

## Accounting for Contemporary Islamic Financial Transactions under the guideline of Islamic Law

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### **Abstract**

*Purpose: The objective of this study is to overview the contemporary Islamic financial transactions regarding accounting within the limits of Islamic law. This study also describes at what extent the Accounting and auditing organization for Islamic Financial Institutions (AAOIFI) standards are fully applicable in Islamic banks.*

*Methodology: This study gives the view point of several accounting bodies, but mainly focus on AAOIFI standards. Whereas, the AAOIFI's recorded procedure in the first place goals to make set up in contemporary accounting thought, test them against Shariah guideline, recognize those that are solid with Shariah and reject those that are definitely not according to them.*

*Findings: The overall results indicate with these remarks that all AAOIFI standards are not fully implemented in Islamic financial institutions as per guideline of AAOIFI due to several reasons for instance; central bank restrictions, government policies and issues regarding geographical locations.*

*Originality of work: This paper explains the importance of Islamic accounting standards for Islamic financial institution through Islamic law. Moreover, this study also describes to what extent Islamic accounting standards are implemented in trade and commerce side of Islamic banks.*

**Keywords:** *Islamic accounting standards, Islamic financial transactions, Islamic banks, Islamic law, AAOIFI.*

### **1. Introduction**

Remarkable growth of Islamic finance has come across the modern financial markets with multiple set of opportunities, challenges and threats. Among these challenges Shari'ah compliance and regulatory framework keep significant position as it is only, but largely a general, characteristic that justifies the existence and need of distinguished alternative to contemporary finance i.e. Islamic finance. Strict and persistent Shari'ah regulatory compliance is most significant concern for the sustainable development of Islamic financial institutions. Global integration and synchronization in Shari'ah compliance practices is inevitable for the smooth functioning of global Islamic finance system. This systematic correspondence between the various Islamic financial institutions across different countries can be realized through standardization or more practically, harmonization of Shari'ah regulatory environment. Besides other regulatory institutions, AAOIFI has put remarkable efforts to standardize, at least harmonize, Shari'ah & Accounting practices and verdicts pertaining to IFIs in order to facilitate international integration, better control over the widespread operations of IFIs.

The two schools of thought exhibited nitty gritty contentions in such manner. The advocates of independent measures are the view that there are numerous reasons that require a new arrangement of gauges. For instance, a few exchanges are one of a kind to IFIs, for example, Murabaha to the purchase orderer, Salam and Parallel Salam, though, in a few circumstances use of International Financial Reporting Standards (IFRS)/ International Accounting Standard Board (IASB) benchmarks prompts Shari'ah consistency issues for example the acknowledgment of financing impact in type of powerful loan fee in deal exchange Shabbir (2018). So also, in some different cases, IFRS/IASB measures don't completely cover attributes of Islamic managing an account and fund, for instance, in light of IFRS, both operating Ijarah and Ijarah Muntahia Bittamleek would typically be ordered and treated as Finance Lease. In this way, as indicated by them, a different arrangement of a standard is unavoidable for appropriate exposure of Islamic budgetary exchanges.

Asian Oceanian Standard-Setter Group (AOSSG) expressed in their examination paper that some of the Islamic nations likewise dismiss this marvels, the Malaysian Accounting Standards Board (MASB) had a venture on Islamic monetary revealing and inferred that the budgetary detailing standards in the IFRS don't struggle with Shariah. So it's not precluded applying IFRS to all Islamic money related exchange. The two schools of thought exhibited nitty gritty contentions in such manner. The defenders of isolated norms are of the view that there are numerous reasons that require a new arrangement of guidelines. Sometimes, the utilization of IFRS gauges prompts Shariah consistency issues. While in some different cases, IFRS gauges don't completely cover attributes of Islamic keeping money and fund. For instance, a few exchanges are exceptional to IFIs, for example, Murabaha to the Purchase Ordered, Salam and Parallel Salam, while, in a few circumstances utilization of IFRS/IASB measures prompts Shariah consistency issues, for example, the acknowledgment of financing impact in the type of successful loan fee in deal exchange Arif and Shabbir (2019). Correspondingly, in some different cases, IFRS/IASB gauges don't completely cover attributes of Islamic managing an account and fund, for instance, Ijarah, which numerous literary works alluded as 'Islamic Leasing'. IFRS has issued standard 'IAS 17 Leases' for such money-related exchange and is treated as fund rent. Theoretically, Ijarah is a working lease in light of the fact that in Islamic law it is denied to have two contracts in a single exchange with negating results, as the outcomes got from a rent exchange isn't equivalent to the outcomes acquired from a deal exchange. Moreover, this deal exchange can't be joined into a solitary contract. In this way, Islamic bookkeeping models tend to not regard these exchanges as account leases. For this design, AAOIFI's "FAS 8 Ijarah and Ijarah Muntahia Bittamleek" was issued.

Presently it is the purpose of contention that whether there is a certified requirement for independent Islamic bookkeeping principles or it is only a replication of work and IFRSs (International Financial Reporting Standards) can do much without of a stretch cook the necessities of Islamic money industry Shabbir et al (2015). Additionally, it is likewise discussed that what will be the effect of the new arrangement of benchmarks, whenever received, on Islamic money related organizations, both locally and universally; as an appropriation of the different guidelines may take the test to combine the monetary bookkeeping gauges on especially at the worldwide dimension. Then again, a portion of the accounting sheets dismiss these contentions (for instance, Malaysian Accounting Standards Board 'MASB') on the premise that the budgetary detailing standards in the IFRS don't struggle with Shari'ah. In their view, money related detailing is a chronicle work that would neither purify nor invalidate the Shari'ah legitimacy of an exchange. So they presumed that IFRS will apply to Islamic money related exchanges without any Shari'ah disallowance to doing as such.

However, these two standard schools (AAOIFI versus IFRS chitchat) in some area of accounting bodies. They have developed their own kind of standards. For example, Institute of Chartered Accountants of Pakistan (ICAP) has conveyed three Islamic Financial Accounting Standards ("IFAS"), IFAS 1 Murabaha, IFAS 2 Ijarah and IFAS 3 Profit and Loss Sharing. Correspondingly, the Indonesian Accounting Institute

("IAI") has inside its progressive structure a Shari'ah Accounting Standards Board which characterizes models for Shari'ah predictable cash related trades. Moreover, from to date, IAI has issued a Framework for Preparation and Presentation of Shari'ah Financial Statements and eight (8) Shari'ah accounting measures, or Pernyataan Standar Akuntansi Keuangan ("PSAK"): PSAK 101 Presentation of Shariah Financial Statements, PSAK 102 accounting for Murabaha, PSAK 103 accounting for Salam, PSAK 104 accounting for Istisnah, PSAK 105 accounting for Mudarabah, PSAK 106 accounting for Musharakah, PSAK 107 Accounting for Ijarah, and PSAK 108 Shari'ah insurance transactions.

Adel and Mustafa (2013) decided the dimension of consistency with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) bookkeeping measures by Islamic banks of Bahrain. The investigation depends on dissemination of development hypothesis whereby the apparent relative preferred standpoint, similarity, multifaceted nature, preliminary capacity, and recognizability factors are required to influence the dimension of consistency with AAOIFI bookkeeping principles. The result demonstrates that Islamic banks of Bahrain are in full union with AAOIFI bookkeeping principles. Along these lines, resultantly we have three situations, presently whether Islamic money related organizations would profit by detailing such as, (i) within the current IFRS structure (MASB see) (ii) within the IFRS structure however with a particular standard for Islamic fund (ICAP and IAI see) (iii) through an internationally perceived arrangement of Islamic bookkeeping norms (AAOIFI see).

This study will revolve against three main fundamental questions: Do IFRS/ISAB standards fulfil the needs and requirements of Islamic financial transactions i.e. their recognition, measurement and recording? Or they need a separate set of standards. Whether the FAS (AAOIFI) and other Islamic financial standards (e.g. issued by ICAP & IAI) catered the specific requirements of the Islamic financial contracts (in contrast with the conventional approach of recognizing and measuring the economic substance of a transaction, rather than its legal form). What is the impact of new set of standards on Islamic financial institutions, both domestically and internationally? Tentatively, part one will be the Introduction, In part two the literature review will be discussed with analysis, part three will cover identification of some of the issues in applying IFRS/IASB standards in Islamic financial transactions, part four will answer the second research question, part five will briefly discuss the impact of new set of standards on Islamic financial institutions and lastly conclusion will be presented.

## 2. Literature Review

Yosra (2017) examined the consistence dimension of Islamic saves money with revelation bookkeeping benchmarks in some MENA nations, and above all broke down the variables related with consistence. This investigation utilizes a self-developed agenda of 203 things to quantify the consistence of 38 Islamic saves money with exposure bookkeeping measures amid the 2011-2013. A multivariate relapse examination has been utilized to decide huge components affecting the degree of this consistence. Discoveries have appeared broad deviation in consistence levels among the divulgence bookkeeping models and uncover that consistence is decidedly related to the posting status, the presence of a review board of trustees, the bank's age and the nation of residence. It examinations the consistence level with just divulgence bookkeeping gauges.

Mizbah et al (2016) have inspected the Islamic bookkeeping treatment and detailing of a 'Murabaha' contract and its suggestion to the budget reports of Islamic banks. They likewise clarified the ramifications of time estimation of cash on the estimation of a 'Murabaha' contract and the idea of substance over structure in perceiving money related exchanges. Creators investigated the bookkeeping treatment and detailing for a 'Murabaha' contract as expressed in the Financial Accounting Standards (FAS) of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the use of a 'Murabaha' contract as a monetary instrument dependent on International Financial Reporting Standards (IFRS). It has been discovered that while IFRS-put together monetary revealing basically centers with respect to financial

outcomes of money related instruments, AAOIFI further mulls over the lawful structure of the instruments, which depend on Shari'ah statutes. Moreover, the exploration additionally finds that IFRS-based money related announcing can't generally catch the particular structure of the 'Murabaha' and, henceforth, may need illustrative budgetary detailing. In any case, the IFRS perceives the substance of a 'Murabaha' contract as financing, and most of Islamic banks in Malaysia report it as one of financing and not as an exchanging contract. IFRS received the idea of time estimation of cash where the benefit designation depends on amortized cost, which is like the estimation of typical mortgage exchanges that apply the idea of compelling loan fee. In the meantime, AAOIFI utilizes a straight-line premise to designate the benefit of a 'Murabaha' contract.

Wasim and Mohanand (2016) explored the difficulties and issues combined with the work of Mudarabah contract by Islamic banks. The advancement of the agreement from its customary sort to increasingly convoluted sorts, for example, compound, unhindered, coming drove and ceaseless Mudarabah has been evaluated. It has been inspected that the issues have risen up out of executing such sorts in current business settings, accordingly demonstrating that actualizing the Mudarabah contract by banks implements various issues, for example, multifaceted nature in the assurance of complete benefit coming about because of Mudarabah and in designating this benefit to the numerous gatherings, utilization of stores to provide food against future misfortunes may destabilize the idea of Mudarabah benefit misfortune sharing and lead to profit the board, corporate administration is additionally a noteworthy issue in Mudarabah contract, as the investors are presented to dangers yet have no administration rights and Mudarabah may likewise decrease the reasonable introduction of money related announcing.

Hajer (2014) concentrated on Islamic finance as an elective model to fence against budgetary emergencies. Execution of Islamic banks in 10 Middle Eastern and North African (MENA) nations has been analyzed over the time of 2005-2010. It is an intertemporal examination which assesses the profitability, liquidity, hazard and dissolvability, and productivity of 43 Islamic banks when the financial emergency. The result outline that the financial emergency adversely overstated the execution of Islamic banks. The profitability and liquidity of Islamic banks in Gulf Cooperation Council (GCC) nations decreased impressively after the emergency. Islamic banks in non-GCC nations were capable and progressively profitable contrasted with GCC nations. However, these went for broke amid and after the financial emergency. The outcomes reason that Islamic financial establishments are not impervious with the impact of worldwide subsidence.

Murniati et al (2015) assessed IFIs' partners' discernment on Shariah harmonization for money related announcing models in Indonesia for the improvement exertion of connecting the developing worldwide Islamic keeping money to Indonesian monetary and modern markets. An example of 160 respondents of Islamic banks was taken from Jakarta and its adjacent real locale to assess the partners' discernment on Shariah harmonization exertion toward the usage of a formally dressed monetary revealing standard for Islamic budgetary establishments. The creators set up a few measures to be taken to ensure Shariah coordination endeavors in Indonesia.

Shivakumar (2014) assessed the contentions that the presumptions fundamental customary bookkeeping are incongruent with Islamic qualities, in this way the requirement for new bookkeeping target and suspicions. This exploration has received a diagnostic methodology dependent on a blend of documented and bibliographic information sources. It is uncovered that this conviction of contrariness can be followed to confusions about the suppositions key "regular bookkeeping". It is then contended that the disregard of Islamic bookkeeping in Islamic nations could be credited to Islamic bookkeeping not addressing the necessities of clients as opposed to cultural assimilation or financial reliance. The suggestions are huge for the future improvement of Islamic bookkeeping and the economies of Islamic nations. The motivation behind bookkeeping is to offer helpful data for monetary basic leadership and the reception of wrong suppositions would wilderness the comfort of bookkeeping data.

Adel and Mustafa (2013) decided the need for Islamic Accounting Standards by checking on the writing for Islamic financial organizations (IFIs). This exploration depends on partner hypothesis to assess the need for bookkeeping benchmarks and to devise the applied structure as prove from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The proof surveyed backers the requirement for Islamic bookkeeping models to fill the rupture in bookkeeping practice among Islamic financial establishments. The AAOIFI bookkeeping norms give as a rule that may reflect the excellent attributes of IFIs and turn into a pragmatic instrument to meet the assorted needs of IFIs.

Thea (2012) gave an augmentation of past investigation of consistency by Islamic banks in Bahrain with bookkeeping measures issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Various assertion files are made which help to comprehend the example banks. Islamic issues are for the most part connected with consistency and just in Islamic issues, it is for the most part required. As per the International Accounting Standard Board, consistency is similarly seen in various districts. In Bahrain, the consistency is higher and it is found there that higher the consistency increasingly fruitful will be the Islamic monetary area working in any part or locale.

Edib and Kabir (2011) gave a far-reaching audit of musharakah mutant-qisah (MM; reducing organization) practice and its possibilities for Islamic financial establishments. The examination featured, illustrated the essential standards basic execution of MM and its remarkable highlights when assessed to different methods of finance. Islamic banks created a couple of methods of finance during the time which is pretty much like their customary partners. Truth be told, al-Bay bit human al-ajil (BBA) and murabahah are the two instruments most usually utilized by Islamic banks and financial organizations. Speculation and financing through the profit and misfortune sharing instruments are practically nonexistent inside the Islamic financial framework. MM strategy is an option financial instrument accessible for Islamic banks. It is a moderately new and next to no utilized item accessible for Islamic banks. The article states that MM is more in accordance with Shari'ah lessons and in that capacity ought to be utilized more by Islamic financial foundations.

Siti et al (2011) investigated whether there is any distinction in the administration bookkeeping frameworks (MAS) of traditional and Islamic Financial Institutions (IFIs) in Malaysia. This examination is a study based containing 45 traditional and IFIs recorded on the Malaysian Central Bank. The respondents were the boss financial officers (CFO's). Post-study semi-organized meetings were additionally directed with eight respondents to increase further experiences into results. The overview result determines that IFIs use MAS data that is more extensive in degree and convenient, more incorporated and more accumulated than customary financial organizations. The post-review interviews give further and contextualized bits of knowledge into this subject. The meeting results exhibit that IFIs generally extend and expect a coordinated bookkeeping and endeavor framework. The aftereffects of this exploration underscore the criticalness for IFIs to incorporate coordinated venture frameworks. Moreover helping with consenting to Shari'ah and administrative prerequisites, the incorporated frameworks likewise bolster better basic leadership.

### **3. Happenstances in approving IFRS for Islamic financial relations**

In association with Islamic financial trades, the key test is to find a pertinent accounting structure that will think about likeness with conventional record, private similarly as worldwide proportionality, without affecting the Shari'a consistence of Islamic cash related trades. Regardless, if IFRS are to be realized by IFIs, there are different declaring issues that may rise. Generally, it is tended to as for whether the present accounting rules or IFRS could adequately address the specifying of Islamic money related trades, or whether the trades are extraordinary to the point that some other sort of accounting framework would be required. IFIs are looked with the test between sticking to the specific traits of their exercises and developing business through increasingly significant participate to the worldwide budgetary markets. While IFIs are

on edge to really comply with and direct their associations in consent to Islamic principles, they in like manner need to think about general accounting and budgetary regulation in order to be a bit of the overall cash related markets (Ratna 2011).

Everything considered, in order to be engaged in the overall markets, Islamic banks in Malaysia are required by Bank Negara Malaysia (BNM) to consent to IFRS. In the Circular on the Application of FRS and Revised Financial Reporting Requirements for Islamic Banks made fruitful on 1 January 2010, Islamic banks are required to prepare spending reports in comprehension to fiscal uncovering measures embraced by MASB to the extent that the standards are unflinching with Shari'a benchmarks.

### **3.1 Acknowledgement, measurement and revelation for Islamic financial transactions**

Islamic keeping cash achievement depends upon the all-inclusive community trust, especially the trust of supporters and monetary masters. The trust in Islamic banks relates to the level of their adherence to Shari'a models. One imperative wellspring of open sureness is the idea of information issued to the contributing open about the banks' ability to achieve both budgetary and Shari'a-related objectives (Tag El-Din, 2004). Thusly, it is basic to have exceptional accounting models to coordinate the game plan of accounting information on Islamic banks. The necessity for accounting records as strategies for trust building is underlined in the Quran: *“Do whatever it takes not to be disinclined to recording it, in any case pretty much nothing or significant, up to its improvement date, for this is seen by Allah as closer to value, dynamically solid as evidence, and progressively accommodating to maintain a strategic distance from inquiries among yourselves, save when it is a present trade which you complete on the spot among yourselves, by then there is no transgression on you in case you don't create it down”*. Surah Al-Baqarah: abstain 282, time span following all movements of finished trades that may have happened. However, the estimation is the assessment of cash related effects of finished trades and the impact of various events in the midst of a comparable time allotment. The annual system offers a reasonable portrayal plan of cash related effects together with various events, in order to show the outcomes of the substance's exercises and changes in its budgetary positions including salary. Infrequent reports are then organized and issued by the substances to uncover their money-related records in the midst of a given time period.

The inspiration driving why Islamic financial accounting procedures and norms must be warily perceived from their customary accomplices is the Islamic expulsion of interest. Limitation of excitement for cash related dealings is ineluctable anyway there is diverse erraticism that assistance the case for Islamic fiscal accounting models Shahul et al (2004). Accounting affirmation for Islamic banks is imperative in light of affirmation of advantages acquired under various Islamic techniques for financing, advantage/incident theory records, and resources. Whereas, questions that develop consolidate when Murabaha should advantage; when should Mudarabah capital be seen; when should theory advantage be seen, and how is it evaluated. The standards managing affirmation and estimation must have clear reference to Shariah rules.

Additionally, accounting and specifying for Islamic banks should be one of a kind in connection to standard accounting and uncovering as Islamic banks must delineate that they keep up Shari'a benchmarks. To be careful, Islamic banks must show that they don't execute in premium, pay zakat and are socially careful, not just focusing on accomplishing advantage. As such, the fundamental objective of accounting information is to fulfill a conclusive duty to Allah SWT.

As a rule, this impacts accounting thoughts of affirmation, estimation, and disclosure. To the extent accounting affirmation for Islamic banks, it isn't in a general sense not exactly equivalent to customary practice, which portrays the basic decides that choose the arranging of salary, cost, increment and disaster affirmation in the component's compensation explanation, and the arranging of advantages and liabilities affirmation Shabbir and Rehman (2019). Here, the possibility of aggregation accounting is relied on, where pay is seen when recognized and the cost is seen in consent to the organizing standard. Further, gathering

accounting meets the essential of Islamic focuses to choose 'authentic' wealth (Abdul Rahim, 2003). In any case, most specialists don't agree on the usage of unquestionable cost in assessing the motivating force to be recorded for assets and liabilities in light of conflicts with the possibility of sensibility and value. This is especially substantial for choosing zakat whereby the majority of specialists endorse the use of back and forth movement cost on the due date of zakat (Al-Qardawi, 1999).

The usage of current market regard is supported as it gives a continuously precise valuation of wealth to be by then abused for zakat. This enables value and sensibility for both the zakat recipients and zakat payers. Various scientists have inspected the criticalness of revelation for Islamic banks; most makers have stretched out the degree of disclosure to join social obligation introduction and full disclosure Baydoun and Willet (1997). According to Maliah (2001) expanded the substance of financial offering an explanation to join normal declaring, social uncovering, etc. Plus, AAOIFI's FAS 1 center around the noteworthiness of having a specific clarification portraying the usage of a hard hold and zakat gathering and installment. This practically suggests the importance of social commitment to Islamic banks.

#### **4. Possible approaches for accounting and reporting regarding Islamic financial transactions: Exclusivity, Harmonization or Convergence**

In light of the issues raised in association with the accounting models used by IFRS plainly there are differentiates in feeling between MASB, AAOIFI, and IASB while applying accounting procedures to Islamic budgetary trades. Thusly, the request that develops is whether the speaking to Islamic cash related trades should (i) have its very own specific benchmarks and accounting meds, or (ii) arrange and be for all intents and purposes indistinguishable, yet not by any stretch of the imagination indistinct, to its conventional accomplice, or (iii) meet totally with standard accounting checks. Exclusivity infers that Islamic accounting is to win as a parallel game plan of accounting nearby its standard counterpart Faiz (2010).

In this manner, any Islamic money related instrument may be recorded by using Islamic accounting practices. Harmonization suggests that budgetary enumerating models are changed to engage a general relationship with its customary accomplice, anyway certain special cases or remedies are allowed and Shari'a related disclosures may be required for express Islamic cash related trades Shabbir and Rehman (2015). The third option of mix suggests applying IFRS, in every perspective, to Islamic money related trades. It is noted that there is a necessity for a substitute course of action of standards for IFIs fundamentally in light of the way that IFIs are not established on the industrialist point of view which underlies the trades that present IFRS gives nourishment for Shahul (2007). They opine that the basic differentiation among Islamic and customary accounting is just the objective of accounting. Whereas, customary accounting relies upon giving information that is useful in fundamental administration, while Islamic accounting relies upon duty to Allah (God) and Shari'a consistency. This view is moreover maintained by Arzim Naim who considers the "obligation structure" inside the Islamic setting to suggest that IFIs are required to discharge their duty according to the Shariah (Naim, 2010).

Even more imperatively, a substitute game plan of benchmarks for Islamic budgetary trades is required in light of the fact that the limits and contracts used by IFIs are not equivalent to those of customary banks. Most by far regarding the understandings rely upon trading, (for instance, arrangement and leasing) however the standard strategy of standard banks rely upon the initiation of stores and movement of advances on premium. This require a substitute course of action of benchmarks for Islamic budgetary trades is also established on the going with focal request: (i) should the purpose of cash related itemizing of IFIs be simply to give information about their financial position and execution to a wide extent of customers to help them in fiscal fundamental administration; or (ii) should the money related uncovering of IFIs reflect their religious duties. In this esteem, Naim suggests that Islamic accounting must not report any sort of interest based parts in the spending reports. For example, IAS 39 requires the sensible estimation of

development or receivable that passes on no excitement to be surveyed by the present estimation of all future cash receipts restricted using the normal market rate of energy for a similar instrument. He fights this would refute the Shari'a measures Shabbir et al (2019). Exactly when IFIs hold to the possibility of "duty framework" and the essential to be dependable to Allah, reporting would be one channel to show Shari'a consistency of the things and business assignments. AAOIFI believes that the purpose behind accounting is to "choose the rights and duties of all interest parties, including those rights and responsibilities coming about due to insufficient trades and distinctive events, according to the norms of the Islamic Shari'a and its concept of respectability, charity, and consistency with Islamic business values (AAOIFI, 2010).

In any case, it makes the feeling that it maintains harmonization with IFRS. Thus, substances which apply AAOIFI's standards apply several times by IFRS and make essentials that are not rejected by AAOIFI to various things on the monetary rundown Shabbir (2019). At the point when all is said in done, the refinement among AAOIFI and IFRS focuses on the affirmation and estimation of cash related instruments and leases. AAOIFI likewise anticipates that exposures should pass on Shari'a consistency and provides guidance on the acquaintance of explicit things surprising with Islamic record. There are differentiates between the standards issued by AAOIFI and IFRS on the affirmation, estimation, and revelation of plans and unanticipated liabilities (Vinnecombe, 2007).

Another qualification is that the AAOIFI's accounting necessities are drafted to underline the definitive reports of assertions supported by its Shari'a board. It doesn't consider contracts, (for instance, bai' al-in and tawarruq) which are not confirmed by its Shariah board and the way that they may be used extensively in some Islamic store domains. An examination in 2011 broke down IFRS and AAOIFI benchmarks for endeavors/securities (Ratna 2011).

The examination found insufficiencies regarding two courses of action as standards in speaking to Islamic cash related trades. For instance, it saw that IFRS required a tasteful course on things that are esteem like in nature, for instance, unhindered endeavor accounts Shabbir (2018). Correspondingly, it included that there are insufficiencies in the AAOIFI's standard for theories which, among others, doesn't develop the affirmation of sensible regard and is indistinct on the most capable technique to apply "estimation methods" without referring to costs in a working business segment. The examination raises that both accounting standards have deficiencies and central focuses over the other. The best way to deal with decide the refinements in the accounting treatment and exposure of Islamic money related trades is by arranging both AAOIFI's rules and IFRS as they are indispensable to one another ACCA and KPMG (2010).

This infers IFRS standards must be changed in accordance with obliging Shari'a measures. Whereas, Naim prescribes that specific IFRS be issued for use just by IFIs. By thinking about the novel features of Islamic money related trades, the issuance of express IFRS would give dynamically significant information to fundamental authority purposes Shabbir (2020). The third system despite making prohibitive accounting standards or harmonization with customary measures is the full association of accounting models for Islamic cash related trades with IFRS. The MASB's drives are as per this philosophy. For instance, while issuing its SOP I-1 (MABB, 2009).

The MASB appears to have formally grasped this technique in spite of the way that it is reinforced with alarm against the remote possibility of Shari'a difficulty. Segment 6 of SOP I-1 requires that "Shari'a pleasant trades and events will be spoken to according to MASB asserted accounting checks, aside from if there is a Shari'a prevention". In making SOP I-1, the MASB moreover searched for the appeal of the Shari'a Advisory Council of Bank Negara Malaysia which contemplated that legitimate bookkeeping rules (GAAP) don't battle with Shari'a systems. Even more starting late in January 2012, as referenced earlier, the MASB has formally explained its mix to IFRS. It isn't really the situation that there would not be any accounting issues under full IFRS get together Shabbir (2018). Thusly, those for association believe that those issues,

as various issues not related to Islamic store, can be settled inside the IFRS structure without relying upon an alternate framework (exclusivity) or accepting mixed models (harmonization). The decision concerning whether particularity, harmonization or blending would win in a particular accounting ward for the most part depends upon: (I) paying little mind to whether the critical Shari'a specialists consider the cash related itemizing ability to be a bit of the Shari'a assessment of a trade or event; or money related declaring addresses essentially a record of the budgetary effect of a Shari'a pleasing trade without affecting Shari'a consistence; and (ii) to what degree the vital Shari'a pros would recognize how Islamic budgetary trades are represented in the monetary report, since IFRS would in all likelihood see and measure various Islamic cash related trades according to their fiscal substance (for instance as financing trades) rather than their definitive archive (for instance as trade trades).

### Conclusion

It is the purpose of dispute among the Muslim money related and bookkeeping elites that whether there is an authentic requirement for isolated Islamic bookkeeping gauges or it is simply a replication of work and IFRSs (International Financial Reporting Standards) can without much of a stretch cook the necessities of the Islamic fund industry. Besides, it is likewise discussed that what will be the effect of the new arrangement of gauges, whenever received, on Islamic budgetary foundations, both locally and universally; a selection of the different benchmarks may make the test to join the money related bookkeeping models on especially at the worldwide dimension.

This exploration point is about if there is any required of discrete bookkeeping and evaluating measures for Islamic money related establishments. Fiscal summaries are exhibited to help the outer clients in basic leadership, for instance, to choose when to purchase or move value speculation and so forth. Presently these budget summaries seem comparative from nation to nation yet may get influenced by the practical and legitimate contrasts. What's more, a few nations remember their client's need set up their budget summaries in like manner. So International Accounting Standard Board (IASB) has issued International bookkeeping gauges (IFRS) for harmonization of bookkeeping and detailing rehearses in individual nations. Contentions were made that these measures regarding regular money related exchanges, as Islamic monetary exchanges are extraordinary so they need their own different arrangement of bookkeeping norms.

This study gives the overview of several accounting bodies and their way of working to promote the accounting standards for current arena. For this purpose, current study takes various accounting organization such as, AAOIFI, IFRS and IASB etc to make augments, which particular accounting body is best for Islamic financial transactions under the domain of Islamic law. Hence, AAOIFI is worldwide Islamic accounting organization, who promote the Islamic financial system and give a look to think and invest for global investors.

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