THE EXTENT OF COMPLIANCE WITH THE AAOIFI ACCOUNTING STANDARDS BY ISLAMIC BANKS IN BAHRAIN AND MALAYSIA

Adel Mohammed Yaslam Sarea
(Matric No. 4070007)

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NILAI
May 2011
AUTHOR DECLARATION

I hereby declare that the work in this dissertation is the result of my own investigations, except where otherwise stated. I declare that it has not been previously or concurrently submitted as a whole for PhD degree at USIM or other institutions.

Affirmed by:

ADEL MOHAMMED YASLAM SAREA

Signature: _________________________

Date: 7 May 2011

Matric No: 4070007

Address:

A-4-11 Pangsapuri Harmoniz, Jalan Harmoniz, Off Jalan Gombak, Kuala Lumpur, 53100. Malaysia.
Biodata of Author

Adel Mohammed Yaslam Sarea (4070007) was born on 17th Nov 1979. He is currently residing at A-4-11 Pangsapuri Harmoniz, Jalan Harmoniz, Off Jalan Gombak, Kuala Lumpur, 53100. Malaysia.

He previously was a student of Al Al1Bayt University in Jordan and obtained master degree in accounting from the Faculty of Finance and Business Administration 2005.

In 2003 The Bachelor of Accounting obtained from Petra University (PU) in Jordan form The Faculty of Administrative and Financial Sciences (FAFS). Presently, He is a PhD candidate of USIM majoring in Accounting for Islamic financial institutions from Faculty of Economics and Muamalat Administration.


In 2009 attended the AAOIFI - World Bank Annual Conference on Islamic Banking and Finance 2009, held at the Bahrain Conference Centre, Crown Plaza Hotel, Kingdom of Bahrain, between the 14th and 16th of December 2009.

In 2010 presented paper for 4th Islamic banking, accounting and finance conference (iBAF2010) entitled, “The adoption of the AAOIFI accounting standards: Diffusion of innovation” The conference was organized by Faculty of Economics and Muamalat Administration, Islamic Science University of Malaysia. 13 and 14 October 2010.
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May Allah SWT bless all of us. Amiiin
ABSTRAK

TINGKAT PELAKSANAAN PIAWAIAN-PIAWAIAN PERAKAUNAN AAOIFI OLEH PERBANKAN-PERBANKAN ISLAM DI BAHRAIN DAN MALAYSIA

ABSTRACT

THE EXTENT OF COMPLIANCE WITH THE AAOIFI ACCOUNTING STANDARDS BY ISLAMIC BANKS IN BAHRAIN AND MALAYSIA

The accounting and auditing organization for Islamic financial institutions (AAOIFI) had taken a proper initiative to develop accounting, auditing, governance and ethics standards for Islamic Financial Institutions (IFIs). The AAOIFI standards serve as a guideline that may reflect the unique characteristics of IFIs and become a useful tool to meet the various needs of IFIs. Currently, one the major challenges facing Islamic Financial Institution (IFS) lies in the preparation of the financial statements under different accounting standards and which may result to problem of comparability, reliability and compliance level’s measurement. This has however resulted to a heated debate among scholars which has hitherto translated to the evolving existing literature surrounding the interpretation of the level of compliance with the AAOIFI accounting standards. This study therefore mainly investigates the level of compliance with the AAOIFI accounting standards by Islamic banks in Bahrain and Malaysia and thus provides answers to the current debate. The basis of the study was diffusion of innovation theory which states that, the perceived relative advantage, compatibility, complexity, trialability and observability influence the level of compliance or adoption. The investigation is however undertaken by employing a survey method which involved questionnaire as primary data and annual reports as secondary data. The data was later analyzed using descriptive statistics, regression analyses and t–test. The t-test was conducted to verify the mean differences among the respondents in Islamic banks. The finding of the study therefore indicates that, sample mean of banks in Bahrain is slightly higher in term of compliance with the AAOIFI accounting standards compared to Malaysia. Even though such difference is not so significance based on the fact that, $\beta > 0.05$. Moreover, the results revealed that, although the AAOIFI accounting standards are not mandatory in Malaysia, there are some similarities between the perceptions of Islamic banks in Malaysia and Bahrain on certain aspects related to the responsibility to comply with the AAOIFI accounting standards. The findings from the current study therefore contribute towards a better understanding and acceptability of the AAOIFI accounting standards.
ملخص البحث
مدى التزام البنوك الإسلامية في البحرين وماليزيا بمعايير المحاسبة للمؤسسات المالية الإسلامية

لقد بادر مجلس معايير المحاسبة للمؤسسات المالية الإسلامية بالعمل على تطوير معايير المحاسبة والمراجعة، والحوكمة، وعمل على تأكيد المعايير الأخلاقية والشرعية للمؤسسات المالية الإسلامية، كون هذه العناصر مجتمعة هي من الأهمية بمكان بالنسبة إلى عمل وطبيعة ودور المؤسسات المالية الإسلامية. ومع ذلك فإن موضوع إعداد القوائم المالية تحت معايير محاسبية مختلفة نتج عنه إشكالية تتعلق بقابلية هذه القوائم للمقارنة أو الملاءمة مع الأصول الشرعية التي ينبغي مراعاتها عند إعداد القوائم المالية وفق معايير المحاسبة للمؤسسات المالية الإسلامية، هذا من ناحية ومن ناحية أخرى أظهرت الدراسات السابقة فروقات في درجة الالتزام بمعايير المحاسبة للمؤسسات المالية الإسلامية. إذا فقد هدفت هذه الدراسة إلى قياس مدى التزام البنوك الإسلامية في البحرين وماليزيا بمعايير المحاسبة للمؤسسات المالية الإسلامية، وقد اعتمد الباحث على نظرية (انتشار الاختراق) التي تبحث في أثر الاعتماد النسبية، والقابلية للتجارة، ودرجة التعقيد، والتجربة والقابلية للملاحظة على مستوى الالتزام بمعايير المحاسبة للمؤسسات المالية الإسلامية. كما اعتمد البحث كذلك على الدراسات السابقة في الموضوع وذلك لتكون رؤية واضحة وفقاً لضيق الفجوة بين الإطار النظري والتطبيق العملي لمعايير المحاسبة للمؤسسات المالية الإسلامية. وفي الجانب العملي اعتمد الباحث لتحديد هدف الدراسة على بيانات رئيسية (التكارير المالية)، وبيانات ثانيةية (التقارير المالية)، وقام بتحليل هذه البيانات، عن طريق المنهج الوصفي التحليلي، وقام تحليل الانحدار والارتباط بالإضافة إلى تحليل T–test. وفقاً لاحتراف الدراسة إلى أن البنوك الإسلامية البرجية تلتزم في وسطها الحسابي، ودرجة عالية، بمعايير المحاسبة للمؤسسات المالية الإسلامية في حين تلتزم البنوك الإسلامية الماليزية بهذه المعايير بدرجة أقل، على الرغم من أن تحليل T–test أظهر عدم وجود داللة إحصائية كبيرة حيث إن 0.05 > β. ويمكن إرجاع هذه النتيجة إلى أن المشرف البحريني لزم البنوك الإسلامية بمعايير المحاسبة للمؤسسات المالية الإسلامية بينما تركها المشرف الماليزي إلى الاختيار دون الإزار، ومع ذلك تظهر الدراسة أن هناك تشابه حذ كلا البلدين في مسألة الالتزام بثق البنوك، وقد أثر هذا التشابه من خلال أراء المستجيبين حول مدى الالتزام البنوك الإسلامية بمعايير المحاسبة للمؤسسات المالية الإسلامية. وكنتيجة أخرى للدراسة، فقد ساهمت هذه الدراسة في فهم معايير المحاسبة للمؤسسات المالية الإسلامية وأن تكون من قبل المصارف الإسلامية في كل من البحرين وماليزيا، ومن ثم الالتزام بها وتطبيقها.
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<td>AAOIFI</td>
<td>Accounting and Auditing Organization for Islamic Financial Institutions</td>
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<td>AASB</td>
<td>Accounting And Auditing Standards Board</td>
</tr>
<tr>
<td>ADIB</td>
<td>Abu Dhabi Islamic Bank</td>
</tr>
<tr>
<td>BAA</td>
<td>Bahraini Accountants Association</td>
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<tr>
<td>BIMB</td>
<td>Bank Islam Malaysia Berhad</td>
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<td>BMI</td>
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<td>BNM</td>
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<td>Central Bank Of Bahrain</td>
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<td>FAS</td>
<td>Financial Accounting Standards</td>
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<td>GCC</td>
<td>Gulf Co-Operation Council</td>
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<td>INCEIF</td>
<td>International Centre for Education in Islamic Finance</td>
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<td>IAS</td>
<td>International Accounting Standards</td>
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<td>IOSCO</td>
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<td>ISRA</td>
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<td>IIUM</td>
<td>International Islamic University of Malaysia</td>
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<td>KFH</td>
<td>Kuwait Finance House</td>
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<td>MASB</td>
<td>Malaysian Accounting Standards Board</td>
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<td>MENA</td>
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<td>OIC</td>
<td>Organization of Islamic Conference</td>
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<td>SAMA</td>
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<td>SSIB</td>
<td><em>Shari’ah</em> Supervisory Board</td>
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<td>World Bank</td>
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CHAPTER I
INTRODUCTION

1.0 INTRODUCTION

At present, Islamic banks represent the majority of Islamic Financial Institutions (IFIs), which are spread locally and internationally across both Islamic and non-Islamic countries. The emergence of Islamic banking is due to the increasing demand from Muslims communities worldwide for shariah’s complied Islamic financial products, services and the variety of modes of Islamic finance. Islamic banks acts as an investor, a trader, a financial advisor, a consultant and a financing house (Ariss and Sarieddine, 2008). According to the International Association of Islamic Banks (IAIB), the Islamic financial institutions had a combined capital of US$ 7.3 billion with assets and liabilities worth US$ 147.7 billion (Khan, 2001). However, as at 1997, the total assets managed by Islamic banks worth US$ 112.6 billion with a net profit of US$ 1.2 billion (Khan, 2001).

In addition, Islamic banking is evolving and growing at a rapid rate with an impressive record of more than 200 Islamic financial institutions (IFIs) operating in 63 Islamic and non-Islamic countries. The past ten years saw high growth in the number of IFIs around the world with reported managing funds of US$200 billion in 2004 and which saw further rising to US$500 billion in 2008. The industry has attracted major Western institutions such as Citibank, HSBC, BNP-Paribas and Deutsche Bank, which operate Islamic windows within conventional banks (Maali and Napier, 2010). Given the rate of growth of the IFIs, the continuous sustainability of the development currently witnessing by
Islamic financial institutions in both Islamic and non-Islamic countries needs the Islamic accounting standards otherwise called AAOIFI accounting standards due to the unique characteristics couple with the growing demand of IFSs’ products so as to facilitate and enhance the credibility and reliability of the financial statements and report. Thus, the current standards which are based on conventional framework seem insufficient to guide the Islamic financial institutions. Currently, the various IFSs institutions apply different accounting standards in their preparation of their accounts due to the absence of Islamic accounting standards (Zaini, 2007). The trend towards the accounting and auditing organization for Islamic financial institutions (AAOIFI) standards has become a pressing issue that has generated heated debate in Organization for Islamic Conference (OIC) countries.

This study highlights and focuses on the evaluation of the levels of compliance to the AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain.

1.1 STATEMENT OF THE PROBLEM

Several Muslim scholars, such as Abu Yusuf (died 804), Al-Mawardi (died 1058), Al-Ghazali (1058-1111), Al-Izz bin Abdus-Salam (1181-1262), Ibn Taymiyah (1263-1328), and Ibn Khaldoon (1332-1406) to name a few, wrote about interest, taxation, public finance, and interest-free economic systems in general from both the legislative and practical points of view, i.e., they wrote in normative and prescriptive style as dictated by the Quran and Sunnah (Abdul-Aziz ,1987). The needs for accounting standards are emphasis in the Quran: “…Never get bored with recording it, however small or large, up
Islamic banks operate mainly in developing countries- Middle East, Africa and South-East Asia are facing accounting standards problems in their practice due to a number of reasons. For instance, financial institutions in country such as Jordan, the UAE and Qatar are officially required to comply with the International Accounting Standards (IASs). Meanwhile, in countries such as Saudi Arabia, the authorities require compliance with both IAS and local accounting standards. In Malaysia, there are national accounting standards which are based on IAS (Ahmed, 2002).

The problems currently experiencing in term of the divergence of accounting standards implementations pose a great threat to the sustainability of IFSs. For instance, some of the Islamic banks treat investment accounts that are based on the mudarbah contract as liabilities and report them on-balance sheet (e.g. Jordan Islamic Bank, Bahrain Islamic Bank and Qatar Islamic Bank). Other banks treat investments accounts as fiduciary investments and accordingly reported them as off-balance sheet (e.g. Al Rajhi Bank and Shamil Bank of Bahrain) (Ahmed, 2002).

Therefore, researchers in the area of financial reporting for Islamic financial institutions have conducted a considerable number of studies to investigate the Islamic banks’ compliance to accounting standards. Until recently, one of the main problems facing Islamic banking includes a lack of standardized accounting and auditing standards (Pomeranz, 1997). However, conventional accounting is inappropriate for Muslim users and Islamic organizations (Hameed, 2001) and it is inappropriate to impose unmodified Western accounting practices on developing countries (Karim, 1987). In addition,
International Accounting Standards based on such techniques would create difficulties for Muslims around the world. Therefore, it is imperative for the Muslim accountants to develop accounting standards which are specially adapted to Islamic needs, and for Muslim countries (Shadia Rahman, 2007).

The Afghani of Islamic bank economist Abdul Haqiqi, recommends that the establishment of accounting standards for Islamic banks and a focus on auditing could possibly address the issue of accounting, conformity to Islamic and Arab social and religious objectives, and a coordinated and unified approach to the interpretation of pertinent Islamic law (Pomeranz, 1997).

Basically, there is lack of evidence regarding the level of adoption of the AAOIFI accounting standards and analysis of Islamic banking principles under national Shari’ah advisory council, central bank roles, political system and economic structure. Moreover, the major problem is in the basis of accounting standards and disclosure in IFSs that is still based on the conventional accounting philosophy (Harahap, 2003). The adoption of international accounting standards by Islamic banks will help enhance their credibility and fuel their growth worldwide (Ariss and Sarieddine, 2008).

However, the rapid development of Islamic financial institutions needs standards for disclosing information, satisfying not only the general standards of disclosure but also standards relating to Islamic values (Harahap, 2003).

The real state and level of implementation of the AAOIFI requirements among Islamic banks is currently unknown and needs to be investigated based on the fact that, these AAOIFI requirements are voluntary and no one has the authority to enforce them. In addition, due to the absence of Islamic accounting standards, Islamic financial institutions
currently have applied different accounting standards in their preparation of financial reporting.

Diversities exist in terms of their class structure, political systems, legal systems, financial systems, educational systems, and the very nature of conducting business and business ownership (Choi and Meek, 2005). Furthermore, the problem may be due to lack of representative of the diverse environment factors as a result of adopting or complying with different accounting standards by Islamic banking. These differences among countries would dictate different accounting practices each reflective of the environmental factors of its respective country. A single harmonized standard of accounting practices would be inappropriate and not representative of all the varied environmental factors exhibited in global markets (Lovett, 2002).

However, accounting standards are used to generate comparable and reliable accounting information to help investors, creditors and other users to make investment decisions. These standards reflect the culture, history, and other characteristics of accounting problems facing that country (Abonewa, 2005).

Due to the current different regulatory requirements and legislations, the relevance and comparability of financial statements are the foundations upon which accounting standards are predicated. Lovett (2002) documented that, with financial statements prepared under different accounting standards a problem may exist in:

- Comparability of financial statements prepared globally,
- Reliability and creditability.

Global accounting standards are perceived by a segment of the financial community as the solution to this problem, while other members of the community adhere to the
philosophy of maintaining individual, national accounting standards (Lovett, 2002). In the adoption process of the accounting standards, influences that affect the rate of adoption are identified. These influences cause changes in the attitudes of participants in a social system towards the adoption of accounting standards. The influences and their effect on the rate of adoption are what need to be studied in order to interpret the association of the variables influencing the adoption of accounting standards (Lovett, 2002).

Moreover, diversity in IFIs practices means that, there are practices that have not been covered by AAOIFI accounting standards or any accounting standards that are in line with Shari’ah principles. Islamic banks worldwide prepare their financial statements using variety of accounting standards, the problem may exist in the practices and the level of compliance among accountants and the Islamic banks across the world. Thus, the need for Islamic accounting standards may possibly be the right way to resolve these issues.

1.1.1 Why compliance issues

Most of the previous studies focused on the understanding of AAOIFI accounting standards and the need for Islamic accounting standards.

This study however, focused on the levels of compliance with AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain, and discourse about the "compliance" in which exist many scenarios that includes: High, moderate and Low levels of compliance, as shown in Figure 1.1:
To assist in the interpretations for the compliance issues, this research will focus on the investigation of the level of compliance with the AAOIFI accounting standards. It is undisputable that, compliance with the AAOIFI accounting standards is necessary to ensure that all the matters of IFIs are within a legal framework which is acceptable for the Muslims community and in line with Shari’ah principles. The compliance issues get higher priority in some of the previous studies, for instance, Hameed, Alrazi and Nazli (2006), Che Pa (2006) and Zaini (2007), Farah Nadzri (2009) and Mechelli (2009). Mechelli (2009) investigated both the degree of harmonization and compliance in applying IAS 7. This standard focuses on the cash flow statement (CFS) whose rules are stated in International Accounting Standards (IAS 7) and the results of the research indicated a high degree of heterogeneity in applying IASB standards and a high degree of noncompliance with IAS 7 by Italian entities groups. The high degree of heterogeneity could impair the comparability of financial statements across entities. The high degree of
noncompliance could therefore lead to the risk of misleading users of financial statements.

The evolving literature offer different interpretations:

- High levels of compliance: Hameed, Alrazi and Nazli, 2006, stated that the complying level of (BIMB) is 15 percent while that of (BIB) 61 percent. Thus, it is indicated that the BIB in Bahrain has higher level of compliance with the AAOIFI accounting standards compared to the BIMB in Malaysia.

- Moderate levels of compliance: Che Pa, 2006 and Zaini, 2007 argues that the level of acceptability of AAOIFI have only moderate level of compliance among the managers in banks in Malaysia.

- Low levels of compliance: Farah Nadzri, 2009, concluded that in regard to Zakah the extents of disclosure by the IFIs are much lower than the AAOIFI requirements.
The current accounting standards based on the Western ideology fail to integrate a fair and proper assessment of zakat wealth for corporations (Adnan and Abu Bakar, 2009). On the other hand, one of the conflicts between IFRSs based on western ideology and the AAOIFI accounting standards based on Shari’ah principles is in respect of the unique nature of transaction and different environmental factors. For instance, to compare between different kinds of accounting standards based on Financial Accounting Standards (FRS 1) and Financial Reporting Standards (FRS 1); while (FAS 1) requires the four conventional and three unique financial statements, (FRS 1) only requires the four conventional financial statements. In Malaysia and other countries, the statements of changes in Zakat fund is not applicable based on the fact that, Zakah is collected by

Low : Farah Nadzri, 2009, concluded that the extents of disclosure by the IFIs are much lower than the AAOIFI requirements.

Moderate : Ani Salwani, 2006 and Zaini, 2007, argues that the level of acceptability of AAOIFI have only moderate level of compliance

High level: Shahul, Alrazi and Nazli, 2006, argues that the level of compliance of (BIMB) is only 15 percent , while that of (BIB) is 61 percent. Thus, the BIB in Bahrain is more comply with the AAOIFI accounting standards than BIMB in Malaysia.
government agencies and prohibited for banks to collect and distribute zakah (Hameed, 2009). Furthermore, (FRS 1) requires the accrual method to be adopted unless the Shari’ah Advisory Council of the central banks allows the IFI to use cash basis. The issue of prohibited earnings and expenditures, (FRS 1) makes it mandatory to disclose Shari’ah prohibited earnings and expenses and the methods used in disposing them. Generally it is voluntary in (FRS 1) but mandatory for IFIs to comply with AAOIFI’s (FAS 1) by meeting the requirements of IAS 30 except perhaps in disclosure of trust activities, valuation of financial instruments (IAS 32 and 39) and IAS 17 on leases (Hameed, 2009).

1.1.2 Justification of the study

There have been arguments in previous studies that, because of the unique transactions of Islamic banks, conventional accounting rules such as International Financial Reporting Standards are not compatible to Islamic banks (Maali and Napier, 2010). Since the depositors’ funds are not guaranteed, customer deposits cannot be reported as liabilities in the balance sheets of Islamic banks. Recently, many Islamic banks have been adopting the accounting standards set by the AAOIFI (Maali and Napier, 2010). Therefore, understanding factors affecting the levels of compliance with the AAOIFI accounting standards need to be investigated. The acceptability and understanding of the role of the AAOIFI accounting standards can be of high significance for policy implications, regulators, and standard setters. Currently, the evolving literature exist surrounding the interpretation of the levels of compliance with the AAOIFI accounting standards generated a heated debate among the researchers. Thus, this study aims to provide answers to the current debate. A clear understanding and acceptability have the potential
to lead to more compliance with AAOIFI accounting standards.

Regarding the compliance with AAOIFI accounting standard, it is uncertain to determine whether the Islamic banks in Malaysia would switch to the AAOIFI standards or adopting a combination of both MASB and AAOIFI. It is necessary that we ask the following question regarding: which implementation, voluntary compliance or mandatory compliance and why? In reference to Central Bank of Malaysia (BNM) guideline it is clearly stated that, IFIs should comply with the AAOIFI standards as guideline. With regard to AAOIFI's set of standards, BNM has no objection to the adoption of the AAOIFI standards (Ismail and Latiff 2001). Moreover, there are some previous related studies conducted in Malaysia, which revealed different levels of compliance with the AAOIFI accounting standards. For instance, Hameed, Alrazi and Nazli (2006), Che Pa (2006) and Zaini (2007).

In Malaysia, Bank Negara (BNM) has taken the lead in promoting Malaysia as an International Islamic Financial Centre. Within this initiative, BNM approves licenses for the establishment of International Islamic Banks and International Takaful Operators as well as focusing on institutional building <http://www.bnm.gov.my>. Based on that the compliance with any accounting standards in line with Shari`ah principles will help enhance the credibility and fuel the global growth of Islamic financial institutions which may be the best choice for reducing costs to design new accounting standards as well as increasing foreign investments and investor's confidences.

In Bahrain, AAOIFI has gained tremendous support for the implementation of its standards, which are now adopted in the Kingdom of Bahrain, Dubai International
Financial Centre, Jordan, Lebanon, Qatar, Sudan and Syria. The relevant authorities in Australia, Indonesia, Malaysia, Pakistan, Kingdom of Saudi Arabia, and South Africa have also issued guidelines that are based on AAOIFI’s standards and pronouncements (AAOIFI, 2010).

However, in order to justify the choice for Islamic banks in Bahrain and Malaysia in general, it can be seen that Bahrain is a centre for the AAOIFI standards and Malaysia is an international Islamic financial centre which position Malaysia as leading international Islamic financial hub.

1.2 RESEARCH OBJECTIVES AND RESEARCH QUESTIONS

The review of the literature in the prior studies have shown that, little research have been conducted to provide some understanding on the AAOIFI accounting standards by Islamic financial institutions.

Most of the previous studies focused on the levels of understanding and acceptability of the AAOIFI accounting standards and the need for Islamic accounting standards, Islamic Sukuk. According to AAOIFI FAS 17, the different between IAS and AAOIFI is mainly the issue of the prohibition of interest in Islam and mode of finance. For instance, Ismail and Latiff (2001), Hameed, et al (2006), Che Pa (2006) and Zaini (2007).

However, in line with that the following research objectives and research questions are developed which will be tested to evaluate the levels of compliance with AAOIFI accounting standards by Islamic banks in Bahrain and Malaysia.
The primary objective of this study is to evaluate the levels of compliance with AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain and subsequently obtaining reasons for the levels of compliance with the AAOIFI accounting standards.

In achieving the above research objectives, the current research would employ some mechanisms which are:

1- It will involve the review of relevant prior literatures.

2- It will involve the questionnaire to obtain accountant's perceptions about the level of compliance with the AAOIFI accounting standards.

3- It will involve the annual reports from the Islamic banks in Malaysia and Bahrain.

To meet the research goals, this study aims to analyse the AAOIFI accounting standards in Islamic banking as well as providing insights into the AAOIFI accounting standards. The study will specifically examines: the influences of relative advantage, compatibility, complexity, trialability, and observability, as well as bank size, profitability and liquidity on the adoption of the AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain. Thus, the research objectives of the study are:

**Research objective No.1**

To examine the levels of compliance with the AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain.

The issue here as highlighted by prior literature is the levels of compliance of the AAOIFI accounting standards influenced by external or internal factors as well as new regulations. In other words, the AAOIFI standards need authority to imposed accounting, auditing, ethics and *Shari’ah* standards among Islamic financial institutions.
Furthermore, since Islamic financial institutions offer Islamic banking services, the regulatory system for Islamic financial institutions should devise effective guidelines in order to facilitate accounting standard and compliance. In other words, it is important for all parties in Malaysia and Bahrain such as Central Bank of Malaysia, Malaysian Accounting Standards Board (MASB), AAOIFI Board, the regulators and other stakeholders to device a comprehensive financial statements that will be able to tackle the aforementioned issues.

The following research questions thus emerge from this objective:

**Research question No.1**

**To what extent Islamic banks in Bahrain and Malaysia is compliance with the AAOIFI accounting standards?**

The development of the AAOIFI accounting standards give rise to a number of accounting and reporting issues. However, Islamic financial institutions need Islamic accounting standards that meet and fulfill the requirements of the *Shari’ah*. In other words, Islamic banks mobilize and use funds through interest-free system. Thus, Islamic banks are required to comply with *Shari’ah* rules and principles which is not applicable to conventional banks. This implies that, Islamic financial institutions should comply with accounting standards that is based on *Shari’ah* compliance. Therefore, based on the above concern, the following objectives and research questions emerged.

**Research objective No. 2**

**To examine the factors (i.e. relative advantage, compatibility, complexity, trialability, and observability) that may have influence the levels of compliance with the AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain.**
Based on the above objective, the current research will hopefully contribute significantly to the body of knowledge by investigating the extent of compliance with the AAOIFI accounting standards from a new perspective by using diffusion and innovation theory as its underlying theory. To contribute significantly to the Islamic financial institutions around the world, the research uses of Roger’s model in studying compliance/adoption of the AAOIFI accounting standards by Islamic banks are rather new, especially by Islamic banks in Malaysia and Bahrain.

In reference to Rogers (2003), the theory consist of five stages; knowledge, persuasion, decision, implementation and confirmation. Among these five stages, the second stage which is persuasion consists of five stages (relative advantage, compatibility, complexity, trialability, and observability). The persuasion stage perceives characteristics of innovation which has been studied more frequently and is generally considered as the most significant means of explaining the rate of adoption (Kendall et al, 2001).

Rogers modeling has been applied to studies related to the adoption of innovations in many disciplines. It has been applied in marketing to determine the acceptance of new products, in education to determine the acceptance of new teaching techniques, in medicine to determine the acceptance of new procedures, and in agriculture to determine the acceptance of hybrid crops (Lovett, 2002).

Research questions raised to analyze the above objective are:

**Research question No.2**

To what extent these factors (i.e. relative advantage, compatibility, complexity, trialability, and observability) may have influence on the levels of compliance with the AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain?
Since AAOIFI accounting standards are relatively new, the research proposes that the relative advantage, compatibility, complexity, trialability, and observability may influence (positively or negatively) on the levels of compliance with AAOIFI accounting standards by Islamic banks in Bahrain and Malaysia.

**Research Objective No.3**

To investigate the correlation between these factors (i.e. firm size, profitability and liquidity) and the levels of compliance with the AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain

Al-Mudhahki and Joshi (2001) found that, certain listed companies in Bahrain were complying with the international accounting standards (IASs) and the study found that, size were the main determinants of the compliance with international accounting standards. The relationship between asset size and the levels of compliance with the AAOIFI standards refers to the special issues that are related to the size of a firm and their logical relationship with the extent of the compliance with these standards.

Regarding to profitability and liquidity in Islamic banks, there is a mix of opinions among researchers in respect to the sign (positively or negatively) of profitability and the influence of liquidity on the levels of compliance with the accounting standards.

**Research question No.3**

What is the relationship between factors such as firm size, profitability and liquidity and the levels of compliance with AAOIFI accounting standards by Islamic banks in Malaysia and Bahrain?
### Summary of the research objective and questions

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### 1.3 SIGNIFICANCE OF THE STUDY

Due to the issues of globalization, increased competition, communication revolution, new regulations and the revolution in the Islamic financial institutions system, this study seeks to contribute significantly to all aspects of Islamic financial institutions by determining the levels of compliance with the AAOIFI Islamic accounting standards.
From international perspective, The International Organization of Securities Commission (IOSCO), the IASC, the World Bank, the International Federation of Stock Exchanges, and believe that the adoption of accounting standards such as IASs is appropriate for the developing countries (Joshi and Ramadhan, 2002). Introducing IASs is often an improvement over the current systems based on the fact that, IASs standards provide low setup and production costs for accounting information, add to international comparability, and attract internal investment (Joshi and Ramadhan, 2002). On the other hand, Most of the large international conventional banks, such as Citibank (Bank of America), Deutche Bank, ABN Amro, UBS, HSBC and Standards Chartered have started to compete by offering Islamic banking services, and the growing number of Islamic banks have intensified competition among the Islamic banks themselves (Bader, 2007).

The adoption and implementation of international accounting standards, is crucial to the establishment of an institutional environment that can serve as a buffer against instability, crisis and enhance the flexibility of the domestic financial systems. Economic, financial and structural incentives for financial stability both nationally and internationally—support the implementation of accounting standards and underscore their importance (Janifer, 2003).

Therefore, some of the most important of these incentives are: firstly, the need for the development of the appropriate institutional and regulatory framework. This is necessary to address the peculiar factors contributing to financial instability, while provide support and guide regarding the increasing globalization and liberalization with their potential cross-border effects. Secondly, it would enhance and facilitate timely, accurate and reliable information for investors (Janifer, 2003).
Despite the numerous challenges currently facing Islamic financial system, there is no doubt that the Islamic financial institutions comprising mainly of Islamic banking has steadfastly lay a formidable foundations in term of Internationally recognized Islamic financial transactions (AL-Rawashdah, 2009).

In this regard, the impacts on the adoption of the AAOIFI accounting standards in term of external and internal influence on Islamic banking such as, foreign investment, globalization, international capital markets, international accounting firms and multinational organizations are due to the internal influences such as socio-cultural, national economic development levels, local capital markets and accounting professional body (Warsame, 2006).

Islamic banking plays a major and important role in the Islamic economy system. The significance of this study emerges from the importance of Islamic banking and AAOIFI accounting standards. Therefore, financial reporting in Islamic banking is required to be prepared fairly and carefully. This will further enhance and improve the efficient operation of Islamic banks as an important player in the economies and an unambiguous source of a comprehensive development.

In this regard, this study attempts to evaluate the extent of the perceptions of the accountants with regard to compliance with the AAOIFI accounting standards. Hence, the current study is expected to provide some insights into the accounting standards setter and regulators (e.g. the Central Bank of Malaysia and the Central bank of Bahrain).

Furthermore, this study contributes to the accounting literature in terms of the impact of the changes in accounting standards on investors, regulators, accountants and the media as well as on several other dimensions with expectation of assisting in the establishment
of accounting standard for Islamic banking system in its operation. Moreover, it is hopeful that, this study would increase their understanding and acceptability of the AAOIFI accounting standards. In addition, a clarification of the principles of Islamic banking should provide evidence of the effect of the AAOIFI accounting standards on the Islamic banking system as well as expectedly providing evidence for academic programmes on education system for higher education levels. In addition, the results is expected to increase the motivation to develop more accounting standards suitable for the development of Islamic banking rules and the tendency to adopt these standards, considering the current socio-economic and cultural environment of the Islamic banking. However, by applying the AAOIFI accounting standards, firms could attract additional foreign portfolio investments due to improved transparency and provide these companies with the potential to list or raise capital in developed markets that arise from the impressive credibility of applying accounting standards (Warsame, 2006).

The findings obtained from the current study are therefore expected to fill the gap in the literature review and contribute towards a better understanding and acceptability of the AAOIFI standards by Islamic banks in Bahrain and Malaysia. The last section of this chapter will discuss history of Islamic banking worldwide.

1.4 HISTORY OF ISLAMIC BANKING WORLDWIDE

This study attempts to contribute and evaluate the extent of the levels of compliance with the AAOIFI accounting standards by Islamic banks. The spread of Islamic financial institutions during the past three decade has been driven by the successful performance of these institutions globally. The basic principle of Islamic banking is the prohibition of
Riba. Prohibition of interest on capital is the hallmark of Islam's financial system (Khan, 1991). Prohibition of interest is ordained in Islam in all forms and intent. This Prohibition is strict, absolute and unambiguous. The Holy Qur'an in verse 278 of Surah Al-Baqarah states: "O you who believe! fear Allah and give up what remains of your demand for riba, if you are indeed believers." and verse 2: 279 says "If you do it not, take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums. Deal not unjustly and you shall not be dealt with unjustly."

The Islamic Banking System is a pioneering international Islamic financing system, working effectively in recent days in many parts of the Islamic countries. Modern Islamic banking system was introduced into the Muslim countries at a time when Islamic bank was established in Mit Ghamr in the Nile valley of Egypt in 1963 in the form of a rural social savings bank; the bank was sponsored by the Egyptian government with an initial paid up capital of 1.4 million Egyptian pounds and came under the control of the central bank of Egypt (Yaacob, 1986).

During the 1980s, Iran, Sudan and Pakistan had mandated Islamic banking and finance systems. The mandatory implementation in Pakistan was postponed. The GCC and Malaysia have been the most active counties in developing dual financial systems where both Islamic and non-Islamic financial institutions operate alongside each other. Regulation became a necessity for the sustainability of this fast growing financial sector. Karim (2001) highlighted the following three adopted approaches of dealing with the regulation of Islamic banks by supervisory authorities:

The first approach is the characterization of a group of countries that specifically seek to cover Islamic banking in their national legislation. The financial statements prepared by
the Islamic banks (e.g., Kuwait Turkaf Finance House-Turkey, Bank Islam Berhad, Faisal Islamic Bank-Sudan, Dubai Islamic Bank, Tadamon Islamic Bank-Yemen) operating in these countries show that, these banks treat investment accounts as an on-balance sheet item and classified these accounts as a liability. This treatment, which is similar to that of deposits in commercial banks, is not unexpected since the laws that govern these banks were either framed mainly from a commercial banking perspective or made only brief reference in their laws to investment banking.

The second approach is represented by a group of countries (e.g. Bahrain, Qatar, Saudi Arabia, Egypt, and Jordan) that have subjected Islamic banks to the general law that governs all banks without specifying how investment accounts should be reported. This make the treatment of investment accounts within this group open which made it falls into two categories. The first category of Islamic banks have treated investment accounts as an on-balance sheet item, while those in the second category (e.g. Faysal Islamic Bank of Bahrain, Arab Islamic Bank-Bahrain, and Al Rajhi Banking and Investment-Saudi Arabia) have treated investment accounts as an off-balance sheet item. Some Islamic banks (e.g. Bahrain Islamic Bank, Qatar Islamic Bank, Jordan Islamic Bank, Faisal Islamic Bank in Egypt) in the second category that have treat investment accounts as on-the-balance sheet report them as a liability, while others (Arab Banking Corporation Islamic Bank in Bahrain) treat these accounts as part of equity.

The third approach represents a group of countries (e.g. Lebanon) that subjected Islamic banks to their “fiduciary” (i.e. investor protection) law. Islamic banks (e.g. Al-Baraka Bank- Lebanon) are required by law to treat investment accounts as an off-balance sheet item, similar to managed mutual funds.
1.4.1 Islamic Banks in the Middle East

The Islamic Development Bank (IDB) was established in 1975 with its headquarters in Jeddah, Saudi Arabia. The bank was started with initial capitalization of 2 billion SDR (Saudi Arabia Currencies) with membership from more than 40 Islamic countries and the biggest shareholders being Saudi Arabia (25 percent), Libya (16 percent), the United Arab Emirates (14 percent) and Kuwait (13 percent) (Yaacob, 1986).

**Egypt:** The Faisal Islamic Bank Egypt (FIBE) was established in 1977 as the first Islamic commercial bank in Egypt, given that the Mit Ghamr Savings Bank (1963) and the Nasser Social Bank (1972) were more into the social banks. FIBE is jointly owned by Egyptian and Saudi government with 51 percent and 49 percent ownership share respectively (Yaacob, 1986).

**Jordan:** Islamic banking in Jordan has been operating for 3 decades. Jordan Islamic Bank for Finance and Investment was established as a public shareholding company in 1978 and was licensed with the objective to practice financing, banking and investment activities in compliance with the provisions of Islamic Shariah law. The Islamic International Arab Bank (IIAB) is the second bank in Jordan to operate according to Islamic Shariah. It began its operations in February 1998 with four branches in Jordan (Saleh and Zeitun, 2006).

**Kuwait:** The establishment of KFH in 1977 laid down the foundation of Islamic banking in Kuwait. KFH has made great success over time and presently, it has been successfully competing with 12 conventional banks and three specialized government banks in the Kuwaiti financial market. The National Bank of Kuwait and some other conventional
banks also offer a wide range of Islamic financial products and services in Kuwait (Khan and Bhatt, 2008).

**Saudi Arabia**: A proposal was made to introduce the first Islamic commercial bank in the country in 1985 by reincorporating with the third largest financial institution in the country, the Al-Rajhi Company for Currency Exchange and Commerce which was later referred to as Al-Rajhi Banking Investment Corporation, with a paid up capital equivalent to $213 million and with 180 outlet” (Yaacob,1986). Saudi Arabia hosts the IDB which is performing a very crucial role in promoting Islamic banking practice in the Muslim world (Khan and Bhatt, 2008).

**Sudan**: The Faisal Islamic Bank Sudan (FIBS) was established on August 18, 1977 and commenced operation on May 10, 1978 with a paid up capital of 2.5 million Sudanese pounds from equity participation by Sudanese authorities and institutions (40 percent), Saudis (40 percent) and others (20 percent). The bank had made such tremendous progress that its capitalization by 1984 stood at 100 million Sudanese pound (of which 60 million were paid-up and 40 million reserves). It is the largest capitalized bank in Sudan (Yaacob, 1986).

**United Arab Emirates**: Islamic Banking in UAE was launched with the establishment of the largest Islamic bank in the country which is known as Dubai Islamic Bank, in 1975. Its foremost player, Abu Dhabi Islamic bank (ADIB), started operating in 1997. Since then, two more banks namely: Sharjah Islamic Bank and Emirates Islamic Bank, The DIB is growing at a much faster rate than the major conventional bank operating in UAE, or National Bank of Abu Dhabi (Ariss and Sarieddine, 2008).
1.4.2 Islamic banks in Malaysia

Bank Negara is the central bank of Malaysia. It was established on 26 January 1959, under the Central Bank of Malaya Ordinance, 1958 (www.bnm.gov.my). The Islamic banking in Malaysia is governed by the following two laws namely: (i) the Islamic Banking Act 1983 (IBA) which exclusively governs full-fledged Islamic banks and (ii) the Banking and Financial Institutions Act 1989 (BAFIA) which regulates conventional banks and their Islamic Banking Divisions (IBDs) or Windows (Yasin, 2007).

However, most empirical studies on Islamic banking are limited to Bank Islam Malaysia Berhad (BIMB) which held large assets of Islamic banking assets and the first to embark on Islamic banking services. Bank Islam Berhad (BIMB) or the Islamic Bank Limited was incorporated as a limited company under the Companies Act, 1965 on March 1, 1983 and commenced operation on July 1, 1983 with an authorized capital of about $200 million (Yaacob, 1986). Its operations are governed by the Islamic Banking Act 1985.

In 1992, Islamic counters in mainstream banks were introduced to the public to provide similar interest-free facilities. Through the support of the Government, Islamic finance witness further development with its involvement in the bond market, which now commands more than 30 per cent market share (Rosly and Abu Bakar, 2003).

In 1963, Pilgrims Management and Fund Board were established to assist Muslims to save for the performance of the fifth pillar of Islam otherwise called Hajj which imply pilgrimage to Mecca. However, to disseminate Islamic banking nationwide, BNM introduced the Interest-free Banking Scheme in March 1993, which allows the existing mainstream banking institutions to offer Islamic banking using their current infrastructure
APPENDIX (C) SAMPLE QUESTIONNAIRE

Nov 17, 2009

Dear respected respondent

**Objective: To obtain your perception about adoption of AAOIFI accounting standards.**

Due to the rapid growth in the Islamic Capital Market (ICM), compliance with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards is a newly emerging area of study in line with greater interest in Islamic finance. Adopting or complying with Islamic accounting standards has become the focus of increasing attention among accountants, academics, practitioners, researchers and investors. Most accountants in Islamic countries believe that adopting or complying with AAOIFI accounting standards can attract investments, make financial statements more practical as well as relevant and enhances comparability.

Keeping in mind your valuable time, this questionnaire will only take less than 15 minutes to be completed.

Your cooperation in completing this survey is highly appreciated.

Yours truly

Supervisor

Adel Mohammed Yaslam
PhD Candidate
AdelSarea@yahoo.com
H/p 0122038936

Prof Dr Hj Mustafa Mohd Hanefah
Supervisor / Dean of FEM- USIM
Mustafa@usim.edu.my

**Confidentiality:**

The details of your responses will be treated in the STRICTEST CONFIDENCE.
**Instructions of survey**

**The statements used in this survey for following responses:**

1- Strongly disagree
2- Disagree
3- Neither disagree nor agree
4- Agree somewhat
5- Strongly agree

**Section A:** This section is to capture your perception about the extent to which these factors (i.e. Relative advantage, compatibility, complexity, trialability, and observability) influence the adoption of AAOIFI accounting standards:

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<thead>
<tr>
<th>No</th>
<th>Statement</th>
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<tr>
<td>1</td>
<td>Islamic banks will get more depositors if they adopted AAOIFI accounting standards.</td>
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<td>2</td>
<td>Adopting AAOIFI accounting standards could increase user’s understanding of accounting information.</td>
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<tr>
<td>3</td>
<td>Adopting of AAOIFI standards will provide useful information to users.</td>
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<td>4</td>
<td>Adopting of AAOIFI accounting standards are now the main concern of Islamic banks.</td>
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<td>2</td>
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<td>5</td>
<td>Islamic banks will get more investors if they adopted AAOIFI accounting standards.</td>
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<td>6</td>
<td>It will be more costly for Islamic banks to adopt AAOIFI accounting standards.</td>
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<tr>
<td>7</td>
<td>Islamic banks can increase its credibility by introducing common reporting standards like the AAOIFI accounting standards.</td>
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<tr>
<td>8</td>
<td>The adopting of AAOIFI accounting standards is expected to increase investor’s confidence.</td>
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<tr>
<td>9</td>
<td>Adopting AAOIFI accounting standards should lead to more disclosure in the financial statements.</td>
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</tr>
<tr>
<td></td>
<td>AAOIFI accounting standards are compatible with current international accounting standards.</td>
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<td>10</td>
<td>AAOIFI accounting standards are compatible with current accounting practices (GAAP).</td>
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</tr>
<tr>
<td>11</td>
<td>Islamic banks should adopt AAOIFI to be consistent in its application of accounting and disclosure methods from one period to another.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>12</td>
<td>AAOIFI accounting standards are consistent with Shar‘ah practices.</td>
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</tr>
<tr>
<td>13</td>
<td>Adoption of AAOIFI accounting standards will lead to significantly adequate disclosure compared to those reported under local accounting standards.</td>
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</tr>
<tr>
<td>14</td>
<td>Adoption of AAOIFI accounting standards will lead to significantly higher quality of financial reporting compared to those reported under GAAP.</td>
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<tr>
<td>15</td>
<td>AAOIFI accounting standards will provide investors with the ability to compare different banks based on their financial reporting.</td>
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<tr>
<td>16</td>
<td>AAOIFI accounting standards are expected to increase the comparability of banks in their financial reporting.</td>
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<td>4</td>
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</tr>
<tr>
<td>17</td>
<td>The current accounting information system in Islamic banks can easily incorporate AAOIFI accounting standards if adopted.</td>
<td>1</td>
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<tr>
<td>18</td>
<td>AAOIFI accounting standards are flexible to be implemented easily.</td>
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<td>4</td>
<td>5</td>
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<tr>
<td>19</td>
<td>AAOIFI accounting standards are clear and understandable.</td>
<td>1</td>
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<td>4</td>
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<tr>
<td>20</td>
<td>AAOIFI accounting standards can be easily used to disclose information related to Shari`ah compliance.</td>
<td>1</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>21</td>
<td>AAOIFI standards are set out to produce quality of financial reporting that is transparent in their preparation and easily interpretable by users.</td>
<td>1</td>
<td>2</td>
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<tr>
<td></td>
<td>Description</td>
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<tr>
<td>23</td>
<td>The benefits of AAOIFI accounting standards are expected to reduce complexity of financial reporting.</td>
<td></td>
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<tr>
<td>24</td>
<td>AAOIFI accounting standards can be adopted in Islamic banks with little modifications.</td>
<td></td>
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<tr>
<td>25</td>
<td>AAOIFI accounting standards are to be experimented to disclose more information related to Islamic financial institutions.</td>
<td></td>
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<td>26</td>
<td>AAOIFI accounting standards can be accepted for trial purpose.</td>
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<tr>
<td>27</td>
<td>AAOIFI accounting standards are commonly used by the person, who prepares financial statements.</td>
<td></td>
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<tr>
<td>28</td>
<td>AAOIFI accounting standards are adopted by auditing firms.</td>
<td></td>
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<tr>
<td>29</td>
<td>AAOIFI accounting standards are used by Islamic banks for reporting.</td>
<td></td>
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<tr>
<td>30</td>
<td>Financial analysts adopt AAOIFI accounting standards for reporting</td>
<td></td>
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Section B: AAOIFI Financial Accounting Standards (FAS):

This section is to capture your perception about the extent to which AAOIFI accounting standards should be adopted for reporting:

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>31</td>
<td>FAS 1 requires that unrestricted investment accounts be presented on the liabilities and equity in a separate section.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>32</td>
<td>FAS 1 requires that restricted investment accounts be reported off-balance sheet in the statement of the changes in restricted investments.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>33</td>
<td>FAS 2 Assets available for sale after acquisition on the basis of Murabahaa shall be measured at their historical cost.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>34</td>
<td>FAS 3 disclosure should be made in the notes to the financial statements for a financial reporting period if the Islamic bank has made during that period a provision for decline in the value of Mudaraba assets.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>35</td>
<td>FAS 4 disclosure should be made in the notes to the financial statements for a financial reporting period if the Islamic bank has made during that period a provision for a loss of its capital in Musharaka financing transactions.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>36</td>
<td>FAS 5 requires bank to disclose percentages for profit-allocation between investment account holders and the bank.</td>
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<tr>
<td>37</td>
<td>FAS 6 disclosure should be made, in the notes on significant accounts, of the percentage of the funds of unrestricted investment.</td>
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<td>2</td>
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<td>4</td>
<td>5</td>
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<tr>
<td>38</td>
<td>FAS 7 Parallel Salam transactions shall be recognized when the Islamic bank receives the capital of Salam transactions.</td>
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<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>39</td>
<td>FAS 8 requires leased assets to be booked in an Ijarah Muntahia Bitamleek assets account and measured at book value.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>40</td>
<td>FAS 9 require that zakah should be treated as expenses.</td>
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<tr>
<td>41</td>
<td>FAS 9 require that unpaid zakah should be treated as liabilities.</td>
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<tr>
<td>42</td>
<td>FAS 10 require that the Islamic bank shall disclose in its financial statements revenues and profits of Istisna’a contracts recognized for the financial period.</td>
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<tr>
<td>43</td>
<td>FAS 11 require that the Islamic bank shall disclose in the notes any deductions, either as a percentage or an amount, from mudaraba income.</td>
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<tr>
<td>44</td>
<td>FAS 14 In the case of a change in accounting policies, a disclosure to this effect shall be made including the reasons.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>45</td>
<td>FAS 16 require that disclosures shall be made if the reporting currency is different from the local currency. The reasons for using a different currency shall be provided.</td>
<td>1 2 3 4 5</td>
<td></td>
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<tr>
<td>46</td>
<td>FAS 17 the sukuk held to maturity shall be measured at historical cost.</td>
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<td>47</td>
<td>FAS 20 require that the bank shall disclose in the notes to the financial statements the policy adopted in financing deferred payment sale transactions.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>48</td>
<td>FAS 21 require that disclosures shall be made of the accounting policies adopted in the transfer of assets from unrestricted investment accounts to restricted investment accounts.</td>
<td>1 2 3 4 5</td>
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<td>49</td>
<td>FAS 22 require disclosure should be made regarding segment revenue and segment expense for each reportable segment.</td>
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<td>FAS 23 require consolidated financial statements shall be prepared by combining the financial statements of the IFI.</td>
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DEMOGRAPHICS PROFILE:

Section C (Demographics) please place a tick in the appropriate box:

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<thead>
<tr>
<th>51- Gender</th>
<th>52- Age</th>
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<tr>
<td>Male</td>
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<tr>
<td>Female</td>
<td>26-35 years</td>
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<td>36-45 years</td>
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<td></td>
<td>46-55 years</td>
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<td></td>
<td>56 years and above</td>
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</table>

<table>
<thead>
<tr>
<th>53- Departments</th>
<th>54- Occupation Title</th>
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</thead>
<tbody>
<tr>
<td>Sharia’h advisory council</td>
<td>Chief financial officer (CFO)</td>
</tr>
<tr>
<td>Finance</td>
<td>Accountant</td>
</tr>
<tr>
<td>Treasury</td>
<td>Auditor</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Shari’ah advisor</td>
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<tr>
<td>Others (please specify)</td>
<td>Others (please specify)</td>
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</table>

<table>
<thead>
<tr>
<th>55- Working experience</th>
<th>56- What is your highest qualification?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 years</td>
<td>certificate</td>
</tr>
<tr>
<td>6-10 years</td>
<td>Higher Diploma</td>
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<tr>
<td>11-15 years</td>
<td>Bachelor</td>
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<td>16-20 years</td>
<td>Master</td>
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<td>21 years above</td>
<td>Doctorate</td>
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<td></td>
<td>Professional qualifications</td>
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<td></td>
<td>others (please specify)</td>
</tr>
</tbody>
</table>

If you would like to get a copy of the summarized results of this study, please write your address or e-mail in the box provide below or attach your business card to the completed questionnaire.
After completion:
Dean;
Faculty of Economics & Muamalat
Universiti Sains Islam Malaysia (USIM)
Bandar Baru Nilai
71800, Nilai, Negeri Sembilan

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