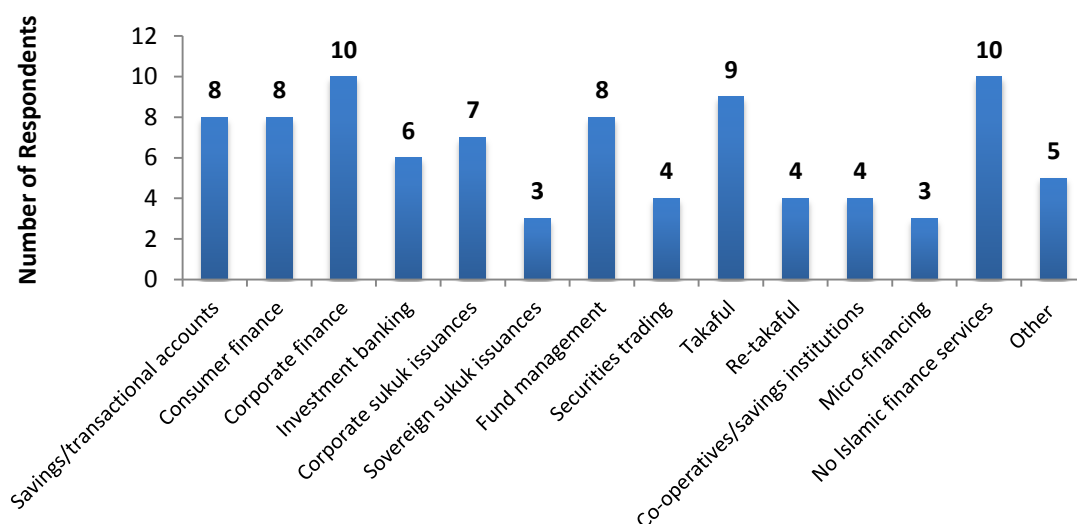
The survey findings also suggest that the AOSSG Islamic Finance Working Group may need to intensify outreach efforts to those jurisdictions without identifiable accounting standard-setters, and to undertake further work to promote consistency of reporting amongst jurisdictions with a significant Islamic finance presence.



# Survey results

# The Islamic finance landscape

*Which of the following Islamic finance services are available in your jurisdiction?*



Modern Islamic finance encompasses an array of financial transactions designed to comply with Islamic law, or *Shariah*. There are *Shariah* compliant alternatives to many of today’s conventional financial products.

Of the 24 standard-setters that responded, 10, or 42%, reported having no Islamic finance products in their jurisdictions.

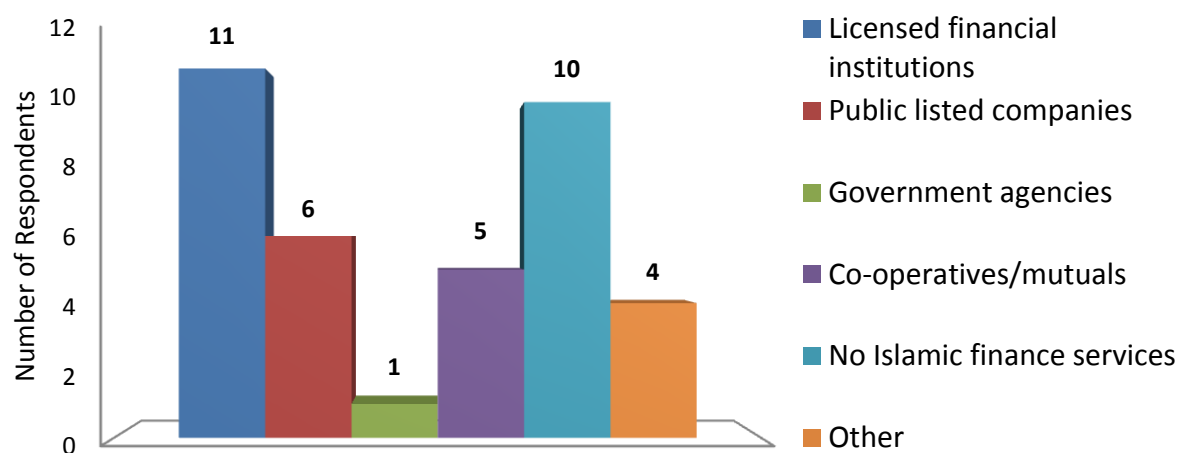
For the remaining 14 respondents, the vast majority (71%) had Islamic corporate finance. Corporate finance encompasses debt and equity issuances, not including *sukuk* and investment banking. The second most popular product was *takaful*, followed by savings/transactional accounts, consumer finance, and fund management.

Interestingly, although Japan stated that it does not have a domestic Islamic finance industry; Japanese companies have been known to venture into Islamic finance overseas. This is because the Japanese regulatory environment was historically not conducive to the development of Islamic finance. Nevertheless, Japanese companies recognising its business value have engaged in Islamic finance through their foreign subsidiaries. Japan recently amended its regulatory framework to facilitate Islamic finance, and domestically-originated products are expected in the near future. Similar to Japan, Hong Kong noted that it also wants to add Islamic finance products to its offerings. As such, its local regulators are working to ‘create a level playing field for Islamic financial products vis-à-vis conventional ones’.

Two other respondents, Canada and the United Kingdom (UK), noted that they believe they have Islamic finance products within their jurisdictions, but are unacquainted with the breadth of products offered. The UK resolved this by providing third-party data on Islamic finance in the UK. Canada did not specify which products were available.



*In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?*

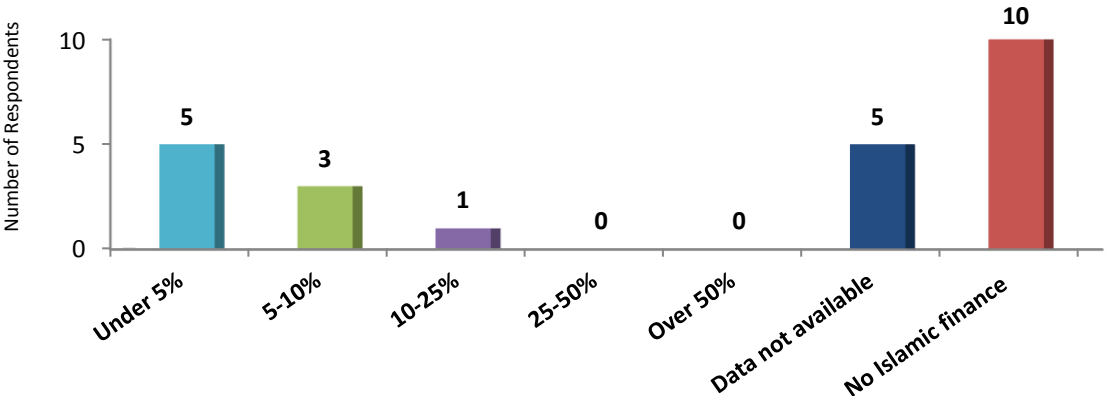


11 out of the 14 (78%) jurisdictions with Islamic finance products cited licensed financial institutions as a primary Islamic finance entity. Multiple answers were allowed, and the second most selected type of entity was public listed companies. This would be consistent with the services available in respondents’ jurisdictions, where current and savings accounts, investment banking and consumer and corporate finance are prominent. Participation by public listed companies additionally explains the presence of corporate *sukuk* indicated in the responses to the first question.

Only one jurisdiction, Malaysia, cited government agencies as a primary player in Islamic finance. Although Indonesia and Pakistan indicated their governments had issued, or had plans to issue, sovereign *sukuk*, the governments were not thought to be the primary entities offering Islamic finance products.

In Australia, Islamic finance is primarily provided by co-operatives and mutuals. Pakistan noted that non-governmental organisations (NGOs) also provided Islamic finance – such as microfinance. Canada reiterated that it expected Islamic finance to be present in its jurisdiction but was unable to pinpoint which entities engaged in it, and Hong Kong noted that the Islamic transactions that transpire there are undertaken by entities domiciled in other jurisdictions.

*What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?*

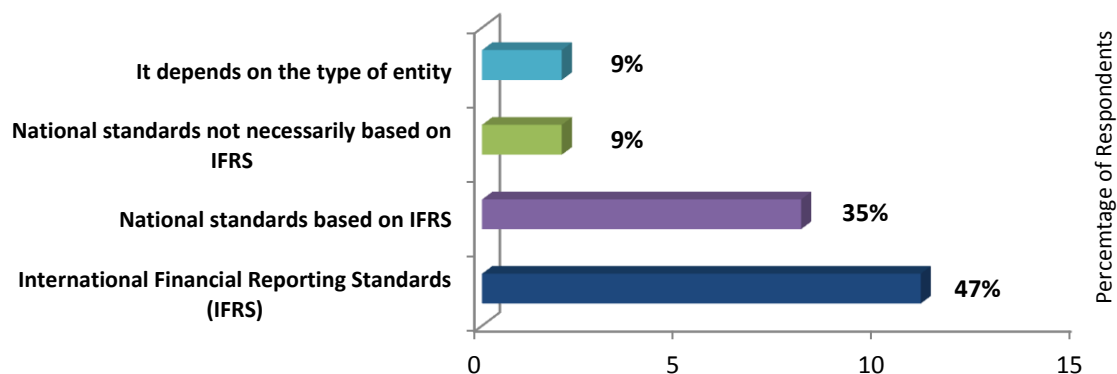


Of the 14 jurisdictions with Islamic finance offerings, most have a small Islamic finance presence – less than 5%. These include Canada, Indonesia, Singapore, South Africa and Sri Lanka. In another three jurisdictions, Dubai, Pakistan and Syria, Islamic finance represents 5-10% of the financial market share. Finally, in Malaysia, Islamic finance is believed to comprise 10-25% of the financial market. Five respondents noted they were aware that Islamic finance products were available in their jurisdictions but were unable to determine how big the Islamic finance industry was in their jurisdictions: Australia, Hong Kong, Japan, Saudi Arabia and the United Kingdom. Nevertheless, Australia noted the growing size of Islamic finance sector—its government encourages Islamic financing, and Islamic banks have set up operations within its jurisdiction whilst its large commercial banks have included Islamic finance in their product offering.

The overall results are not surprising. Since the Islamic finance industry is still considered by many to be in its infancy, the relative sizes of the Islamic finance sector (ranging from 0-25% at the most) supports this claim.

# Applicable financial reporting standards

*What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?*



In the previous section, it was shown that various types of entities engage in Islamic finance. Some may not be deemed to be publicly accountable commercial entities, and a jurisdiction may apply differential standards to these entities.

Of the 23 standard-setters that answered this question, 47% (11 jurisdictions) replied that IFRS would generally apply to entities engaged in finance, and another 35% (eight jurisdictions) replied that national standards based on IFRS would apply. Only four jurisdictions replied that non-IFRS based standards may apply: Belgium and Mexico have distinct national standards that 'are not necessarily based on IFRS, and Denmark and Saudi Arabia have different standards – depending on the type of entity offering financial services.

Belgium, as a European Union member, mandates IFRS for its listed companies; and under Belgian law, unlisted banks must also use IFRS. A third party source stated that the remaining unlisted companies have a choice of whether or not to apply IFRS.<sup>1</sup> In Mexico, entities would generally apply Mexican GAAP – which is a mix of both United States Generally Accepted Accounting Standards (US GAAP) and IFRS.<sup>2</sup>

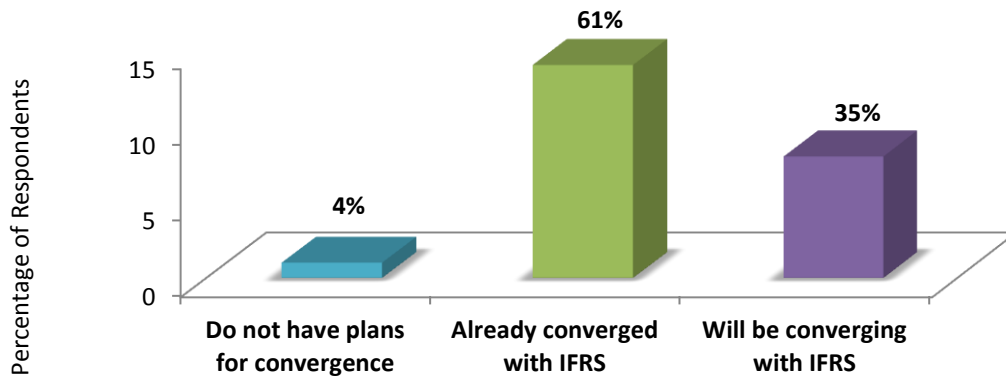
In Denmark, IFRS is mandatory for publicly listed companies, while unlisted companies have a choice of either IFRS or Danish GAAP. In Saudi Arabia, only banks and insurance companies follow IFRS; the remaining companies follow local standards.

These results are indicative of a global move towards IFRS. Even for the four jurisdictions that noted differently, all have at least some entities that either follow IFRS (Belgium, Denmark and Saudi Arabia) or have national standards that draw upon principles from IFRS (Mexico).

<sup>1</sup> "IAS Plus - Jurisdictional Updates - Belgium." *IASPlus*. Deloitte Global Services Ltd. Web. 12 Oct. 2011. <<http://www.iasplus.com/country/belgium.htm>>.

<sup>2</sup> Del Angel, Gustavo A., Stephen Haber, and Aldo Musacchio. *Bank Accounting Standards in Mexico. A Layman's Guide to Changes 10 Years after the 1995 Bank Crisis*. Rep. Print

*Does your jurisdiction have a policy of convergence with, or adopting, IFRS?*



96% of the jurisdictions responded either have already converged with IFRS, or are planning to converge with IFRS. Only one jurisdiction, Mexico, responded that it does not currently have plans to converge.

Of the jurisdictions that plan to converge with IFRS, four plan on converging in 2012: Cambodia, Indonesia, Malaysia and Sri Lanka. Singapore plans to converge in 2013, and Saudi Arabia in 2015.

Japan noted that it currently allows certain entities to submit financial statements prepared under IFRS, and will further decide in 2012 whether and how it will require the use of IFRS.

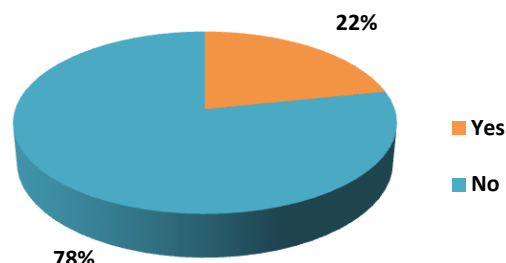
In Denmark, IFRS is currently required for listed companies, but not required for unlisted companies; the jurisdiction says it still has plans to fully converge with IFRS.

Like the answers to the previous question, these responses reinforce the view that there is a global move to IFRS.

# Views on Islamic accounting standards

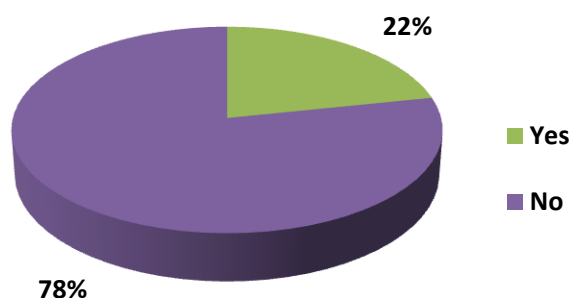
## *Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence / adoption?*

An overwhelming majority (78%) of respondents stated that providing different accounting standards for Islamic finance would be incompatible with IFRS convergence. Only five jurisdictions (Dubai, Indonesia, Iraq, Syria and Uruguay) disagree – stating that they believe a jurisdiction can be converged with IFRS, even if Islamic finance entities in that jurisdiction are subject to distinct financial reporting requirements.



In the case of Dubai, this reflects a view that a requirement for additional disclosures by certain entities is not incompatible with IFRS convergence.

## *Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?*



Most participants (78%) do not have special reporting standards for Islamic finance. The five jurisdictions that do are Dubai, Indonesia, Pakistan, South Africa and Syria.

In comparing the responses to this and the previous question, it is expected that Dubai, Indonesia, and Syria – all jurisdictions that have separate standards for Islamic finance – would agree that a jurisdiction can be fully converged with IFRS while having Islamic accounting standards which differ in at least some respects.

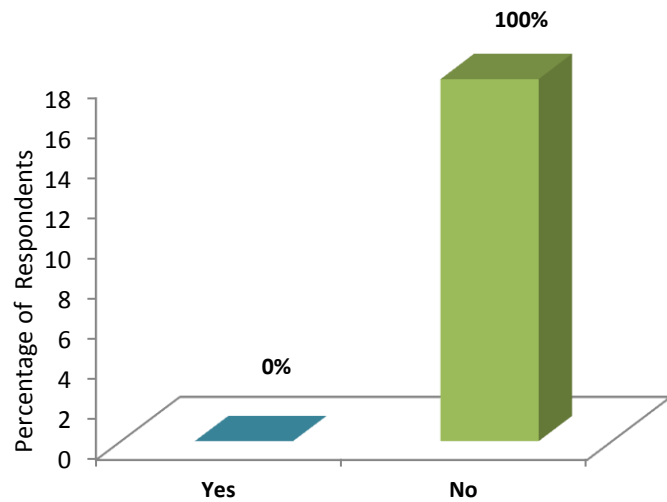
Interestingly, although Pakistan and South Africa had considered separate Islamic accounting standards to be incompatible with IFRS compliance, both have separate standards for Islamic finance in their jurisdictions, and both responded that they have already converged with IFRS. In clarifying its response, Pakistan explained that it had suspended the application of IAS 39 to its banking sector. As such, it does not see any conflicts with applying Islamic standards while being converged with IFRS.

*If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?*

Eighteen of the respondents surveyed did not have Islamic-specific accounting standards. As this question is specific to jurisdictions without separate Islamic accounting standards, only these 18 respondents were eligible to answer question above.

The 18 respondents are Australia, Belgium, Cambodia, Canada, Denmark, Germany, Hong Kong, Iraq, Japan, Korea, Malaysia, Mexico, New Zealand, Singapore, Saudi Arabia, Sri Lanka, United Kingdom, and Uruguay.

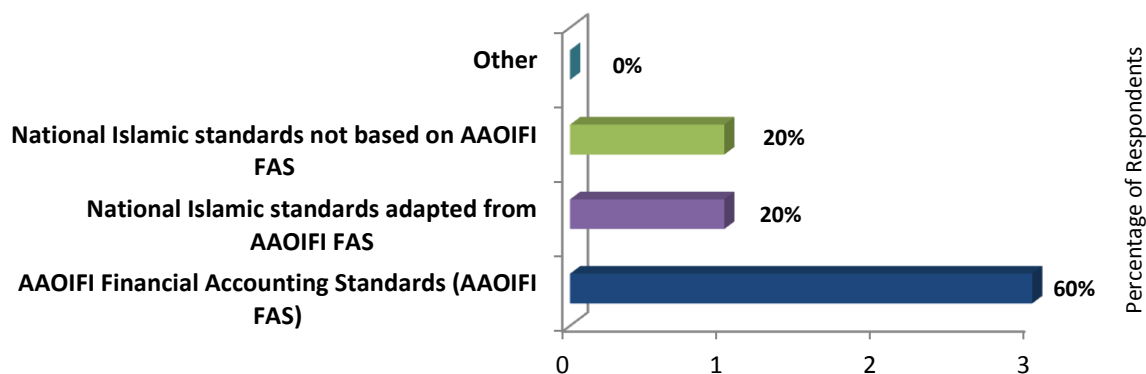
The 18 jurisdictions currently without separate Islamic finance accounting standards universally stated that they do not have plans to issue Islamic accounting standards.



# Islamic accounting requirements

Only five of the respondents had Islamic-specific accounting standards. As these questions are tailored to Islamic accounting standards, only these five respondents were eligible to answer the questions below. The five respondents were Dubai, Indonesia, Pakistan, South Africa and Syria.

## *What type of Islamic accounting standards apply in your jurisdiction?*



Financial accounting standards issued by AAOIFI apply in three respondent jurisdictions: Dubai<sup>3</sup>, South Africa and Syria.

Pakistan states that some of their Islamic accounting standards are adopted from AAOIFI pronouncements. According to its website<sup>4</sup>, the Institute of Chartered Accountants of Pakistan (ICAP) starts with AAOIFI pronouncements as a base; from there, the staff and Board work to tailor these standards to fit the Shariah compliant product offerings of the jurisdiction. Its standard on 'Murabaha' was developed by ICAP independently, while the standard on 'Ijarah' was developed using IAS 17 as a base.

Indonesia is the only respondent that does not primarily use AAOIFI as a base in developing its Islamic accounting standards<sup>5</sup>. According to its website<sup>6</sup>, the Indonesian Institute of Accountants (*Ikatan Akuntan Indonesia*, or IAI) encompasses two standard-setting bodies: the Indonesian Accounting Standards Board, which focuses on general IFRS-based Financial Reporting Standards, and the Indonesian Sharia Accounting Standards Board (ISASB), which sets Shariah-based accounting standards. Members of the ISASB include regulators, practitioners and representatives from the Indonesian National Sharia Board. As such, designated Shariah experts work with IAI staff to create proprietary accounting standards. Final standards must obtain approval from the National Sharia Board to ensure the accounting guidance does not conflict with any Shariah principals. Thus, Indonesia relies on its own Shariah scholars to create guidance that fit the Shariah compliant transactions permitted in Indonesia.

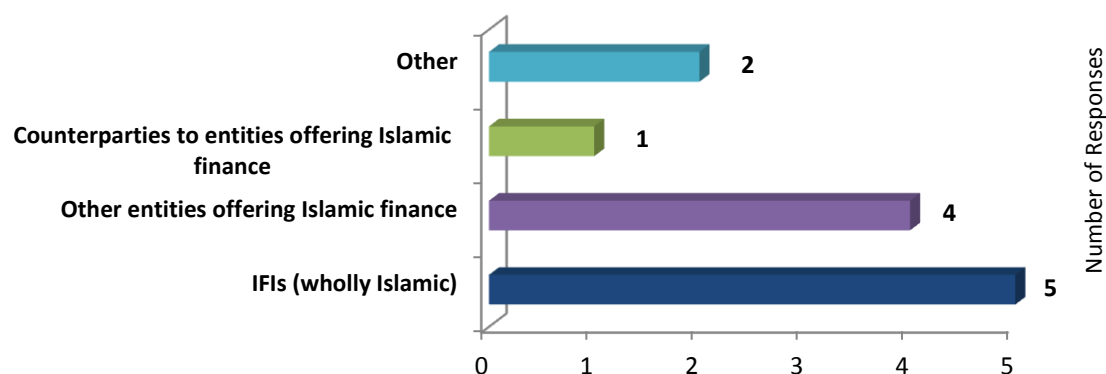
<sup>3</sup> Dubai is currently proposing to apply IFRS to Islamic financial entities, with some additional disclosures.

<sup>4</sup> Institute of Chartered Accountants of Pakistan. Web. 14 Oct. 2011. <<http://www.icap.org.pk/web/index.php>>.

<sup>5</sup> Nevertheless, AAOIFI standards are used as one of many reference points in producing Sharia Accounting Standards in Indonesia.

<sup>6</sup> Ikatan Akuntan Indonesia. Web. 14 Oct. 2011. <<http://www.iaiglobal.or.id/>>.

*Which of the following entities are required to apply Islamic accounting standards?*



All five respondents with Islamic accounting standards state that their standards apply to full-fledged Islamic financial institutions (IFIs). Four out of the five respondents (Syria being the exception) state their Islamic specific standards also apply to non-IFIs that offer Islamic finance. Only one respondent, Indonesia, requires its Islamic accounting standards to apply to counterparties of entities offering Islamic finance.

Pakistan noted that in its jurisdiction there are certain cases where counterparties would use Islamic accounting standards. South Africa noted that 'if the counterparty is not an IFI then it would be difficult to impose AAOIFI on that counterparty as they may subscribe to an IFRS framework'.

*Which of the following transactions or events are addressed by your Islamic accounting standards?*

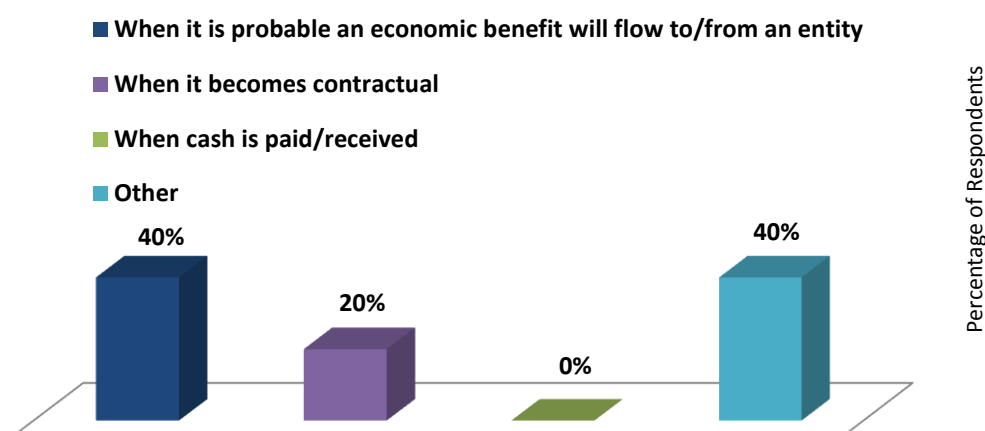
	Fin.Stmt. Presentation	Ijarah	Sales-based Contracts	Partnership-based contracts	Takaful	Sukuk	Other
Dubai	✓	✓	✓	✓	✓	✓	✓ (Investment Funds)
Indonesia	✓	✓	✓	✓	✓	✓	✓ (Zakat)
Pakistan		✓	✓				✓ (Working on Profit and Loss Sharing Deposits, Musharakah, Financial Stmt. Presentation)
South Africa	✓	✓	✓	✓	✓	✓	✓ (All AAOIFI standards)
Syria	✓	✓	✓	✓	✓	✓	
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

As the table illustrates, all five jurisdictions have Islamic accounting standards on *ijarah* and sales-based contracts. In addition to the standards listed, other topics such as investment funds and zakat are found in some jurisdictions.

Pakistan noted that it is currently working on standards for Profit and Loss Sharing on Deposits, Diminishing Musharakah, Musharakah, and General Presentation of Financial Statements of Islamic Financial Institutions. Based on its responses, Pakistan appears to be leveraging on the guidance written by AAOIFI in drafting its standards, and as such, the end results may be similar to AAOIFI requirements.



*Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?*



Entities in Indonesia and Pakistan are expected to recognise revenue when it is probable that an economic benefit will flow to or from an entity. This is similar to the requirements found in IFRS.

Despite Dubai, South Africa and Syria all following AAOIFI standards, the three jurisdictions have different interpretations on when revenue should be recognised.

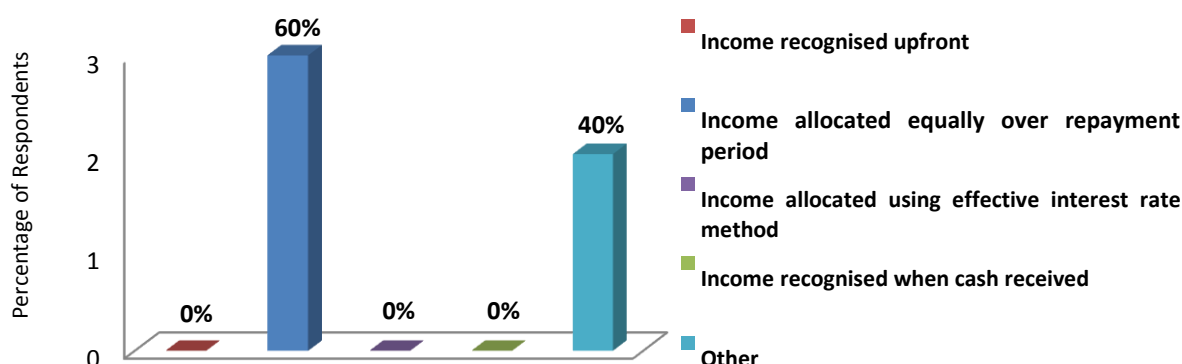
- Dubai stated that its constituents would likely recognise revenue when it is realised (based on the ‘likely interpretation’ that entities would take in Dubai rather than any additional guidance issued by the regulator).
- South Africa commented that it interpreted AAOIFI’s Statement of Financial Accounting No. 1, *Conceptual Framework for Financial Reporting by Islamic Financial Institutions* (AAOIFI SFA 1)<sup>7</sup>, to suggest that ‘it could be argued that the probability of economic benefit flowing to or from the entity would only occur in the event of a contractual relationship in which cash one could argue that [the option ‘when it becomes contractual’]... would apply.’ Thus, South Africa believes that AAOIFI revenue recognition guidance could fall under either of the first two options (i.e. either when it is probable or when it becomes contractual).
- Syria stated that under its Islamic accounting standards, revenue is likely to be recognised when it becomes contractual.

These conceptual differences may be significant if they lead to differing recognition and measurement requirements in individual standards, and especially when determining whether an item, e.g. a liability, has arisen under *wa’d*, a ‘promise’ commonly used in Islamic transactions.

<sup>7</sup> AAOIFI FAS 1 defines revenue as follows:

*“Revenues are gross increases in assets or decreases in liabilities or a combination of both during the period covered by the income statement which result from investment, trading, rendering of services and other profit oriented activities of the IFI like investment management of off-balance sheet items.”*

*Under your Islamic accounting standards, how would income on a sale-based transaction (e.g. a Murabahah sale) most likely be recognised, where the repayment period exceeds one annual period?*



*Murabahah* is a Shariah compliant sale contract where an item is sold at a profit, with the mark-up made known to the buyer.

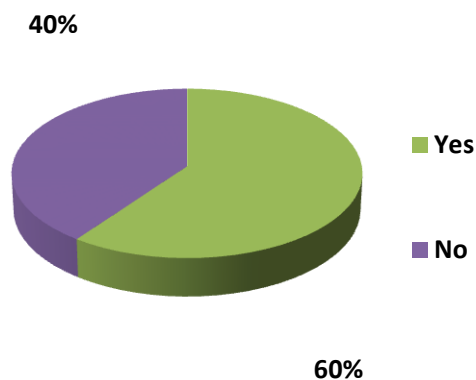
In Dubai, Indonesia and Syria any income received over a timeframe that is longer than one year would most likely be allocated equally over the repayment period.

Pakistan stated that there are different income recognition methods for deferred payment sales (like *murabahah*) and deferred delivery sales (like *salam*, *istisna*, etc.). For deferred payment contracts, Pakistani Islamic accounting standards require allocation of income over the number of months/years of the repayment period. This would be consistent with the responses by Dubai, Indonesia and Syria. However, Pakistan noted that this approach would not apply to deferred delivery contracts. As Pakistan currently does not have standards on deferred payment and deferred delivery sales contracts, it looks to AAOIFI for respective guidance.

South Africa noted that under Section 2/4/2 of AAOIFI Financial Accounting Standard No. 2, *Murabaha and Murabaha to the Purchase Orderer* (AAOIFI FAS 2), profits can be recognised in one of two ways: (1) a proportionate allocation of profits over the period of the credit (irrespective of when cash is received), or (2) when instalments are received; with the former being the preferred approach. As such, South Africa believes that both the choices ‘income allocated equally over repayment period’ and ‘income recognised when cash received’ would be appropriate in its jurisdiction.

It is noteworthy that none of the respondents indicated that an effective interest rate method would apply. Under IFRS, income related to financial assets measured at amortised cost received over a timeframe exceeding one annual period would be allocated using the effective interest rate method – separating any financing component as interest revenue.

*In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate classification for items that bear characteristics of both liability and equity. Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?*



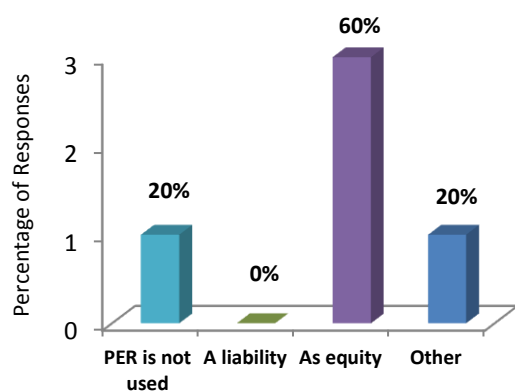
Indonesia, South Africa and Syria allow the recognition of a sixth element of the financial statements (which is regarded as having both liability and equity characteristics). Conversely, Pakistan and Dubai limit the types of financial statement elements to the classically accepted five: income, expense, asset, liability and equity, which is consistent with IFRS.

The current IFRS framework does not recognise a sixth element with characteristics of both liabilities and equity. However, this 'hybrid' element of liability and equity is a key feature in presenting items arising from certain *mudarabah*-based transactions under AAOIFI standards, and appears to be accepted in some non-AAOIFI jurisdictions.

*Some IFIs may employ profit equalisation reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah accountholders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?*

*Mudarabah* is a Shariah compliant profit-sharing contract whereby one or more participants provide capital and another provides management expertise. Although classically used for business ventures, it is sometimes applied in contemporary deposit-taking and investment management. A customer is deemed to have ‘provided capital’ to the bank, who would manage the funds. Classical Shariah rules would dictate that any losses incurred would be borne by the capital provider.

When *mudarabah* is used in deposit-taking, a bank and/or a regulator may employ one of several ‘smoothing’ techniques to ensure principal preservation and competitive returns. A common technique is through the use of a profit equalisation reserve (PER). With PER, any income above an expected return in a period of high yield would be put into a reserve to cover lower than expected income in periods of low or negative yields – essentially smoothing out deposit returns and maintaining the integrity of the principal deposited. There is no consensus on how PER should be accounted for.



Indonesia stated that PER is not used within its jurisdiction, and as such there are no accounting guidelines for its use.

Dubai, South Africa and Syria treats PER balance as equity, which would be consistent with paragraph 22 of AAOIFI FAS 11 *Provisions and Reserves*.

Pakistan stated that some banks within its jurisdiction recognise PER as a liability.

It is important to note that PER can be structured in various ways. The difference may be partially due to the regulatory framework of a particular jurisdiction, e.g., some may require PER to be utilised only for disbursement to accountholders, while others do not. Accordingly, PER may be considered a liability in the former, while it would not be in the latter.

Another major contributor to differences relates to rulings on PER made by different Shariah scholars. As Shariah compliant products must go through a Shariah review, and as Islamic scholars are typically free to make judgements based on their knowledge and experience, different jurisdictions can come to different conclusions on PER. For example, based on the prevailing Shariah opinions, many Middle Eastern jurisdictions do not allow PER, whereas in other jurisdictions (like Malaysia) PER is a mandatory requirement.

As such, the accounting classification for PER would depend on the parameters used to create, maintain and recycle amounts in the PER account (especially the requirements related to whom the PER account can be paid out to, if and when it can be used, and how funds are allocated to the PER account).

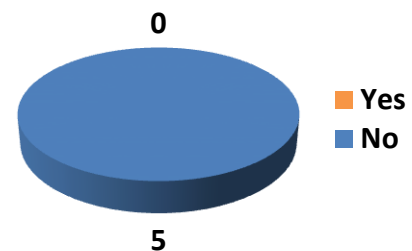
*Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?*

*Ijarah* is a Shariah compliant contract under which the ‘right to use’ an asset is transferred to a third party for an agreed period in return for *ijarah* payments. Under AAOIFI Financial Accounting Standard No. 8, *Ijarah and Ijarah Muntahia Bittamleek* (AAOIFI FAS 8), all *ijarah* are required to be treated similar to operating leases.

All five jurisdictions, Dubai, Indonesia, Pakistan, South Africa and Syria, are in consensus that their accounting standards would prohibit any *ijarah* transaction from being accounted for similar to a finance lease.

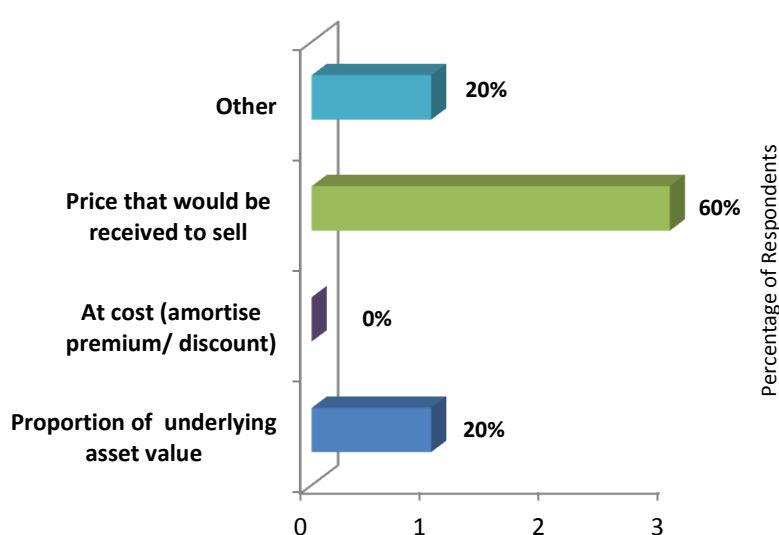
Dubai commented that although strictly speaking AAOIFI does not allow *ijarah* to be reported as a finance lease, entities in Dubai may be allowed to report *ijarah* as finance leases under the current regulatory environment, as Dubai is in the process of moving away from AAOIFI towards IFRS.

The prohibition against treating any *ijarah* as a finance lease could result in significant disparity between the financial statements of those that do and do not follow IFRS-like standards for *ijarah* contracts. In particular, it could mean that lease liabilities reported under some Islamic accounting standards would be understated from an IFRS perspective.



*Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?*

*Sukuk* is a financial instrument that represents the holder’s right to the cash flows arising from a beneficial interest in an underlying activity or asset. In practice, *sukuk* can be structured to be similar to either conventional bonds or securitisations, with the former structure being much more common.



Three out of the five jurisdictions with separate Islamic accounting standards (Dubai, Indonesia and Pakistan) believed that *sukuk* held for trading would most likely be measured at the price that would be received to sell the *sukuk* certificates. This would be comparable with current IFRS requirements, as it is akin to the *sukuk* certificate’s fair value.

One jurisdiction, Syria, stated that *sukuk* held for trading in its jurisdiction would be accounted for at a value equal to the proportion of the value of the underlying asset represented by the *sukuk*.

South Africa chose ‘Other’ and stated that under AAOIFI Financial Accounting Standard No. 17, *Investments* (AAOIFI FAS 17) *sukuk* would be ‘recognised on the acquisition date... at cost... *sukuk* and shares held for trading purposes shall be re-measured at their fair value.’ As such, South Africa’s response would be in line with the other three jurisdictions that state *sukuk* would most likely be measured at the ‘price that would be received to sell’.

The three jurisdictions that closely follow AAOIFI (Dubai, South Africa and Syria) have divergent opinions on how to account for *sukuk* that are ‘held for trading’. To clarify AAOIFI’s stance, Section 3/2 of AAOIFI FAS 17 states that *sukuk* held for trading purposes should be ‘re-measured at their fair value.’

Section 7.3.4 of AAOIFI FAS 1 defines fair value as follows:

*The value representing estimate of the amount of cash or cash equivalent that would be received for an asset sold or amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.*

It should be noted that AAOIFI FAS 17’s requirements for *sukuk* has been superseded by AAOIFI Financial Accounting Standard No. 25, *Investments in sukuk, shares and similar instruments* (AAOIFI FAS 25) amended the accounting requirements for *sukuk* found in AAOIFI FAS 17. However, since

AAOIFI FAS 25 requires held for trading investments to be classified and measured as 'fair value through income', no significant change is expected in moving from AAOIFI FAS 17 to AAOIFI FAS 25 for held for trading *sukuk*.

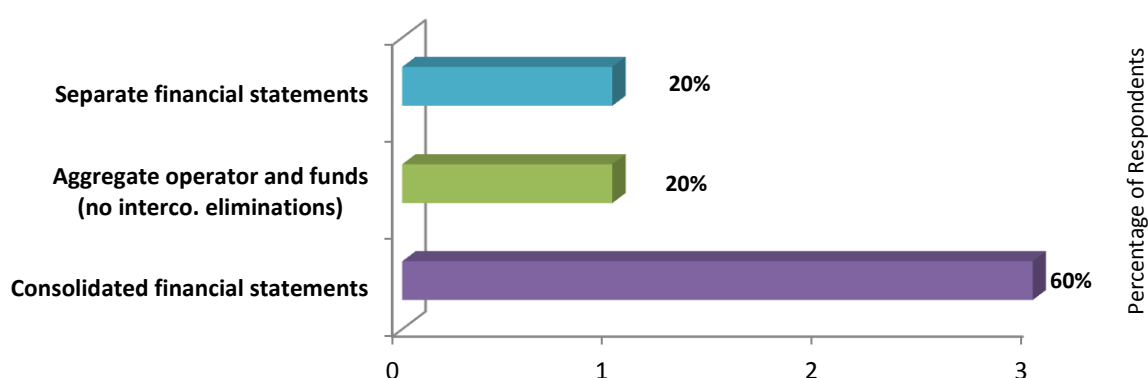
Although Dubai and South Africa both agree that AAOIFI requires fair value measurement, or measurement at a 'price that would be received to sell', Syria believes that based on AAOIFI guidance, *sukuk* should be measured at an amount equal to the proportionate value of the underlying *sukuk* assets.

*Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?*

*Takaful* is a Shariah compliant alternative to insurance. Here, participants contribute into a pool of funds managed by a *takaful* operator. The funds would be used to mutually indemnify all the participants in that pool. In the event that a member suffers a loss, the other participants agree to forgo part or all of their contributions to the aggrieved member. The *takaful* operator manages the fund for a fee and/or share of profits. Strictly speaking, the *takaful* operator assumes no insurance liability; however for consumer protection, a regulator may require a *takaful* operator to provide financial assistance in case the participants' fund suffers a deficiency or loss.

A requirement to provide financial assistance may alter a *takaful* operator's purely managerial role. Consequently, questions have arisen as to how items relating to the participants' funds should be presented for financial reporting purposes. There are three alternatives for presentation:

- *Separate financial statements*: which provide distinct financial statements for the *takaful* operator and participants funds. This view presupposes that there is no rigid link between the *takaful* operator and the funds for financial reporting purposes. As each is treated as a separate entity for reporting purposes, inter-entity transactions would not be eliminated.
- *Aggregated financial statements*: which combine amounts for the *takaful* operator and participants' funds into a single financial statement. For example, the statement of financial position would show a single amount for the assets of both the *takaful* operator and the participants' funds. This view considers that there is a relationship between the *takaful* operator and participants' funds that would be better represented by showing the total amounts for the entities; but this relationship does not constitute control by one entity over another and the presentation of consolidated financial statements would be misleading. Inter-entity transactions would not be eliminated. It should be noted that IFRS does not currently include an 'aggregated financial statement' as a viable presentation option.
- *Consolidated financial statements*: which consolidate the *takaful* operator and participants' funds into a single entity. Here inter-entity transactions would be eliminated.



Based on Syria's response, *takaful* operators there would likely present separate financial statements for the *takaful* operator and the participants' funds.

Pakistan states that the participants' funds would most likely be aggregated with the *takaful*



operator.

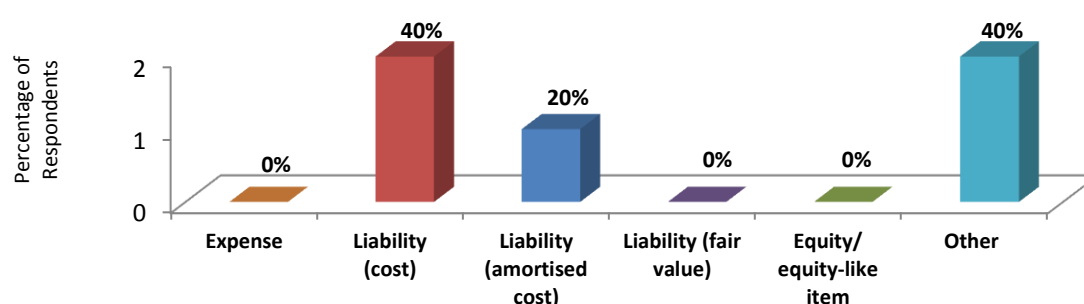
Three jurisdictions, Dubai, Indonesia and South Africa state that the participants' funds would most likely be consolidated by the *takaful* operator. In the case of Dubai, separate statements would also be required for the participants' funds.

This shows that there is divergence among the jurisdictions as to how *takaful* financial statements would be presented.

As a note, AAOIFI's four accounting standards for *takaful* do not address comprehensive presentation issues – limiting presentation guidance to what constitutes a 'complete set of financial statements' for the *takaful* industry and what comparative information should be included (AAOIFI Financial Accounting Standard No. 12, *General Presentation and Disclosure in the Financial Statement of Islamic Insurance Companies* (AAOIFI FAS 12)). AAOIFI puts more attention on detailed disclosure requirements for Islamic insurance companies. While IFRS does not specifically discuss the presentation of *takaful* financial statements, it does provide consolidation requirements through IAS 27, *Consolidated and Separate Financial Statements* [soon to be replaced by IFRS 10 *Consolidated Financial Statements*], that a *takaful* enterprise could apply. Under IFRS, a *takaful* operator would consolidate the participants' funds if it meets the criteria under IAS 27 [IFRS 10].

*Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has sufficient surplus. Under your Islamic accounting standards, how would a Takaful operator most likely recognise Qard extended to a participants' fund?*

*Takaful* is theoretically based on mutual indemnification, but in cases where there is a technical deficiency or excess claims, a *takaful* operator may provide financial assistance in the form of a loan, or '*qard*', to cover any deficiencies. This *qard* is interest-free, as Islamic lenders cannot charge interest on their loans. In some jurisdictions, there is an expectation that the *qard* provided would be repaid to the *takaful* operator through returns from the participants' funds. In other jurisdictions there may not be an expectation of overt repayment, but the *takaful* operator may expect to recoup its capital through future income generated by the fund.



According to the survey, Pakistani and Syrian *takaful* operators would account for any *qard* provided as a liability, measured at cost.

*Takaful* operators in Dubai would account for *qard* as a liability, measured at amortised cost.

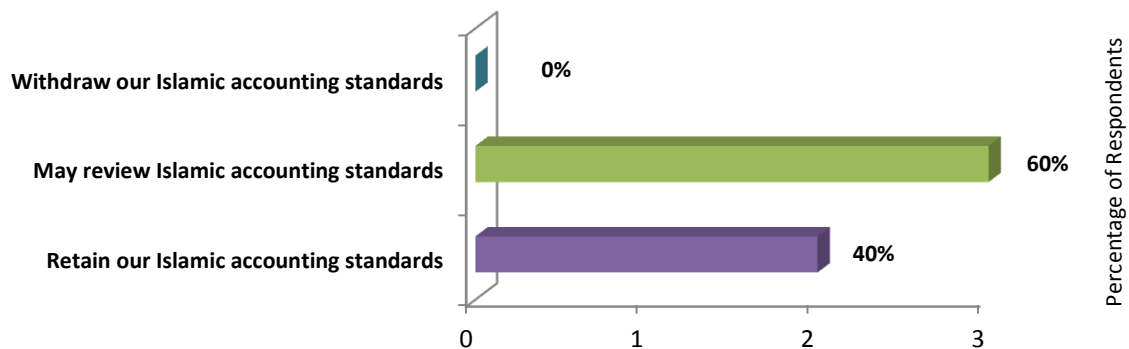
Indonesia does not believe *qard* gives rise to an accounting event, and as such, no entry would be made.

South Africa treats *qard* as an equity or equity-like item, but chose the 'Other' category, elaborating that *qard* should be 'ignored for the purposes of determining capital adequacy'. South Africa also explains that this treatment is consistent with AAOIFI FAS 12.

In independently reading AAOIFI FAS 12, it would appear that AAOIFI does not explicitly mention *qard*. However, its requirement in section 4/5 describes equity as 'capital contribution by owners during the period' which may, presumably, allow for *qard* to be included in 'owners' equity'. As AAOIFI does not explicitly address *qard*, it is understandable to see why the jurisdictions that follow AAOIFI, including Dubai, South Africa and Syria, have developed different conclusions as to how *qard* should be reported.

IFRS does not directly discuss *qard*, but does provide guidance on the definitions of liabilities and equity in IAS 32, *Financial Instruments: Presentation*.

*More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?*



Dubai, South Africa and Syria all state that a move to convergence could trigger a review of the jurisdictions' Islamic accounting standards. These three jurisdictions explicitly stated that AAOIFI financial reporting standards would apply to certain entities; yet all three believe their jurisdictions to have already converged with IFRS.

Conversely, despite their earlier indicated plans for convergence, Indonesia and Pakistan do not plan to review or amend their Islamic accounting standards.

The responses are interesting when compared to the earlier views on whether applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence.

- Although Dubai and Syria do not see any contradiction in maintaining two sets of accounting standards (i.e. one for Islamic entities and one for conventional entities), they may review their current Islamic accounting standards in light of global convergence towards IFRS.
- Pakistan had thought that having separate Islamic accounting standards may be incompatible with IFRS convergence. Despite this belief, Pakistan does not plan to review its Islamic accounting standards. This is perhaps an indication that Pakistan is prepared to face issues related to any perceived IFRS-incompatibility rather than compromise on its Islamic accounting standards.

# Additional comments

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In addition to answering the preceding questions, respondents were also invited to provide additional comments relating to accounting for Islamic financial transactions and events.

## *Is there a particular topic you would like us to focus on in the future?*

No comments were received.

## *Do you have any issues in applying IFRS to Islamic financial transactions?*

Dubai is currently considering whether it should require the use of IFRS by Islamic entities; in the meantime, it has required additional disclosures that it believes should be made by such entities in their accounting statements.

In Malaysia, the MASB issues accounting standards that are adopted from IFRS. Both non-Islamic and Islamic institutions are required to follow these IFRS-based standards. To assist Islamic institutions, the MASB 'issues other pronouncements to provide additional guidance on how to apply the [IFRS based] standards to Islamic transactions. These pronouncements complement and supplement the standards, and nothing in the pronouncements shall override the approved accounting standards.' Essentially, the MASB provides application guidance on how best to apply IFRS to Shariah compliant transactions. This guidance comes in the form of Technical Releases that run supplemental to the accounting standards issued.

South Africa believes that a requirement to disclose 'the portion of profits due to depositors that is withheld as a form of a reserve' may be in conflict with IFRS. Within Islamic finance, reserves may be created to offset unexpected losses and smooth returns to depositors. IFRS may not permit the creation of such a reserve, but AAOIFI includes these reserves as a component of the investment account holders and/or shareholders portion that is created through appropriations by the investment account holders (see AAOIFI Financial Accounting Standard No. 11, *Provisions and Reserves* (AAOIFI FAS 11)). South Africa believes this view is more appropriate than the view stipulated in IFRS.

## *What can we do to assist your organisation?*

Saudi Arabia wants to work with some AOSSG member jurisdictions to brainstorm the best approach for moving towards convergence. Under their IFRS convergence project, the Saudi Organization for Certified Public Accountants (SOCPA) wants to issue local standards based on IFRS that reflect the 'local laws, Shariah requirements, etc.' As SOCPA feels it is taking a distinctive approach, it would like to hear how other AOSSG jurisdictions moved towards convergence so it can learn from best practices.

Sri Lanka commented that its limited resources make it difficult for regulators to properly understand the financial reports of Islamic institutions. Thus, Sri Lanka could benefit from additional

resources to help its regulators understand the industry better – including how to properly account for Islamic transactions.

*If there is anything that you would like to bring to our attention, please write it down in the space below.*

Cambodia stated that Islamic finance is a new topic for their jurisdiction. As such, it plans to delve deeper into the subject as it becomes more prevalent.

In South Africa, Islamic banks are facing challenges in complying with their jurisdiction’s Banks Act. Under this act, banks are required to hold a certain percentage of liquid assets, as ‘the existing legislation does not recognise any form of Shariah compliant instruments as liquid assets’. Furthermore, ‘any income that is currently generated by such liquid assets is impermissible in nature and cannot be recognised by the bank as income.’ Instead this income must be donated for charitable causes. In addition to the challenges faced by complying with the Banks Act, South Africa lacks tax legislation tailored to Islamic banking. Both these issues put Islamic banks at a distinct disadvantage from their conventional counterparts.



# Moving forward

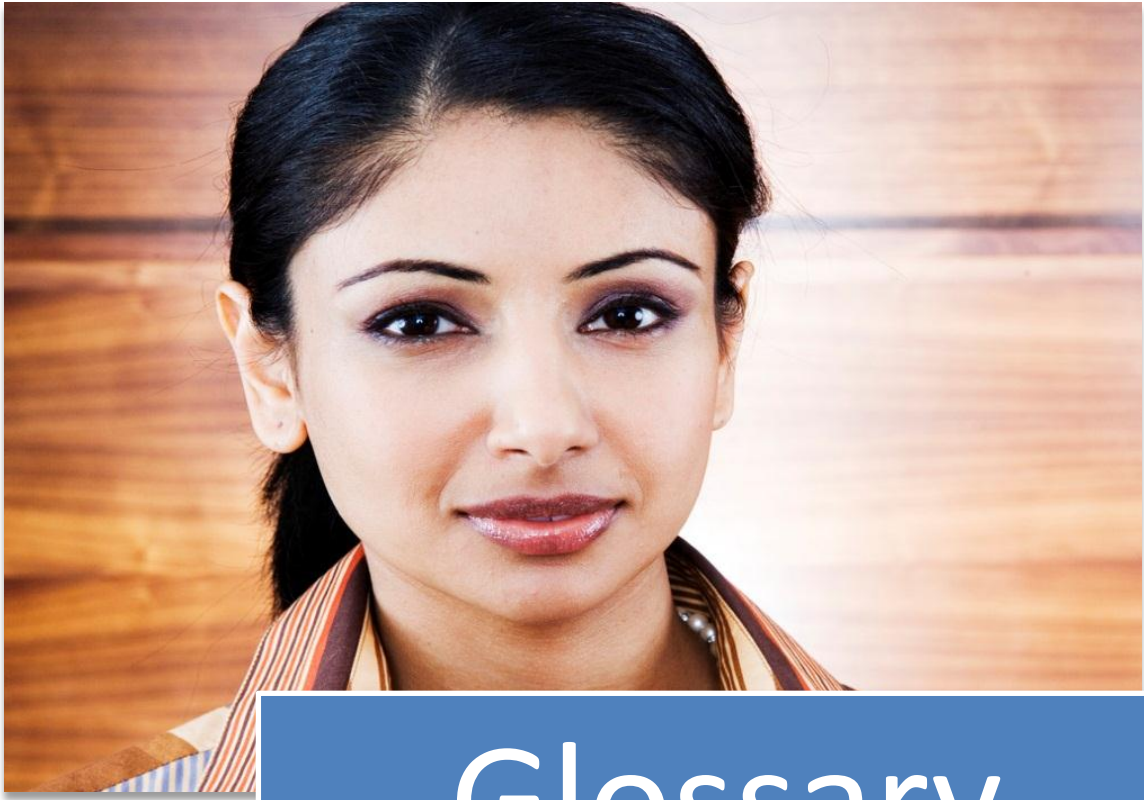
# Moving forward

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The survey results show that there is disparity in how Islamic financial transactions are reported among respondents' jurisdictions. Such divergent financial reporting would clearly impair the comparability of financial statements across jurisdictions, and may have repercussions for the Islamic finance industry. Thus, further discussions and dialogues may need to be held among the bodies responsible for imposing financial reporting standards in order to improve the cross-border comparability of financial reporting by entities engaged in Islamic finance.

Overall, respondents strongly indicated a move toward convergence with or adopting IFRS. In view of the growing global acceptance of IFRS, discussions on improving accounting comparability would need to include the extent to which current Islamic reporting requirements are compatible with IFRS, with a particular emphasis on reconciling any differences between them. Ideally, there ought to be a mechanism for the IASB itself to consider Islamic financial transactions and events in the development of existing and future IFRSs. In this regard, the AOSSG may be of assistance to the IASB.

Additionally, while conducting the survey, it transpired that some jurisdictions do not have discernable national accounting standard-setters. As such, these jurisdictions did not form part of the survey's target population. Some of these jurisdictions are expected to have an economically significant Islamic finance industry, and their representation would have added value to the survey results. This further suggests that the AOSSG may need to conduct further work to determine the financial reporting requirements that would apply to Islamic financial transactions and events in these jurisdictions in order to build on the findings so far.



# Glossary



# Glossary

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This glossary is included to explain some of the terms used in this report. The explanations are intended to serve as a guide and may not necessarily capture the complexities of the terms, while the translations are literal renditions that may not necessarily convey the nuances behind the Arabic terms.

<b>Fuqaha</b> (Plural. Singular: faqih)	Scholars of Islamic jurisprudence.
<b>Ijarah</b>	A contract whereby the lessor transfers to the lessee in return for a payment or series of payments the usufruct of an Ijarah item for an agreed Ijarah period, with terms mutually agreed by the contracting parties.
<b>Mudarabah</b> (Alternative spellings: Mudaraba, Mudhorabah)	A form of profit-sharing between a party which contributes capital ( <i>rabb al-mal</i> , i.e. capital provider) and another which contributes effort, managerial and/or entrepreneurial skills ( <i>mudarib</i> , i.e. manager/entrepreneur). Profit from the outcome of the venture is shared between the capital provider and manager/entrepreneur according to a mutually agreed profit sharing ratio, while losses are borne solely by the capital provider, provided such loss is not due to the manager's/entrepreneur's negligence or violation of specified conditions.
<b>Mudarib</b>	An entrepreneur in a profit-sharing arrangement who contributes effort and time.
<b>Murabahah</b> (Alternative spellings: Murabaha, Morabaha, Morabahah)	A sale based on trust, in which the seller must disclose to the purchaser the mark-up on the item sold. The consideration may be paid either in cash or deferred.
<b>Musharakah</b> (Alternative spelling: Musharaka)	A form of partnership where partners contribute capital in cash or in kind, and share profits according to an agreed profit-sharing ratio, while losses are shared according to the capital contribution ratio.
<b>Musharakah mutanaqisah</b> (Alternate term: diminishing musharakah)	A form of partnership where partners contribute capital to a venture or purchase of an asset, with one or more of the partners agreeing to gradually sell their interest in the partnership to the other partner(s).
<b>Profit equalisation reserve ("PER")</b>	A mechanism to mitigate the fluctuation in returns to depositors' accounts based on <i>mudarabah</i> , so that the rate of return remains competitive and stable. PER is appropriated out of total gross income, and is shared by both the depositors and the bank.

<b>Qard</b> (Alternative spelling: Qardh; Related term: Qard Hassan – a benevolent loan)	A loan. In Shariah, a borrower is obligated to repay only the principal amount of a loan and the lender is not entitled to demand any return over and above the principal. However, an additional payment may be made at the borrower’s discretion, provided that no such stipulation is made in the contract.
<b>Quran</b> (Alternative terms: Furqan, Alkitab)	The holy book of Islam, which is used as the primary source of law.
<b>Salam</b>	A sale in which payment is made at the time of contracting but the delivery of the goods is deferred to a specified time in future.
<b>Shariah</b>	Islamic laws derived from Al- <b>Quran</b> and As- <b>Sunnah</b> .
<b>Sukuk</b> (Plural. Singular: sakk)	A financial certificate representing ownership in an asset or its <b>usufruct</b> .
<b>Sunnah</b>	The acts and sayings of Prophet Muhammad (peace be upon him).
<b>Takaful</b>	An arrangement under which participants agree to contribute to a fund, where sums from the fund would be disbursed to participants or their beneficiaries on the occurrence of pre-agreed events.
<b>Usufruct</b>	The right of enjoying the advantages derivable from the use of an item that belongs to another, as far as is compatible with the substance of the item not being destroyed or damaged.
<b>Wa’d</b>	A unilateral promise, which according to some <i>fuqaha</i> , is usually not legally binding on the promisor.
<b>Zakat</b>	Obligatory contribution assessed based on certain assets owned by a Muslim that satisfy certain conditions and is to be distributed to specified categories of beneficiaries.



# Participants' responses

# Participants' responses

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The survey had received 32 on-line responses and 1 email response. However, to prepare the data for assessment, the WG had to make certain adjustments to improve the integrity of the results.

First, the WG disregarded 9 on-line responses for the following reasons:

- Three test/error responses – responses which were clearly submitted in error: such as those with random inputs (e.g. contact name 'aa' and organisation name 'sdfas').
- Three responses from university accounting students: These responses were ignored primarily because the results conflicted with the responses submitted by the national standard-setters in those jurisdictions. As such, the WG chose to accept the more authoritative responses from the standard-setters in tabulating results.
- Two incomplete responses: The respondents had filled out the contact information section, but failed to submit responses to any of the questions. As such, these submissions were deemed unusable.
- One response from an unknown jurisdiction: One response appeared to contain meaningful data (the questions were fully answered, without inherent contradictions), but the WG was unable to determine the identity of the respondent, despite repeated attempts to contact the person via email and telephone. As such, meaningful results could not be gleaned because the WG was unable to attribute the results to a geographic location.

The WG also took information from comments made by one respondent to more accurately fill out its answer to the question related to which Islamic finance transactions were present in the jurisdiction. Here, a respondent initially stated that there were no Islamic finance products in its jurisdiction. However, this respondent clarified in the comments section that certain companies in its jurisdiction does engage in Islamic finance through their overseas subsidiaries, which in turn, are reported in the consolidated financial statements of these companies. As such, the products listed were ticked by the WG for that jurisdiction's response.

Finally, an email respondent only answered one question, stating that their jurisdiction does not have any Islamic finance transactions. As such, for the first three questions in the survey, the WG marked: 'No Islamic finance services are currently available in my jurisdiction'. However, for the remaining questions, no elections were made.

Subsequent to the adjustments above, the responses from 24 standard-setters from the following jurisdictions were included in the survey results:

- |              |               |                  |                    |
|--------------|---------------|------------------|--------------------|
| 1. Australia | 7. Germany    | 13. Korea        | 19. Singapore      |
| 2. Belgium   | 8. Hong Kong  | 14. Malaysia     | 20. South Africa   |
| 3. Cambodia  | 9. India      | 15. Mexico       | 21. Sri Lanka      |
| 4. Canada    | 10. Indonesia | 16. New Zealand  | 22. Syria          |
| 5. Denmark   | 11. Iraq      | 17. Pakistan     | 23. United Kingdom |
| 6. Dubai     | 12. Japan     | 18. Saudi Arabia | 24. Uruguay        |

This appendix contains the verbatim responses provided by the standard-setters who participated in the survey, and brief information about the jurisdiction in which they are domiciled<sup>8</sup>.

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<sup>8</sup> The main source of information is United Nations Statistics Division at <http://unstats.un.org> (accessed on 24 October 2011).

Information for Dubai is sourced from *Dubai in Figures 2009*. Dubai Statistics Center, Government of Dubai at [www.dsc.gov.ae](http://www.dsc.gov.ae), retrieved 31 October 2010 (accessed on 21 October 2011).

Statistics on respondents' Muslim population is sourced from the Pew Forum on Religion & Public Life at <http://features.pewforum.org/muslim-population-graphic/> (accessed on 28 October 2011); one exception is the statistics for Hong Kong which is sourced from the *International Religious Freedom Report*, United States Commission on International Religious Freedom, Washington DC: 2009, at <http://www.state.gov/g/drl/rls/irf/2009/127268.htm>. (accessed on 28 October 2011).



## Australia

Capital: Canberra ▪ Population: 22.3 mil (2010) ▪ Muslim population: 399,000 (2011) ▪  
Official language: English ▪ Responding Organisation: Australian Accounting Standards Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Co-operatives and/or savings institution

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Co-operatives/mutuals

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Data not available

Comment: The Australian government encourages Islamic financing. Islamic banks have set up operations in Australia and national banks have introduced Islamic products to the market.

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

International Financial Reporting Standards (IFRS)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

Comment: Australia has adopted IFRS.

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No



## Belgium

Capital: Brussels ▪ Population: 10.9 mil (2010) ▪ Muslim population: 638,000 (2010) ▪ Official language(s): Dutch, French and German ▪ Responding Organisation: Belgian Accounting Standards Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[National standards not necessarily based on IFRS](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[\[No response\]](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)



## Cambodia

Capital: Phnom Penh ▪ Population: 14.3 mil (2010) ▪ Muslim population: 240,000 (2010) ▪  
Official language: Khmer ▪ Responding Organisation: National Accounting Council,  
Cambodia

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[International Financial Reporting Standards \(IFRS\)](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we will be converging with / adopting IFRS by 2012](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)

**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation? If there is anything that you would like to bring to our attention, please write it down in the space below.**

[Currently, we do not have any survey on the how large of the Islamic financial transactions in Cambodia. This is perhaps a new topic and a challenge for us.](#)





## Canada

Capital: Ottawa ▪ Population: 34.1 mil (2010) ▪ Muslim population: 940,000 (2010) ▪ Official language(s): English and French ▪ Responding Organisation: Canadian Accounting Standards Board

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**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Other

Comment: Don't know. I expect at least some would be available within the relatively small Islamic community in Canada.

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**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Other

Comment: Don't know. I expect at least some financial institutions, listed companies and co-operative organizations would offer Islamic finance services.

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**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Under 5%

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**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

International Financial Reporting Standards (IFRS)

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**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

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**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

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**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

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**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No

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## Denmark

Capital: Copenhagen ▪ Population: 5.5 mil (2010) ▪ Muslim population: 226,000 (2010)  
▪ Official language: Danish ▪ Responding Organisation: Danish Public Accountants

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

No Islamic finance services are currently available in my jurisdiction

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

No Islamic finance services are currently available in my jurisdiction

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

No Islamic finance services are currently available in my jurisdiction

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

It depends on the type of entity

Comment: IFRS mandatory for listed. Danish GAAP or IFRS for unlisted (entities have a choice).

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we will be converging with / adopting IFRS by...[date not stated]

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No



## Dubai

Capital: Dubai ▪ Population: 1.78 mil (2009) [5.2 mil (2010) for the whole of United Arab Emirates] ▪ Muslim population: 1.7 mil (2009) ▪ Official language: Arabic ▪ Responding Organisation: Dubai Financial Services Authority

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Corporate finance, investment banking, corporate sukuk issuances, fund management, retakaful, others such as interbank market, real estate investment trusts

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Licensed financial institutions

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Between 5-10%

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

International Financial Reporting Standards (IFRS)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

Yes

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

Yes

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[Not applicable to respondent]

**Question 9 - What type of Islamic accounting standards apply in your jurisdiction?**

AAOIFI Financial Accounting Standards (AAOIFI FAS)

**Question 10 - Which of the following entities are required to apply Islamic accounting standards?**

Islamic financial institutions (IFIs), i.e. financial institutions whose business is wholly Islamic and other entities offering/issuing Islamic finance products or services, e.g. a conventional bank offering 'Islamic windows', an entity issuing sukuk

**Question 11 - Which of the following transactions or events are addressed by your Islamic accounting standards?**

Presentation of financial statements, ijarah, sales-based contracts (e.g. Murabahah, Salam), partnership-based contracts (e.g. Musharakah, Mudarabah), takaful, sukuk and other such as investment funds

**Question 12 - Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?**

Other

Comment: Revenues are recognised when realised

**Question 13 - Under your Islamic accounting standards, how would income on a sale-based transaction(e.g. a Murabahah**

sale) most likely be recognised, where the repayment period exceeds one annual period?

Income is allocated equally over the number of months/years of the repayment period

**Question 14 - In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate classification for items that bear characteristics of both liability and equity.**

**Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?**

No

**Question 15 - Some IFIs may employ profit equalization reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah accountholders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?**

PER is recognised as equity

**Question 16 - Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?**

No

**Question 17 - Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?**

At a price that would be received to sell the sukuk in an orderly transaction with a buyer in the market.

**Question 18 - Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?**

As a single set of consolidated financial statements

**Question 19 - Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has a sufficient surplus. Under your Islamic accounting standards, how would a Takaful operator most likely recognise Qard extended to a participants' fund?**

As a liability, measured at amortised cost

**Question 20 - More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?**

We may need to review some of the requirements of the Islamic accounting standards

**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation? If there is anything that you would like to bring to our attention, please write it down in the space below.**

The DFSA is currently considering whether the DFSA should change its rulebook either to require the use of IFRS for Islamic financial business or to permit them as an alternative to the AAOIFI standards.



## Germany

Capital: Berlin ▪ Population: 81.8 mil (2010) ▪ Muslim population: 4.12 mil (2010) ▪  
Official language: German ▪ Responding Organisation: Accounting Standards  
Committee Germany

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[International Financial Reporting Standards \(IFRS\)](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we have already converged with / adopted IFRS](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

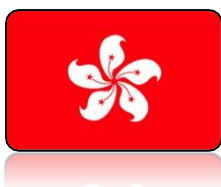
[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)



## Hong Kong

Capital: Hong Kong ▪ Population: 7.1 mil (2010) ▪ Muslim population: 250,000 (2009) ▪ Official language(s): Chinese and English ▪ Responding Organisation: Hong Kong Institute of CPAs

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### Question 1 - Which of the following Islamic finance services are available in your jurisdiction?

Other

Comment: Based on our understanding, the development of Islamic finance in Hong Kong is under serious consideration as Hong Kong wants to include Islamic finance products as part of the banking system in HK being one of the world's international finance centre. The Government is considering to create a level playing field for Islamic financial products vis-à-vis conventional ones. This proposal would include making changes to or clarifications of the arrangements for stamp duty, profits tax and property tax. It is to our understanding that most of the Islamic finance business carried out in Hong Kong at present are referred back to the banks' regional offices in Malaysia or jurisdictions with more Islamic banking products.

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### Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?

Other

Comment: Please see note on question 1.

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### Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?

Data not available

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### Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?

National standards based on IFRS

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### Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?

Yes, we have already converged with / adopted IFRS

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### Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?

No

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### Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?

No

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### Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?

No

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## India

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Capital: New Delhi ▪ Population: 1.18 bil (2010) ▪ Muslim population: 177.3 mil (2010) ▪  
Official language(s): Hindi and English ▪ Responding Organisation: The Institute of  
Chartered Accountants of India

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

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**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

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**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

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[There were no responses to the subsequent questions.]



## Indonesia

Capital: Jakarta ▪ Population: 234.4 mil (2009) ▪ Muslim population: 204.8 mil (2010) ▪ Official language: Bahasa Indonesia ▪ Responding Organisation: The Indonesian Institute of Accountants

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Savings/transactional accounts, consumer finance, corporate finance, investment banking, corporate sukuk issuances, sovereign sukuk issuances, fund management, securities trading, takaful, retakaful, co-operatives and/or savings institutions, and micro-financing

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Licensed financial institutions, public listed companies and co-operatives/mutuals

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Under 5%

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

National standards based on IFRS

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we will be converging with / adopting IFRS by 1 January 2012

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

Yes

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

Yes

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[Not applicable to this respondent]

**Question 9 - What type of Islamic accounting standards apply in your jurisdiction?**

National Islamic standards not based on AAOIFI FAS

**Question 10 - Which of the following entities are required to apply Islamic accounting standards?**

Islamic financial institutions (IFIs), i.e. financial institutions whose business is wholly Islamic, other entities offering/issuing Islamic finance products or services, e.g. a conventional bank offering 'Islamic windows', an entity issuing sukuk and counterparties to entities offering/issuing Islamic finance products or services, e.g. a customer of an IFI, a holder of sukuk certificates

**Question 11 - Which of the following transactions or events are addressed by your Islamic accounting standards?**

Presentation of financial statements, ijarah, sales-based contracts (e.g. Murabahah, Salam), partnership-based contracts (e.g. Musharakah, Mudarabah), takaful, sukuk and other such as zakat

**Question 12 - Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?**

When it is probable that an economic benefit will flow to or from an entity

**Question 13 - Under your Islamic accounting standards, how would income on a sale-based transaction (e.g. a Murabahah sale) most likely be recognised, where the repayment period exceeds one annual period?**

Income is allocated equally over the number of months/years of the repayment period

**Question 14 - In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate classification for items that bear characteristics of both liability and equity.**

Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?

Yes

**Question 15 - Some IFIs may employ profit equalization reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah accountholders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?**

PER is not used by IFIs in our jurisdiction

**Question 16 - Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?**

No

**Question 17 - Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?**

At a price that would be received to sell the sukuk in an orderly transaction with a buyer in the market.

**Question 18 - Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?**

As a single set of consolidated financial statements

**Question 19 - Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has a sufficient surplus. Under your Islamic accounting standards, how would a Takaful operator most likely recognise Qard extended to a participants' fund?**

Other

Comment: We see this (qard) as a non-accounting event

**Question 20 - More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?**

We will retain our Islamic accounting standards



## Iraq

Capital: Baghdad ▪ Population: 32.1 mil (2009) ▪ Muslim population: 31.1 mil (2010) ▪ Official language: Arabic ▪ Responding Organisation: Iraqi Union of Accountants and Auditors

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

No Islamic finance services are currently available in my jurisdiction

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

No Islamic finance services are currently available in my jurisdiction

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

No Islamic finance services are currently available in my jurisdiction

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

International Financial Reporting Standards (IFRS)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

Yes

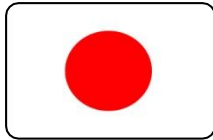
**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No





## Japan

Capital: Tokyo ▪ Population: 127.5 mil (2010) ▪ Muslim population: 185,000 (2010) ▪  
Official language: Japanese ▪ Responding Organisation: Accounting Standards Board of Japan

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**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Takaful and other.

Comment: Although Islamic Finance is not commonly available in Japan, some Japanese banks, insurance companies and other business corporations provide Islamic finance services such as Takaful, Re-takaful, Murabahah, bay al- ina, Sukuk and other project financing or syndicated loan in Muslim states. Japanese banking regulation was amended in 2008 to allow subsidiaries of (foreign) banks to provide the Islamic finance in Japan. On the other hand, some of Japanese banks, insurance companies and other business corporations have been providing the Islamic finance services such as Takaful, Re-takaful, Murabahah, bay al- ina, Sukuk and other project financing or syndicated loan in Muslim states. Japan's banking regulation was amended in 2008 so as to allow subsidiaries of banks to provide the Islamic finance in Japan.

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**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Other

Comment: Please see note on question 1

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**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Data not available

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**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

National standards based on IFRS

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**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we will be converging with /adopting IFRS by... The Accounting Board of Japan (ASBJ) is working on converging Japanese accounting standards with IFRS. In 2009, the Financial Services Agency (FSA) permitted qualified Japanese domestic companies to apply IFRS when preparing consolidated financial statements. It also anticipated that FSA will make decision around 2012 whether and how to require the use of IFRSs in Japan.

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**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

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**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

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**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No

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## Korea

Capital: Seoul ▪ Population: 48.9 mil (2010) ▪ Muslim population: 75,000 (2010) ▪  
Official language: Korean ▪ Responding Organisation: Korea Accounting Standards Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[International Financial Reporting Standards \(IFRS\)](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we have already converged with / adopted IFRS](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)



## Malaysia

Capital: Kuala Lumpur ▪ Population: 28.3 mil (2010) ▪ Muslim population: 17.1 mil (2010) ▪ Official language: Malay ▪ Responding Organisation: Malaysian Accounting Standards Board

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**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Savings/transactional accounts, consumer finance, corporate finance, investment banking, corporate sukuk issuances, sovereign sukuk issuances, fund management, securities trading, takaful, retakaful, and co-operatives and/or savings institutions.

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**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Licensed financial institutions, public listed companies, government agencies and co-operatives/mutuals

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**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Between 10 – 25%

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**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

National standards based on IFRS

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**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we will be converging with / adopting IFRS by 1 January 2012

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**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

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**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

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**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No

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**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation?**

The MASB requires its approved accounting standards, which are adopted from IFRS, to be applied to Islamic transactions. Additionally, the MASB issues other pronouncements to provide additional guidance on how to apply the standards to Islamic transactions. These pronouncements complement and supplement the standards, and nothing in the pronouncements shall override the approved accounting standards.

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## Mexico

Capital: Mexico City ▪ Population: 107.6 mil (2009) ▪ Muslim population: 111,000 (2010) ▪ Official language: Spanish ▪ Responding Organisation: Mexican Financial Reporting Standards Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[National standards not necessarily based on IFRS](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[No, we do not have plans for convergence/adoption at this time](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)

**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation?**

[None, as far as we do not have Islamic finance services in Mexico](#)



## New Zealand

Capital: Wellington ▪ Population: 4.4 mil (2010) ▪ Muslim population: 41,000 (2010)  
▪ Official language: English ▪ Responding Organisation: New Zealand Accounting Standards Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

No Islamic finance services are currently available in my jurisdiction

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

No Islamic finance services are currently available in my jurisdiction

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

No Islamic finance services are currently available in my jurisdiction

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

National standards based on IFRS

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

No

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No



## Pakistan

Capital: Islamabad ▪ Population: 165.2 mil (2009) ▪ Muslim population: 171 mil (2010) ▪ Official language(s): Urdu and English ▪ Responding Organisation: Institute of Chartered Accountants of Pakistan

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Savings/transactional accounts, consumer finance, corporate finance, investment banking, corporate sukuk issuances, sovereign sukuk issuances, fund management, securities trading, takaful, co-operatives and/or savings institutions and micro-financing

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Licensed financial institutions, co-operatives/mutual and others  
Comment: NGOs and informal MFIs providing Islamic micro-finance services & Mudarabas as a sector

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Between 5 - 10%

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

International Financial Reporting Standards (IFRS)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

Yes

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[Not applicable to this respondent]

**Question 9 - What type of Islamic accounting standards apply in your jurisdiction?**

National Islamic standards adapted from AAOIFI FAS

**Question 10 - Which of the following entities are required to apply Islamic accounting standards?**

Islamic financial institutions (IFIs), i.e. financial institutions whose business is wholly Islamic, other entities offering/issuing Islamic finance products or services, e.g. a conventional bank offering 'Islamic windows' and others

Comment: In some cases counter parties to entities offering / issuing Islamic finance products e.g. Ijarah

**Question 11 - Which of the following transactions or events are addressed by your Islamic accounting standards?**

Ijarah, sales-based contracts (e.g. Murabahah, Salam) and others  
Comment: Following Standards are being developed: Profit and Loss Sharing on Deposits, Diminishing Musharaka, Musharaka, General Presentation of Financial Statements of Islamic Financial Institutions

**Question 12 - Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?**

When it is probable that an economic benefit will flow to or from an entity

**Question 13 - Under your Islamic accounting standards, how would income on a sale-based transaction (e.g. a Murabahah sale) most likely be recognised, where the repayment period exceeds one annual period?**

Other

Comment: For deferred payment sales (Murabahah etc.) income is allocated over the number of months/ years of the repayment period. [This is different] for deferred delivery sales (Salam, Istisna etc.). However, standards [on these topics] are not yet developed and guidelines are taken from AAOIFI's standards.

**Question 14 - In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate classification for items that bear characteristics of both liability and equity.**

**Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?**

No

**Question 15 - Some IFIs may employ profit equalization reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah account holders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?**

Other

Comment: Some banks are recognising PER as a liability. However, its accounting will be dependent on the exposure draft's final treatment of the same.

**Question 16 - Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?**

No

**Question 17 - Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?**

At a price that would be received to sell the sukuk in an orderly transaction with a buyer in the market.

**Question 18 - Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?**

As an aggregate of the Takaful operator and participants' funds, without elimination of transactions and balances between them

**Question 19 - Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has a sufficient surplus. Under your Islamic accounting standards, how would a Takaful operator most likely recognise Qard extended to a participants' fund?**

As a liability, measured at cost

**Question 20 - More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?**

We will retain our Islamic accounting standards



## Saudi Arabia

Capital: Riyadh ▪ Population: 24.8 mil (2008) ▪ Muslim population: 25.5 mil (2010) ▪ Official language: Arabic ▪ Responding Organisation: Saudi Organisation for Certified Public Accountants

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### Question 1 - Which of the following Islamic finance services are available in your jurisdiction?

Savings/transactional accounts, consumer finance, corporate finance, corporate sukuk issuances, fund management, securities trading and takaful

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### Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?

Licensed financial institutions, public listed companies and co-operatives/mutual

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### Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?

Data not available

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### Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?

It depends on the type of entity

Comment: In Saudi Arabia, banks and insurance companies follow IFRS, whereas other entities follow local standards issued by SOCPA.

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### Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?

Yes, we will be converging with / adopting IFRS by... SOCPA plans to converge its local standards with IFRS by December 2015

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### Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?

No

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### Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?

No

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### Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?

No

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### Question 9 - What type of Islamic accounting standards apply in your jurisdiction?

National Islamic standards not based on AAOIFI FAS and other

Comment: There are no separate standards for Islamic accounting. Under the IFRS convergence plan, SOCPA plans to issue local standards after making necessary

changes to make them in line with the local environment in the Kingdom.

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### Question 10 - Which of the following entities are required to apply Islamic accounting standards?

Other

Comment: See comment above

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### Question 11 - Which of the following transactions or events are addressed by your Islamic accounting standards?

Other

Comment: There are no separate Islamic accounting standards at the moment.

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### Question 12 - Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?

Other

Comment: There are no separate Islamic accounting standards at the moment.

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### Question 13 - Under your Islamic accounting standards, how would income on a sale-based transaction (e.g. a Murabahah sale) most likely be recognised, where the repayment period exceeds one annual period?

Other

Comment: There are no separate Islamic accounting standards at the moment.

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### Question 14 - In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate classification for items that bear characteristics of both liability and equity.

Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?

No response

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### Question 15 - Some IFIs may employ profit equalization reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah accountholders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?

Other

Comment: There are no separate Islamic accounting standards at the moment.

**Question 16 - Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?**

No response

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**Question 17 - Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?**

Other

Comment: There are no separate Islamic accounting standards at the moment.

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**Question 18 - Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?**

No response

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**Question 19 - Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has a sufficient surplus. Under your Islamic accounting standards, how would a Takaful**

**operator most likely recognise Qard extended to a participants' fund?**

Other

Comment: There are no separate Islamic accounting standards at the moment.

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**Question 20 - More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?**

No response

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**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation?**

Under the IFRS convergence project, SOCPA plans to issue local standards after making necessary changes which may relate to local laws, Sharia requirements etc. As this approach is quite unique, SOCPA would like to discuss and share its experience with other AOSSG bodies and would also like to benefit from the experience of other bodies.

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## Singapore

Capital: Singapore ▪ Population: 5.1 mil (2010) ▪ Muslim population: 721,000 (2010) ▪ Official language(s): Malay, Chinese (Mandarin), Tamil and English ▪ Responding Organisation: Singapore Accounting Standards Council

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[Corporate finance and investment banking](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[Licensed financial institutions](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[Under 5%](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[National standards based on IFRS](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we will be converging with / adopting IFRS by 2013](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)



## South Africa

Capital: Pretoria (administrative), Cape Town (legislative) Bloemfontein (judicial) ▪ Population: 50 mil (2010) ▪ Muslim population: 737,000 (2010) ▪ Official language(s): Afrikaans, English, IsiZulu, IsiXhosa, Sepedi, Setswana, Sesotho, Xitsonga, Swazi, Tshivenda, IsiNdebele ▪ Responding Organisation: South African Institute of Chartered Accountants

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**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

Savings/transactional accounts, consumer finance, corporate finance, investment banking, fund management and takaful

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**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

Licensed financial institutions

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**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

Under 5%

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**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

International Financial Reporting Standards (IFRS)

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**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

Yes, we have already converged with / adopted IFRS

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**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

No

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**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

Yes

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**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

No

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**Question 9 - What type of Islamic accounting standards apply in your jurisdiction?**

AAOIFI Financial Accounting Standards (AAOIFI FAS)

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**Question 10 - Which of the following entities are required to apply Islamic accounting standards?**

Islamic financial institutions (IFIs), i.e. financial institutions whose business is wholly Islamic, other entities offering/issuing Islamic finance products or services, e.g. a conventional bank offering 'Islamic windows' and other

Comment: On the one hand you could include counterparties in this instance as customers that are preparing a set of financial statements in which they engage in Islamic finance transactions would need to account for them correctly. This would obviously only

hold for those counterparties who are actually preparing AFS. On the other hand, if the counterparty is not an IFI then it would be difficult to impose AAOIFI on that counterparty as they may subscribe to an IFRS framework.

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**Question 11 - Which of the following transactions or events are addressed by your Islamic accounting standards?**

Presentation of financial statements, ijarah, sales-based contracts (e.g. Murabahah, Salam), partnership-based contracts (e.g. Musharakah, Mudarabah), takaful, sukuk and other

Comment: All standards issued by AAOIFI could apply e.g. Provisions and Reserves - FAS 11, Zakah – FAS 9, etc.

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**Question 12 - Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?**

Other

Comment: Option 1 above – refer page 15, Statement of FAS 1, AAOIFI. It could be argued that the probability of economic benefit flowing to or from the entity would only occur in the event of a contractual relationship; in which case one could argue that Option 2 above would apply.

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**Question 13 - Under your Islamic accounting standards, how would income on a sale-based transaction (e.g. a Murabahah sale) most likely be recognised, where the repayment period exceeds one annual period?**

Other

Comment: Refer to Std 2/4/2. Recognised in one of two ways: - On a proportionate method whereby there is a proportionate allocation of profits over the period of the credit irrespective of whether or not cash is received. This is the preferred method. - As and when instalments received. This method shall be used based on a decision by the Shari'ah Supervisory Board of the Islamic Bank or, if it is required, by the Supervisory Authorities. Option 2 and 4 above would therefore appear appropriate.

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**Question 14 - In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate classification for items that bear characteristics of both liability and equity.**

**Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?**

Yes

**Question 15 - Some IFIs may employ profit equalization reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah accountholders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?**

PER is recognised as equity

**Question 16 - Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?**

No

**Question 17 - Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?**

Other

Comment: Investments in sukuk are recognised on the acquisition date and shall be measured at cost. At the end of the financial period, investments in sukuk and shares held for trading purposes shall be re-measured at their fair value. FAS 17 S6.

**Question 18 - Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?**

As a single set of consolidated financial statements

**Question 19 - Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has a sufficient surplus. Under your Islamic accounting standards, how would a Takaful operator most likely recognise Qard extended to a participants' fund?**

Other

Comment: As an equity or equity like item called Statement of Policyholders' surplus or deficit, Refer FAS 12. Qard is also separately disclosable and should

be ignored for the purposes of determining capital adequacy.

**Question 20 - More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?**

We may need to review some of the requirements of the Islamic accounting standards

**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation?**

In a South African context: 1. Banks operate under a licence granted in terms of the Banks Act and are required to adhere to all prudential requirements as legislated from time to time. One such requirement relates to liquid assets. The challenges that could be faced is that the existing legislation does not recognise any form of Shariah compliant instruments as liquid assets and therefore any income that is currently generated by such liquid assets is impermissible in nature and cannot be recognised by the bank as income and is donated for charitable causes. This anomaly clearly places the bank at a competitive disadvantage when compared to conventional banks.

2. At this stage, there is no tax legislation that deals specifically with Islamic Banking although there have been proposed amendments to tax legislation.

3. Any IFRS disclosure requirements, to date, that are in conflict with Shariah have not been encountered with perhaps the exception of the disclosure of the portion of profits due to depositors that is withheld as a form of a reserve. The purpose of creating the reserve is so that it may be used at some time in the future to off-set any unusual and unexpected loss of income that would otherwise result in a significant dip in profit paid to depositors. In terms of AAOIFI Accounting standard no.11 such reserve is a component of investment account holders and/or shareholders and is constituted by appropriations made out of the income of investment account holders.



## Sri Lanka

Capital: Colombo ▪ Population: 20.7 mil (2010) ▪ Muslim population: 1.7 mil (2010) ▪ Official language(s): Sinhala and Tamil ▪ Responding Organisation: Sri Lanka Accounting and Auditing Standards Monitoring Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[Savings/transactional accounts, consumer finance, corporate finance, fund management and takaful](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[Licensed financial institutions and public listed companies,](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[Under 5%](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[National standards based on IFRS](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we will be converging with / adopting IFRS by 1 Jan 2012](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)

**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation?**

[As the Islamic Finance Sector in Sri Lanka is quite small, the resources available to enhance the knowledge is very minimal. Especially as a regulator, when reviewing financial reports of this sector, to verify the accuracy of the accounting treatment adopted in relation to accounting Standard is not quite clear to us.](#)



## Syrian Arab Republic

Capital: Damascus ▪ Population: 20.1 mil (2009) ▪ Muslim population: 20 mil (2010)  
▪ Official language: Arabic ▪ Responding Organisation: Association of Syrian Certified Accountants

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[Savings/transactional accounts, consumer finance, corporate finance, fund management, takaful and micro-financing](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[Licensed financial institutions and public listed companies](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[Between 5 – 10%](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[International Financial Reporting Standards \(IFRS\)](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we have already converged with / adopted IFRS](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[Yes](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[Yes](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[\[Not applicable to this respondent\]](#)

**Question 9 - What type of Islamic accounting standards apply in your jurisdiction?**

[AAOIFI Financial Accounting Standards \(AAOIFI FAS\)](#)

**Question 10 - Which of the following entities are required to apply Islamic accounting standards?**

[Islamic financial institutions \(IFIs\), i.e. financial institutions whose business is wholly Islamic](#)

**Question 11 - Which of the following transactions or events are addressed by your Islamic accounting standards?**

[Presentation of financial statements, ijarah, sales-based contracts \(e.g. Murabahah, Salam\), partnership-based contracts \(e.g. Musharakah, Mudarabah\), takaful, sukuk](#)

**Question 12 - Under your Islamic accounting standards, which of the following best describes the general criterion for recognising an element of the financial statement?**

[When the transaction or event becomes contractual](#)

**Question 13 - Under your Islamic accounting standards, how would income on a sale-based transaction (e.g. a Murabahah sale) most likely be recognised, where the repayment period exceeds one annual period?**

[Income is allocated equally over the number of months/years of the repayment period](#)

**Question 14 - In addition to the usual five elements of the financial statement (i.e. income, expense, asset, liability and equity) some Islamic accounting standards recognise a sixth element which is said to be the appropriate**

**classification for items that bear characteristics of both liability and equity.**

**Do your Islamic accounting standards allow the recognition of a sixth element of the financial statement for items with characteristics of both liability and equity (e.g. some Mudarabah items)?**

[Yes](#)

**Question 15 - Some IFIs may employ profit equalization reserves (PER), a smoothing mechanism to provide a consistent rate of return to Mudarabah accountholders. Under your Islamic accounting standards, how would an IFI most likely recognise an amount set aside for PER?**

[PER is recognised as equity](#)

**Question 16 - Do your Islamic accounting standards allow for Ijarah to be treated as a finance lease, if the Ijarah otherwise meets the criteria for finance lease under IFRS?**

[No](#)

**Question 17 - Under your Islamic accounting standards, how would a sukuk held for trading most likely be measured?**

[As a corresponding proportion of the value of the underlying asset](#)

**Question 18 - Under your Islamic accounting standards, how would a Takaful operator most likely present its financial statements, and those of the participants' funds it manages?**

[As separate financial statements](#)

**Question 19 - Some Takaful operators may provide an interest-free loan, Qard, to a participants' fund that is in deficit. Qard is usually repaid when the participants' fund has a sufficient surplus. Under your Islamic accounting standards, how would a Takaful operator most likely recognise Qard extended to a participants' fund?**

[As a liability, measured at cost](#)

**Question 20 - More and more countries are converging with or adopting IFRS. How does this affect your policy on Islamic accounting standards?**

[We may need to review some of the requirements of the Islamic accounting standards](#)

**Question 21 - Is there a particular topic you would like us to focus on in the future? Do you have any issues in applying IFRS to Islamic financial transactions? What can we do to assist your organisation?**

[Some items are not clear enough, need to be explained more than \(yes\) or \(no\) like no. \(6 & 13\)](#)



## United Kingdom

Capital: London ▪ Population: 62.2 mil (2010) ▪ Muslim population: 2.9 mil (2010) ▪  
Official language: English ▪ Responding Organisation: United Kingdom Accounting  
Standards Board

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[Savings/transactional accounts, consumer finance, corporate sukuk, takaful and other](#)

[Comment: The choices above are based on information provided in a number of UK reports on Islamic finance, prepared by the FSA \(2007\) and HM Treasury \(2008\). There may well be other products available in the UK.](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[Licensed financial institutions](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[Data not available](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[International Financial Reporting Standards \(IFRS\)](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we have already converged with / adopted IFRS](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[No](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)



## Uruguay

Capital: Montevideo ▪ Population: 3.4 mil (2010) ▪ Muslim population: 999 (2010) ▪  
Official language: Spanish ▪ Respondent Organisation: Colegio de Contadores Uruguay

**Question 1 - Which of the following Islamic finance services are available in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 2 - In your jurisdiction, Islamic finance services are primarily carried out by what type of entities?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 3 - What is the size of the Islamic finance sector relative to the total financial sector in your jurisdiction?**

[No Islamic finance services are currently available in my jurisdiction](#)

**Question 4 - What financial reporting standards generally apply to entities engaged in finance in your jurisdiction?**

[National standards based on IFRS](#)

**Question 5 - Does your jurisdiction have a policy of convergence with, or adopting, IFRS?**

[Yes, we have already converged with / adopted IFRS](#)

**Question 6 - Do you consider applying different financial reporting standards for entities engaged in Islamic finance to be compatible with IFRS convergence/adoption?**

[Yes](#)

**Question 7 - Do special financial reporting standards apply to entities engaged in Islamic finance in your jurisdiction?**

[No](#)

**Question 8 - If you do not currently have special financial reporting standards for entities engaged in Islamic finance, do you have plans to issue any?**

[No](#)