



## **COMPARISON BETWEEN IFRS AND AAOIFI STANDARD ON FINANCIAL REPORT**

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### **ABSTRAK**

Penelitian ini membandingkan pelaporan keuangan di bawah IFRS (Maybank Islamic) dan standar AAOIFI (Bahrain Islamic Bank), berfokus pada variasi dalam pengakuan, pengukuran, dan pengungkapan transaksi Islam yang signifikan seperti *murabahah*, *ijarah*, dan menekankan pada isu zakat. Penelitian ini menggunakan analisis konten kualitatif untuk menganalisis bagaimana standar-standar ini mempengaruhi komparabilitas dan transparansi. IFRS menyediakan kerangka kerja global, tetapi AAOIFI menyediakan relevansi yang sesuai dengan syariah yang berpotensi menghasilkan perbedaan dalam laporan keuangan. Penelitian ini berkontribusi pada perdebatan harmonisasi dengan memberikan informasi kepada pemangku kepentingan tentang implikasi praktis penerapan standar-standar ini dalam perbankan Islam.

**Kata Kunci : IFRS, AAOIFI, Laporan Keuangan, Kerangka Kerja Syariah, Bank Syariah.**

### **ABSTRACT**

*This study compares financial reporting under IFRS (Maybank Islamic) and AAOIFI standards (Bahrain Islamic Bank), focussing on variations in the recognition, measurement, and disclosure of significant Islamic transactions such as *murabahah*, *Ijarah* and *empeshizing* on Zakat issue. It is uses qualitative content analysis to analyse how these standards affect comparability and transparency. IFRS provides a worldwide framework, but AAOIFI provides Shariah-compliant relevance, potentially resulting in discrepancies in financial statements. This study contributes to the harmonisation debate by informing stakeholders about the practical implications of applying these standards in Islamic banking.*

**Keywords : IFRS, AAOFI, Financial Statement, Shariah Framework, Islamic Banking.**

## INTRODUCTION

Financial reports are essential in any business, especially those related to stakeholders. It contains a series of information for making financial decisions such as Investments, divestments, and of course, indicators of the health of a company. Financial reports with all their uses must also be owned by Islamic banking as evidence that this business entity is ready to compete and develop in this era of competition. However, what needs to be noted is that financial statements must have standard as a reference for stakeholders to analyze to make good decisions (Osadchy et al, 2018). Without a reference, there will be bias and information asymmetry in the decisions taken.

Therefore, every country, especially in the era of globalization, openness, and competition like this, must determine national accounting standards that can be used as a reference for the financial reporting of a Sharia Bank. In order to obtain uniformity of interpretation.

In the context of Malaysia, as a country with a relatively rapid growth rate of Islamic banking, accounting standardization is something that the local government has been trying to do (Mohammed, 2015).

In the 1967, the accountants agreed to establish an institution, namely, the Malaysian Institute of Accountants (MIA). MIA has the responsibility to regulate the practice of and interest in the accounting profession. Until 1997, the government restructured the accounting system in Malaysia with the Financial Reporting Act (FRA). Under the Financial Reporting Act (FRA 1997), the government established the Financial Reporting Foundation (FRF) and the Malaysia Accounting Standards Board (MASB) to take on the role of MIA in setting accounting standards in Malaysia. The FRF itself is only in charge of supervising the work of MASB but is not involved in the standard process. At the end of 2005, MASB issued 21 Financial Reporting Standards

(FRS), replacing the previous standard, the Financial Reporting Act (FRA), with an effective period starting from January 1, 2006. The initiation of this FRS results from MASB's desire that Malaysia can be one step closer to welcoming convergence with IFRS. Malaysia's accounting standards refer to the Financial Accounting Standards Board (FASB) with the International Financing Standard (IFRS) as its regulatory product.

Even though, if further examined, there will be many differences between the Malaysia Financing Standard (MFRS) and IFRS. However, it is widespread use by every financial institution and also includes Islamic Banks is still relevant. Adoption of International Financial Reporting Standards and International Accounting Standards in Islamic Financial Institutions from the Practitioners' Viewpoint (Shafii & Zakaria, 2013).

The International Financial Reporting Standard (IFRS) is a standard created by the International Accounting Standards Boards (IASB) to provide standards for preparing financial statements for companies worldwide. Companies can produce high-quality, comparable, and transparent financial reports used by investors in the world capital markets and other interested parties (stakeholders). Currently, many countries in Europe, Asia, Africa, Oceania, and America are implementing IFRS. International accounting standards (International Accounting Standards / IAS) are compiled by four major world organizations, namely the International Accounting Standards Agency (IASB), the European Community Commission (EC), the International Organization for Capital Markets (IOSOC), and the International Accounting Federation (IFAC).

Suppose Islamic banking in Malaysia uses IFRS as a standard for their financial statements in the Middle East. In that case, most Islamic banks in preparing financial reports use the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institution) standard. Founded in 1991 and

domiciled in Bahrain, AAOIFI is a non-profit organization concerned with developing and publishing accounting standards for the global Islamic finance industry. AAOIFI has issued 90 standards consisting of 54 sharia standards (sharia standards), 1 Conceptual Framework for Financial Reporting by Islamic Financial Institutions, 27 accounting standards, seven governance standards, and two corporate governance standards. Code of ethics (code of ethics). Countries that use AAOIFI standards to make financial reports are Bahrain, Yemen, Qatar, Syria, Palestine, Sudan, Oman, and Jordan (Mohammed et al, 2015); (Al-Sulaiti et al, 2017).

Although it is being used in Malaysia and Muslim-populated countries in Southeast Asia, IFRS cannot be separated from criticism and concerns, especially from Islamic finance practices. A common criticism is the inability of IFRS to accommodate sensitive matters related to Shariah compliance. For example, for transactions that deal with or involve interest (*Riba*) and Zakat. IFRS-based financial reporting does not always capture the typical Murabaha structure and may lack representational financial reporting. However, IFRS recognizes the substance of the *Murabaha* contract as financing, and the majority of Islamic banks in Malaysia report it as one of financing and not as a trading contract.

For measurement, IFRS adopts the concept of the time value of money in which profit allocation is based on amortized costs, which is similar to the measurement of conventional loan transactions that apply the concept of an effective interest rate. Meanwhile, AAOIFI uses a straight-line basis to allocate profits from Murabaha contracts. One of these issues and several others, such as the issue of Time Value of Money in shariah standards, which IFRS approaches with the concept of Fair value and differences in the enforcement of several contracts such as *Ijarah*, *Istishna*, and *Murabahah* (Ahmed et al, 2016). As other

issues such as the application of the Zakat report to be interesting study to do research.

Furthermore, this study seeks to identify the differences and similarities between the two banks that adhere to the IFRS and the AAOIFI regime; these differences include in terms of the presentation of financial statements, including specific issues that must be met by the two types of standards, differences in the use of several standards. Financing contracts and differences or similarities that arise in terms of how the financial performance of the two banks, each using IFRS and AAOIFI standards. The financial statements used in this study are the 2020 financial statements from Maybank Islamic Malaysia representing Banks with IFRS standards and Bahrain Islamic Bank representing Banks using AAOIFI standards in their financial statements.

To answer all of the objectives, this study will be divided into three main sections of Discussion:

1. The Discussion of the Special requirements in the financial statements of each Bank with IFRS and AAOIFI standards. The Discussion in this section also includes special issues such as Zakat reporting, the issue of interest of money, or fair value accounting concepts.
2. The Discussion on the comparison of contracts used in each financial report, including *Murabahah*, *Ijarah*, *Istishna* (Construction) with an accounting approach and shariah rules. We will also look broadly at the differences between the two AAOIFI and IFRS rules in this context.

Discussion on differences in financial performance between the two banks with IFRS and AAOIFI standards. In the context of looking at the financial performance of the Bank, this study uses several ratios that show financial performance.

## LITERATURES REVIEW

### IFRS Frame Work

The adoption of IFRS in accounting standards in Malaysia can be divided into four main stages, namely: Pre-IFRS convergence (2003-2005), Partial-IFRS convergence (2007-2011), and the last stage, Full IFRS convergence (2012-2014) (Yusrina et al, 2017). At this final stage, effective January 1, 2012, the government requires all companies except private companies in Malaysia to apply the Malaysian Financial Reporting Standard (MFRS) standard, which is the result of the convergence of the previous standard with IFRS.

Meanwhile, the stages of the IFRS to MFRS adoption process itself are as follows:

1. The first stage is the preparation stage, namely forming a working group, reviewing and identifying deficiencies and weaknesses, and existing problems from the standards that have been owned and applied in Malaysia before. The results of this review are then poured into the form of a paper.
2. The second stage is reviewing papers conducted by the Malaysia Accounting Standard Board (MASB) and the Financing Reporting Federation (FRF). This Discussion is then poured into the form of a draft.
3. The third stage is to show the draft of the work to the public
4. The fourth stage is to review the work of the working group based on public responses
5. Then the fifth stage is carried out, namely the final review of the FRF.
6. In this sixth stage, the MASB approves the final review of the new MFRS standard, which is the result of a conference introduced to the public.

### AAIOFI Frame Work

AAIOFI makes accounting and financial reporting standards not to match what has been done by the IASB through IFRS and has been used by many countries. Dr. Mohammad Nedal Akhaar (secretary-general of AAOIFI) said that the AAOIFI standard is never meant to compete with IFRS. It is to complement IFRS (Sharari, 2021).

On July 22, 2010, AAOIFI approved merging the two statements into a "Conceptual Framework for Financial Reporting by Islamic Financial Institutions". However, the content does not contain significant changes; the AAOIFI changed some parts and shortened some of the detailed descriptions in SFA No. 1 and 2. In this new conceptual framework, AAOIFI changes the description of the approach in developing a conceptual framework, which consists of (Hasan et al, 2013) :

1. Identify accounting concepts that have been previously developed by other standard-setting bodies that are consistent with Islamic principles and ideals of accuracy and fairness.
2. Identify aspects that require greater disclosure and transparency to adhere to the principles and ideals of Islamic law.
3. Identification of concepts used by other standard-setting bodies contrary to sharia and development of new concepts relevant for financial reporting purposes by IFIs.
4. Development of concepts to address the unique nature of specific transactions, events, or conditions in IFIs. Examples include funds mobilized by IFIs under the mudharabah model.
5. Identify critical users, especially those who do not have the authority or ability to access information that is not included in the general purpose of financial statements.

6. Determining the information needs of users of financial statements that need to be addressed. As a standard, IFRS and AAI OFI must meet the assumptions that make this rule universally acceptable.

**Highlights of The Differences Between IFRS and AAI OFI**

**Table 1. Differences and Similarities Between IFRS and AAI OFI from Accounting Assumptions**

<b>IFRS assumption</b>	<b>AAI OFI assumption</b>
<p><b>Going Concerned</b> This fundamental assumption means that every business entity must be concerned about the sustainability of its business in the future; if it wishes to discontinue its business, the company must declare all liquidity, debts, tangible and intangible assets.</p>	<p><b>Going Concerned</b> This assumption accepts the existence of IFIs, meaning that they may not be able to fully adopt all sharia contracts in their finances, so except for Mudharabah, it is assumed that other contracts can follow developments.</p>
<p><b>Accounting entity</b> This means that financial statements must reflect the actual conditions that exist in companies about their financial activities.</p>	<p><b>Accounting entity</b> Accountants must be separate from their owners and adhere to the principle of “Maslahah” as much as possible to provide benefits to many people in the context of Maqhasid shariah or shariah goals.</p>
<p><b>The accounting period</b> This means that companies must report financial activities regularly and within a certain period.</p>	<p><b>The accounting period</b> The importance of allocating expenditures as expenditures during the accounting period is that this concept accommodates the obligation to pay Zakat in the period determined by religion.</p>
<p><b>The stability of purchasing power of the monetary unit</b> Transaction activities of each unit in reporting should use the currency in force where the company is located or the currency accepted in its entirety.</p>	<p><b>The stability of purchasing power of the monetary unit III</b> also suggests that it is essential about financial stability, including exchange rate stability, as the application of the concept of fairness and fairness in financial transactions.</p>

*Sources: Muhammad Sori & Tychiev (2024)*

**Table 2. Differences and Similarities Between IFRS and AAI OFI Accounting Principles**

<b>IFRS Principles</b>	<b>III Principles</b>
<p><b>Matching principles</b> This means that financial statements must reflect the actual conditions that exist in companies concerning their financial activities.</p>	<p><b>Matching principles</b> Islamic accounting uses accrual-based as well as the central pillar because it is closer to justice for stakeholders.</p>
<p><b>Objective principle</b> Proof of transactions is a matter of principle in recording and reporting, and therefore each transaction can be accounted for objectively.</p>	<p><b>Objective principles</b> For fairness in Islamic accounting to adopt this principle</p>
<p><b>Consistency principle</b> Financial recording and reporting must be carried out with the same method</p>	<p><b>Consistency principle</b> This is also adopted by Islamic accounting, especially for the determination of zakat</p>

continuously.	payment.
<b>Uniformity principles</b> Uniformity to avoid differences in accounting procedures	<b>Uniformity principles</b> This is also in line with sharia principles to prevent stakeholders from unclear decision-making that can harm the company.
<b>Materiality principles</b> The principle of materiality serves as a guide for accountants in what essential to be disclosed in the financial statements, and information is considered material if the omission or misstatement could affect the decision-maker. Materiality principles are also helpful for auditing	<b>Materiality principles</b> This principle makes it possible to report correct information in financial statements, which is does not conflict with sharia requirements
<b>The Cost Principles</b> Fixed assets must be recorded at their actual value at the time of acquisition.	<b>The Cost principles</b> This principle states that the company records its fixed assets at the actual purchase price or production costs, following the principles of objectivity and going concerned; because it is accepted in Islamic accounting.
<b>The realization principles</b> That is, revenue is recognized when the transaction is completed	<b>The realization principles</b> Some investors in IFIs have the right to withdraw their funds whenever they wish. Those who do this in the mudarabah contract will be deprived of sharing the profits or losses from the project they contributed because it has not been liquidated yet, which is considered unfair.
<b>Full disclosure principles</b> This principle is the principle of openness; nothing should be hidden in accounting reporting so that stakeholders can make good and correct decisions.	<b>Full disclosure principles</b> Islamic scholars accept it. However, the main point that Islamic accounting does not refer to is the aspect of substance over the form in which accounting for transactions relates to their substance and economic reality and not just their legal form. This concept is one of the main determinants of reliable information within the IFRS framework, whereas; this is not accommodated or accepted by AAIIOFI.

*Source : Djesas & Bougherra (2023)*

In terms of the assumptions adopted by each standard, it can be seen that all assumptions used by IFRS can be accepted by the AAIIOFI standard as well. Some are even more assertive about the assumptions of the IFRS standard.

AAIOFI does not accommodate some principles such as Full disclosure principles and the realization principles because they are related to differences in perception if the AAIIOFI standard adopts this, but this can

still be debated depending on the point of view.

## METHODOLOGY

This paper uses a qualitative method in nature, but quantitative calculations will be carried out in several parts of the paper.

In the third part, the Discussion in this study will use financial ratios to measure performance or performance between Banks with IFRS standards and Banks with

AAIOFI standards. The ratios and formulas areas are listed in the following table:

**Table 3. Used of Financial Ratio**

Ratio	Formula
<b>Profitability Ratio:</b>	
Return on Asset (ROA)	Net income/ Total assets
<b>Liquidity ratio:</b>	
Loan To Deposit Ratio	Loan and advances/ customer deposit
<b>Leverage ratio :</b>	
Deposit To Total Asset	Total deposit/ total assets
<b>Efficiency Ratio</b>	
OPINTA	Operating income/ total assets

Source : Data Processed (2025)

**RESULT AND DISCUSSION**

**Analysis of Financial report of Maybank Islamic and Bahrain Islamic Bank**

**Elements of financial statements**

From the comparison of the display of financial statements from Maybank Islamic and Bahrain Islamic Bank, the difference data is obtained as follows:

**Table 4. The Elements of financial Statement**

Maybank Financial Statement	BIB Financial Statement
1. Financial position (Balance sheet)	1. Financial Position (Balance sheet):
-Asset and liabilities	-Assets
2. Income statement	- Liabilities, IAH, and Owner Equity
3. Comprehensive income statement	2. Income statement
4. Changes in equity statement	3. Statement of Cashflow
5. Cash flow statement	4. Statement of changes in owner equity
	5. Statement of sources of using good faith cards of fund
	6. Statement of zakah and charity fund

Source : Data Processed (2025)

The table above directly shows some of the differences in the presentation of financial statements from the two standards used. In the AAIOFI standard, several additional statements are not in IFRS, namely in the aspect of reporting the use of social funds (Zakah and charity funds) and funds for good and charitable purposes (*qardh* of funds).

This confirms that the financial statements presented by the Bank with IFRS standards are sole to make financial decisions that Stakeholders, including

Investors, require. On the one hand, we assume that various users have the exact information needs, namely information to (1) evaluate IFI compliance with sharia, (2) assess inherent risks, (3) evaluate the ability of IFIs to use and maintain economic resources, carry out social responsibility, provide for the economic needs of those dealing with IFIs, maintain liquidity, and (4) evaluate employment relationships. Although the so-called "general" information needs, "evaluating the employment relationship" seems to be specific rather than

the general information needs of all users (Majid & Haliding, 2014).

IFRS also emphasizes that Investors in the context of Islamic Banks Stakeholders are not limited to Equity holders of Shareholders but also Investment Account Holders (IAH). This becomes rational because the interest-free system has emphasized partnerships, which makes the Islamic financial system an equity-based system, not debt-based.

The incorporation of social finance elements into financial statements highlights a fundamental divergence between AAOIFI and IFRS standards. AAOIFI explicitly mandates that financial accounting serves to facilitate both informed financial decision-making and Shariah compliance, thereby integrating ethical considerations into reporting. Conversely, IFRS primarily focuses on the utility of financial information for investment and credit decisions, neglecting explicit Shariah compliance assessments. Consequently, while AAOIFI-compliant financial statements enable users to evaluate both economic performance and adherence to Islamic principles, IFRS-based reports primarily offer insights into purely financial or economic aspects, limiting the user's ability to assess Shariah-related performance (Muhammad Sori & Tuychiev, 2024).

### **Financial Assets**

In addition to developing the Liabilities aspect by adding Investment Account Holders (IAH), the difference also lies in the Asset side. The significant difference is the use of Fair Value. The IASB developed the fair value itself and then included it in IFRS after previously for asset valuation using historical value, which is no longer relevant to global financial developments.

The concept of fair value is that this concept was first used to calculate biological assets in plantation and livestock companies in Australia and the UK. The consideration is that these companies' assets and business

fields are living things, such as plants and livestock, which continue to grow and reproduce. If these companies are valued at book value (historical cost), it is certainly not fair because they reflect the actual economic value. From there, a new calculation concept was found and later known as fair value. This concept was later adopted into international accounting standards and was first applied in 2003 to value biological assets in the agricultural, plantation, and livestock sectors. Since then, all public companies in Europe have used fair value to prepare their financial statements.

Amid the spirit of applying the concept of fair value, damaging accusations emerged from applying the concept of fair value. Fair value was used as a scapegoat due to the financial crisis triggered by the subprime mortgage in the second semester of 2008. It is stated that the accounting or financial reporting system that uses fair value is considered to be the cause of the financial crisis. The allegation was denied by a team formed by the Security Exchange Commission (SEC), a team from countries in the G-20, and a team from the IMF who conducted the same study; the results of the investigation stated that the crisis was not caused by financial statements that used fair value; instead, it is due to taking too much risk and the failure of banks or financial institutions in the US in anticipating probable credit losses, doubts about asset quality and decreasing trust from creditors and investors.

Based on AAOIFI FAS 25, states that fair value transactions are not allowed. However, based on the revised FAS December 25, 2017 paragraphs 3/12 and 4/1, it is stated: "Fair value through the equity shall be inserted. According to Chairman of AAB, that paragraph is to allow the accounting for debt type instrument under the third category of "Investment at fair value through e

In Malaysia, according to the BNM statement, article 7: MFRS 139 specifies that a financial instrument shall be classified as a

financial asset or financial liability at fair value through profit or loss<sup>1</sup> if the financial instrument is either classified as held for trading or upon initial recognition it is designated as at fair value through profit or loss (hereafter referred as 'fair value option'). The requirements in this section refer to financial instruments designated at fair value under the fair value option.

Maybank Islamic's asset reporting incorporates financing instruments valued according to fair value principles, reflecting the adoption of contemporary financial reporting practices.

**Financial Liabilities**

AAOIFI prefers to list liabilities "applicable to the entity" rather than "expected to result in an outflow from the entity's economic resources." AAOIFI, however, is silent on whether "enforceable" refers to obligations arising from legal factors. In addition, AAOIFI does not present "expected outflows of economic benefits" as a liabilities characteristic (El Halaby et al, 2023).

The differences that then emerge from the comparison of Maybank Islamic with BIB in terms of liabilities are as follows:

**Table 5. The Difference Liabilites**

IFRS /May Bank	AAIOFI/BIB
to present an economic obligation that can be applied to the entity, generated from the past transaction or event	to present the entity's obligations arising from past events, expected solution generate current out of resource entity realize economic benefits

*Source : Data Processed (2025)*

That the presentation of liabilities in standard IFRS is a more direct presentation from the past to the present, meanwhile, liabilities from the AAIOFI standard are more concerned with the sustainability of resources

**Issues on Zakat**

A prominent scholarly perspective posits that the inclusion of Zakat as a mandatory financial reporting element constitutes a key divergence between AAOIFI and IFRS standards. This divergence underscores a fundamental rationale for AAOIFI's development of distinct financial reporting standards, as IFRS lacks provisions for the recognition and reporting of Zakat transactions, a critical component of Islamic financial practice.

Regarding the Zakat that AAOIFI provides in FAS no. 9, which discusses issues in the accounting treatment of the basic standards of Zakat and the disclosure requirements of Zakat determination AAOIFI FAS no. 9. Para. 2 states that the

"Zakat basis" is determined using 2.5% for a lunar calendar year and 2.5775% for a solar calendar year based on one of the following two methods : Net Assets, Net Funds Invested. In addition, Zakat should be measured at its cash equivalent value as recommended by AAOIFI FAS No. 9 (Sarea, 2013).

In the context of Malaysia, Islamic Banks must report 1. The amount of Zakat due or paid; 2. The zakat measurement method used; 3. Sharia Supervisory Law on matters relating to Zakat; and 4. Zakat obligations are due from subsidiaries, equity investment accounts, and other investment accounts (in the case of Islamic banks). (Arifin & Osman, 2022).

Effective Zakat management necessitates robust accountability and transparency mechanisms, given its inherent social purpose. Consequently, the segregation of Zakat reporting from core business operations is crucial. In this regard, the AAOIFI standard demonstrates its

capacity to address the unique reporting requirements of Zakat as a distinct social finance instrument, thereby enhancing transparency and fulfilling its intended societal role.

**Comparison in some contracts**

**Murabahah**

Islam certainly does not tolerate interest-based loans, and Islamic banks should provide product financing that is not based on interest, free interest-based loans. However, if we look at the Maybank Islamic

report on the position of *Murabahah* financing, it is as follows (Image 1).

*Murabaha*, in the context of Islamic Bank IFRS, is still treated as a loan. The most significant portion of the financing in the context of Maybank's financial report above is retail financing by providing default reserves and reducing the Bank's profit margin significantly. This is detrimental to the Bank and customers and depositors who have placed funds in deposit accounts, a typical bank deposit-taking.

**Image 1. Snapshot of Financial Advance MayBank Islamic**

Financing and advances analysed by type and Shariah concepts are as follows:

	Bai <sup>1</sup> RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai' ("AITAB") <sup>2</sup> RM'000	Ijarah <sup>3</sup> RM'000	Others RM'000	Total financing and advances RM'000
31.12.2020							
Cashline	-	6,354,760	-	-	-	-	6,354,760
Term financing							
- House financing	13,846,268	77,006,822	1,877,969	-	-	609	92,731,668
- Syndicated financing	-	7,106,556	-	-	-	-	7,106,556
- Hire purchase receivables	-	9,635,007	-	35,204,145	-	-	44,839,152
- Lease receivables	-	-	-	-	303,050	-	303,050
- Other term financing	10,653,246	106,866,849	610,568	-	-	18,364	118,149,027
Bills receivable	-	-	-	-	-	50	50
Trust receipts	-	106,257	-	-	-	-	106,257
Claims on customers under acceptance credits	-	4,723,695	-	-	-	-	4,723,695
Staff financing	390,857	2,110,096	8,384	179,242	-	33,633	2,722,212
Credit card receivables	-	-	-	-	-	1,263,404	1,263,404
Revolving credit	-	14,068,861	-	-	-	-	14,068,861
Share margin financing	-	29,008	-	-	-	-	29,008
Financing to:							
- Directors of the Bank	-	2,024	-	-	-	8	2,032
- Directors of related companies	-	3,879	-	340	-	48	4,267
	24,890,371	228,013,814	2,496,921	35,383,727	303,050	1,316,116	292,403,999
Unearned income							(85,698,158)
Gross financing and advances <sup>4</sup>							206,705,841
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(574,213)
- Stage 2 - Lifetime ECL not credit impaired							(1,209,931)
- Stage 3 - Lifetime ECL credit impaired							(1,254,822)
Net financing and advances							203,666,875

Source : MayBank Islamic Annual Report (2025)

Under IFRS, loans are governed by IAS 23 "borrowing costs," this is interest on fees and other expenses directly attributable to the acquisition, construction, or production of an 'eligible asset'; issued by the entity in connection with borrowed funds (IAS 23.5). Borrowing costs may include the following (IAS 23.6). In other words, Murabahah, which is treated as a loan, is financing that is provided with a return margin determined by a certain percentage calculated annually, and there is an

obligation to pay the principal plus a monthly financing margin. Financing is calculated with asset guarantees that meet the assessment by the banking sectors.

**Accounting Rules:**

According to FAS number 2, assets must be measured and recorded at historical cost; AAOIFI requires IFI; if the customer does not fulfill his promise to purchase assets, IFI applies the lower historical value and net realizable value. Otherwise, despite

the decline in the asset's value, because the IFI will sell the inventory at the Murabaha price, no change in value is required. IFRS also reports allowance for doubtful accounts provided from the amount of financing after deducting deferred profit. The standard considers any gain resulting from additional costs due to late payments as interest on unpaid receipts, which is not allowed; however, in practice, Murabaha contracts usually include penalties for late payments; it will be given to a charitable foundation (Mosa, 2023)

Meanwhile, according to IFRS; there is no doubt of interest. As the legitimacy of interest and no longer discussed as a

potential issue in conventional finance, borrowing cost accounting is interested in different treatments of interest.

In this case, borrowing costs are directly attributable to the acquisition, construction, or production of qualifying assets; interest is part of the asset's cost and should be capitalized. The standard focuses on more detailed questions such as, what counts as a qualifying asset and how to calculate share? Interest to be capitalized. Moreover, the second, If not, borrowing costs are recognized as an expense. Meanwhile, Murabaha in BIB's financial statements are as follows:

**Image 2. Snapshot BIB Financial Assets**

	BD'000	BD'000
Commercial	94,680	133,671
Financial institutions	11,679	22,895
Others including retail	397,954	351,441
	<b>504,313</b>	<b>508,007</b>

The Group exposures of Murabaha financing portfolio is concentrated in the Middle East.

Source : BIB Annual report (2025)

BIB treats *Murabaha* as a financing asset. The principle is the same, but BIB does not imply a default reserve in the portion of its *Murabaha* financing. The commercial portion is also quite significant, which means that the underlying transaction of murabahah financing here is not solely for consumptive purposes. *Murabaha* for working capital financing purposes can also be done with a short tenor of under five years) to support the principle of sustainability in Islamic Bank financing.

**Ijarah**

Standards issued by AAIOFI indicate that the accounting treatment for *Ijarah* and IMB is similar to operating lease transactions with certain exceptions. On the other hand, these Islamic banks account for *Ijarah* as a financial transaction, such as a finance lease,

according to IAS-17. IAS-17 requires that revenue recognition in a finance lease be based on a pattern reflecting a consistent periodic rate of return on the Investment. Net lessor outstanding and the method should be applied consistently. In the case of operating leases, rental income should be recognized on a straight-line basis over the lease term unless the systematic basis is more representative. These banks also follow the same procedure. These banks do not record the *ijarah* vomiting *bi tamlik* finance lease as a fixed asset in the balance sheet; they record it as a lease receivable minus the profit margin that is not received.

Therefore, in the financial statement released by BIB Islamic, *Ijarah* is included in the company's assets, which means *Ijarah* is entered into financing transaction.

**Image 3. Ijarah in BIB Financial Statement**

<b>ASSETS</b>
Cash and balances with banks and Central Bank
Placements with financial institutions
Financing assets
Investment securities
Ijarah Muntahia Bittamleek
Ijarah rental receivables
Investment in associates
Investment in real estate
Property and equipment
Other assets

Source : BIB Annual Report (2025)

**Shariah perspectives**

According to Islamic finance principles, there is no difference between an operating lease and a financing lease if the four essential elements relating to the parties to the contract, the subject, the reward, and

the *ijarah* period have been carefully considered. *Ijarah* can be used as a modern business mode by financial institutions in the form of *Ijarah Muntahia bi tamlik*.

**Comparison in Financial Performance****Table 6. The Result of Financial Ratio**

<b>Ratio</b>	<b>MayBank Islamic</b>	<b>BIB</b>
Profitabilitas Ratio (ROA)	2	3%
Liquidity Ratio (LTA)	123	303%
Leverage Ratio	89	16%
Efesiensi Ratio (OPINTA)	3	3%

Source : Data Processed (2025)

The calculation of profitability, liquidity, and efficiency ratios yields comparable results across IFRS and AAOIFI frameworks, suggesting similar performance metrics, particularly during periods of economic disruption such as the recent pandemic. However, a divergence emerges in leverage ratios, reflecting differing customer behaviors. In Malaysia, a preference for deposit retention prevailed, while in Bahrain, customers demonstrated a propensity for investment, aligning with the characteristic investment-taking account structure of AAOIFI-compliant banks.

**CONCLUSION**

A comparative analysis of Maybank Islamic (IFRS) and Bahrain Islamic Bank (BIB, AAOIFI) financial statements reveals key differences and similarities, primarily stemming from their respective standard

applications. Notably, the treatment of Zakat and *qardh* social finance assets, alongside the utilization of fair value accounting, distinguishes the two frameworks; IFRS embraces fair value to replace outdated historical values, while AAOIFI grapples with its implementation due to time value of money considerations, though Malaysia currently adheres to fair value. Furthermore, IFRS treats *Murabahah* contracts as loans, differing from AAOIFI's perspective, while *Ijarah* contracts exhibit alignment. Performance ratio analysis highlights BIB as an investment-taking bank and Maybank Islamic as a deposit-taking bank, influencing their financing implementation. While AAOIFI standards aim to complement, not compete with, IFRS, countries like Malaysia and Indonesia adapt IFRS with specific implementations, suggesting potential for future development of tailored Sharia

accounting standards to address existing gaps and better reflect community preferences for Shariah-compliant financial systems.

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