

# ACCOUNTING STANDARDS FOR ISLAMIC BANKS

PAPERS AND REPORTS OF COMMITTEES  
FOR ACCOUNTING STANDARDS FOR  
ISLAMIC BANKS

VOLUME 5

ISLAMIC DEVELOPMENT BANK (IDB)  
JEDDAH

ACCOUNTING STANDARDS FOR ISLAMIC BANKS

VOLUME FIVE

PAPERS/REPORTS PREPARED BY THE EXECUTIVE COMMITTEE OF THE  
PREPARATORY COMMITTEE FOR ACCOUNTING STANDARDS FOR ISLAMIC  
BANKS, FROM THE MEETING OF HEADS OF ISLAMIC BANKS ON 29  
OCTOBER 1989 TO THE FIRST MEETING OF THE SUPERVISORY COMMITTEE  
ON 26 FEBRUARY 1990

ISLAMIC DEVELOPMENT BANK (IDB)

RAMADAN 141010

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## FOREWORD

The remarkable growth of Islamic Banks and other financial institutions operating in conformity with Shariah in the last decade has led to the recognition that the development of financial accounting standards reflecting the unique features of Islamic Banking is imperative.

To sustain the momentum of their rapid expansion Islamic Banks need to maintain a high degree of credibility with those who rely on financial statements in making decisions affecting their relationships with those banks. Credibility requires that the financial statements of all Islamic Banks should contain information which is relevant, reliable and comparable and is perceived as such by those who use that information in making decisions. Therefore, the need is for accounting standards for Islamic Banks, their clients, auditors and regulatory agencies to assure the relevance, reliability and comparability of financial information.

The need for accounting standards for Islamic Banks was pointed out to the IDB Management by the IDB's auditor Br. Abdul Aziz Al-Rashed. The IDB referred this matter to the Islamic Banks' meeting on the occasion of the IDB's Board of Governors annual meeting in Istanbul in 1407H. With the encouragement and active involvement of the Islamic Banks, coordinated by the IDB, work in this important area has been ongoing for over three years.

Although the task has only begun, the various committees composed of Islamic bankers, practicing accountants, Shariah scholars, academicians and representatives of other relevant institutions have generated a considerable amount of research on the subject. In view of its topicality, relevance and growing interest from researchers, academicians, auditors, Islamic Banks and others it was considered desirable to publish the main papers and reports for wider usage.

Many institutions and individuals, too numerous to mention by name, have contributed generously to this effort. However, the IDB would like to take this opportunity to once again express its thanks to the members of the Steering Committee, Follow-Up Committee and Preparatory Committee for Accounting Standards for Islamic Banks who have given so generously of their time and effort. The work of this various committees would have been incomplete without the significant contributions of Br. Abdul Aziz Al-Rashed, Br. Abdul Gadir Banaga and Br. Samir T. Badawi who have been the driving force behind all the committees on Accounting Standards for Islamic Banks.

May Allah Almighty bestow success on us.

Dr. Ahmad Mohamed Ali  
President  
Islamic Development Bank

## CONTENTS OF VOLUME FIVE

1. EXECUTIVE SUMMARY OF THE REPORT OF THE EXECUTIVE COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS TO THE FIRST MEETING OF THE SUPERVISORY COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS-ALGIERS 26 FEBRUARY 1990
  
2. REPORT OF THE EXECUTIVE COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS PRESENTED TO THE FIRST MEETING OF THE SUPERVISORY COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS - ALGIERS 26 FEBRUARY 1990.  
REPORT INCLUDES:
  - I Historical Background
  - II Agenda for the First Supervisory Committee

Appendices

  - I Resolutions of the meeting of the Heads of Islamic Banks held on 29 October 1989
  - II Agreement of Association and the Constitution of the Supervisory Committee and Accounting Standards Board
  - III Proposed budget
  - IV Proposed names for the Financial Accounting Standards Board
  - V Due process and review procedures
  - VI Summary of bases followed in proposing the constitutions of the Supervisory committee and Standards Board
  
3. PROGRESS REPORT ON FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS PRESENTED TO THE ISLAMIC BANKS' MEETING ON THE OCCASION OF THE 14TH ANNUAL MEETING OF THE BOARD OF GOVERNORS OF THE ISLAMIC DEVELOPMENT BANK HELD AT ALGIERS ON 27 FEBRUARY 1990

CONTENTS OF VOLUME FIVE (contd.)

4. RESOLUTIONS OF THE FIRST SUPERVISORY COMMITTEE MEETING HELD IN ALGIERS ON 26 FEBRUARY 1990
  
5. MEETING OF SUB-COMMITTEE ON THE BUDGET OF THE FINANCIAL ACCOUNTING STANDARDS ORGANIZATION FOR ISLAMIC BANKS AND FINANCIAL INSTITUTION HELD IN ALGIERS ON 28 FEBRUARY 1990

INDEX OF PAPERS/REPORTS ON ACCOUNTING STANDARDS  
FOR ISLAMIC BANKS  
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VOLUME ONE PAPERS REPORTS PRESENTED AT WORKSHOP ON ACCOUNTING STANDARDS FOR ISLAMIC BANKS HELD ON 7-8 SEPTEMBER 1987:

- 1.1 REPORT ON WORKSHOP INCLUDING LETTER, RESOLUTIONS COMPOSITION OF STEERING COMMITTEE AND ADDRESS OF WELCOME BY IDB PRESIDENT
- 1.2 PAPER "THE NEED AND RATIONALE FOR SETTING UP OF ACCOUNTING STANDARDS FOR ISLAMIC BANKS" BY FUAD AZIM HASHIMI
- 1.3 PAPER "AN APPROACH TO ESTABLISHING ACCOUNTING STANDARDS FOR ISLAMIC BANKS" BY ABDUL AZIZ RASHED AL-RASHED, DR. SABRY HEAKAL AND DR. ABDULLAH AL-FAISAL
- 1.4 PAPER "NEED AND FORM OF A BANKING INSTITUTION IN ISLAM" BY ABDULGADIR BANAGA
- 1.5 NOTE ON "ACCOUNTING STANDARDS FOR ISLAMIC BANKS" BY IRTIZA HUSSAIN

VOLUME TWO PAPERS/REPORTS PREPARED BY STEERING COMMITTEE (AND CONSULTANTS) FOR ACCOUNTING STANDARDS FOR ISLAMIC BANKS, BETWEEN SEPTEMBER 1987 AND IDB ANNUAL MEETING IN TUNIS HELD ON 6TH MARCH 1988:

Members of the Steering Committee:

- |                                |             |
|--------------------------------|-------------|
| o Abdul Aziz Rashed Al-Rashed, | Chairman    |
| o Dr. Siddiq Al-Darir          | Member      |
| o Dr. Abdul Halim Ismail       | "           |
| o Dr. Riffaat A. Abdul Karim   | "           |
| o Dr. Abdullah M. Al-Faisal    | "           |
| o Irtiza Hussain               | "           |
| o Abdelgadir Banaga            | "           |
| o Samir T. Badawi              | "           |
| o Dr. Khalid M. Boodai         | "           |
| o Dr. Abdul Monem Mahmood      | "           |
| o Dr. Sami Hamoud              | "           |
| o Shamshad Nabi                | "           |
| o Farooq Azam                  | Coordinator |

Consultants:

- o Dr. Sabry Heakal

VOLUME TWO (contd.)

- 2.1 REPORT OF STEERING COMMITTEE
- 2.2 MAIN REPORT ON "ESTABLISHING FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS". THIS REPORT INCLUDES:
  - I Background
  - II Executive summary
  - III Recommendations
  - IV Commentary on recommendations
  - V Proposed By-Laws (constitution)
  - VI Appendices
    - Appendix A: Resolutions of Workshop
    - Appendix B: Minutes of meeting of Steering Committee
- 2.3 COMPARATIVE STUDY OF FINANCIAL ACCOUNTING STANDARDS SETTING BODIES IN THE UNITED STATES, ENGLAND AND INTERNATIONAL
- 2.4 PAPER ON "VARIATIONS IN ACCOUNTING POLICIES AND DISCLOSURES OF ISLAMIC BANKS" BY SAMIR T. BADAWI (ENGLISH ONLY)

VOLUME THREE PAPERS/REPORTS PREPARED BY FOLLOW-UP COMMITTEE (AND CONSULTANTS) FOR ACCOUNTING STANDARDS FOR ISLAMIC BANKS, BETWEEN MARCH 1988 AND IDB ANNUAL MEETING IN RABAT HELD ON 23 MARCH 1989.

Members of the Follow-Up Committee:

o Abdul Aziz Rashed Al-Rashed	Chairman
o Abdel Gadir Banaga	Member
o Samir T. Badawi	"
o Dr. Khalid M. Boodai	"
o Shamshad Nabi	"
o Dr. Ausaf Ahmed	"
o Irtiza Hussain	"
o Dr. Siddiq Al Darir	"
o Dr. Sami Hamoud	"
o Dr. Rifaat Abdul Karim	"
o Musa Abdul Aziz Shihadeh	"
o Ismail Hassan Mohammed	"
o Mohamed Towfiq	
o Moncel Cheikh Rouhou	
o Abdel Hamid Abu Musa	
o Dr. Abdul Halim Ismail	
o Dr. Ahmed Kamal A Al Magd	
o Kazim Raza Awan	Coordinator

Consultants:

- o Dr. Sabry Heakal
- o Dr. Abdullah Bin Mohamed Al-Faisal
- o Dr. Abdul Rehman Ibrahim Al-Humaid



VOLUME THREE (contd.)

- 3.1 REPORT ON THE SEMINAR ENTITLED "ACCOUNTING STANDARDS FOR ISLAMIC BANKS" HELD ON 30 NOVEMBER 1988 AT IDB -- (ENGLISH ONLY)
- 3.2 PAPER PRESENTED AT SEMINAR "CONCEPTUAL DIFFERENCE BETWEEN FINANCIAL ACCOUNTING FOR ISLAMIC BEANKS AND FINANCIAL ACCOUNTING FOR WESTERN COMMERCIAL BANKS" BY M. SABRY HEAKAL.
- 3.3 PAPER PRESENTED AT SEMINAR "REPORT ON THE FIELD VISIT TO ISLAMIC BANKS" BY DR. ABDULLAH BIN MOHAMMED AL-FAISAL AND DR. ABDUL REHMAN IBRAHIM AL-HUMAIID.
- 3.4 DISCUSSION PAPER PRESENTED AT SEMINAR "ESTABLISHING ACCOUNTING STANDARDS FOR ISLAMIC BANKS CONSIDERATIONS OF ALTERNATIVE STRUCTURES FOR THE STANDARD SETTING PROCESS" BY FOLLOW-UP COMMITTEE.
- 3.5 REPORT ON THE ACTIVITIES OF THE FOLLOW-UP COMMITTEE. (From inception to January 1989) (ENGLISH ONLY)
- 3.6 EXECUTIVE SUMMARY OF REPORT ON "THE CONCEPT OF ESTABLISHING ACCOUNTING STANDARDS FOR ISLAMIC BANKS", PRESENTED TO ISLAMIC BANKS IN RABAT
- 3.7 MAIN REPORT ON "THE CONCEPT OF ESTABLISHING ACCOUNTING STANDARDS FOR ISLAMIC BANKS", PRESENTED TO ISLAMIC BANKS IN RABAT. THIS REPORT INCLUDES:
  - I Historical survey
  - II Summary of papers presented to the second workshop
  - III Alternatives for establishing Accounting Standards for Islamic Banks
  - IV Recommended plan of Action for Establishing Accounting Standards for Islamic Banks
  - V Budget
- 3.8 RECOMMENDATIONS OF RABAT MEETING. (ENGLISH ONLY)

VOLUME FOUR PAPERS/REPORTS PREPARED BY PREPARATORY COMMITTEE FOR ACCOUNTING STANDARDS FOR ISLAMIC BANKS, BETWEEN MARCH 1989 AND THE HEADS OF ISLAMIC BANKS MEETING HELD ON 29 OCTOBER 1989.

VOLUME FOUR (contd.)

Members of the Preparatory Committee:

o Ousmane Seck, Vice President-IDB	Chairman
o Abdul Aziz Rashed Al-Rashed	Member
o Samir Badawi	"
o Abdul Gadir Banaga	"
o Faisal Abdul Aziz Al Zamil	"
o Dr. Siddiq Al Darir	"
o Dr. Abdul Halim Ismail	"
o Irtiza Hussain	"
o Abdel Hamed Abu Musa	"
o Shamshad Nabi	"
o Dr. Hassan Mirghani	"
o Kazim Raza Awan	Coordinator

4.1 EXECUTIVE SUMMARY OF REPORT ON "ESTABLISHING FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS", PRESENTED TO HEADS OF ISLAMIC BANKS MEETING 29 OCT 1989 AT IDB HEADQUARTERS

4.2 MAIN REPORT ON "ESTABLISHING FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS", PRESENTED TO HEADS OF ISLAMIC BANKS MEETING 29 OCTOBER 1989 AT IDB HEADQUARTERS. CONTENTS INCLUDE:

- a) Introduction
- b) Historical Background
- c) Recommendations
- d) Commentary on Recommendations
- e) Proposed Budget.
- f) Constitution (By-Laws)
- g) Criteria for Selection of members of Supervisory Committee and Accounting Standards Board
- h) Summary of Comparative Study of Financial Accounting Standards setting bodies in the United States, England and International

4.3 RESOLUTIONS OF HEADS OF ISLAMIC BANKS MEETING OF 29 OCTOBER 1989 (ENGLISH ONLY)

VOLUME FIVE

PAPERS/REPORTS PREPARED BY THE EXECUTIVE COMMITTEE FOR ACCOUNTING STANDARDS FOR ISLAMIC BANKS, FROM THE MEETING OF THE HEADS OF ISLAMIC BANKS ON 29 OCTOBER 1989 TO THE FIRST MEETING OF THE SUPERVISORY COMMITTEE ON 26 FEBRUARY 1990.

VOLUME FIVE (contd.)

Members of the Executive Committee:

o Ousmane Seck	Chairman
o Abdul Aziz Al-Rashed	Member
o Samir T. Badawi	"
o Abdulgadir Banaga	"
o Abdul Hamid Abu Musa	"
o Shamshad Nabi	"
o Kazim Raza Awan	Coordinator

5.1 EXECUTIVE SUMMARY OF THE REPORT OF THE EXECUTIVE COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS TO THE FIRST MEETING OF THE SUPERVISORY COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS - ALGIERS 26 FEBRUARY 1990 (ARABIC & ENGLISH)

5.2 REPORT OF THE EXECUTIVE COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS PRESENTED TO THE FIRST MEETING OF THE SUPERVISORY COMMITTEE FOR FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS - ALGIERS 26 FEBRUARY 1990. REPORT INCLUDES:

I Historical background

II Agenda for the First Supervisory committee

Appendices:

I Resolutions of the Meeting of the Heads of Islamic Banks held on 29 October 1989

II Agreement of Association and the constitution of the Supervisory Committee and Accounting Standards Board

III Proposed budget

IV Proposed Names for the Financial accounting Standards Board

V Due process and review procedures

VI Summary of bases followed in proposing the constitutions of the Supervisory Committee and Standards Board

5.3 PROGRESS REPORT ON FINANCIAL ACCOUNTING STANDARDS FOR ISLAMIC BANKS PRESENTED TO THE ISLAMIC BANKS' MEETING ON THE OCCASION OF THE 14TH ANNUAL MEETING OF THE BOARD OF GOVERNORS OF THE ISLAMIC DEVELOPMENT BANK HELD AT ALGIERS ON 27 FEBRUARY 1990.

5.4 RESOLUTIONS OF THE FIRST SUPERVISORY COMMITTEE MEETING HELD IN ALGIERS ON 26 FEBRUARY 1990

5.5 MEETING OF SUB-COMMITTEE ON THE BUDGET OF THE FINANCIAL ACCOUNTING STANDARDS ORGANIZATION FOR ISLAMIC BANKS AND FINANCIAL INSTITUTION HELD IN ALGIERS ON 28 FEBRUARY 1990.