AAOIFI Financial Accounting Standard 37

Financial Reporting by Waqf Institutions

Developed with support from Al-Shawi Foundation,
and cooperation with Future Investment

Contents

AAOIFI Financial Accounting Standard (FAS) 37 “Financial Reporting by Waqf Institutions” is set out in paragraphs 01-55. All the paragraphs have equal authority. This standard should be read in the context of its objective and the Conceptual Framework for Financial Reporting as endorsed by AAOIFI.

All AAOIFI FASs shall be read in conjunction with the definitions, Shari’ah principles and rules and key considerations provided by AAOIFI Shari’ah standards (SS) in respect of such products and matters. This standard, in particular, shall be read in line with the AAOIFI SS 60 “Waqf”.

Preface

PR1 Waqf institutions have been a significant component of Islamic economic system since the beginning of the Islamic era and have the potential to contribute significantly towards socio-economic development of the Muslim society. As these institutions are entrusted with fiduciary responsibilities, hence these require a clear demonstration of their state of affairs and financial performance, by adopting best practices of financial reporting. It is envisioned that guidance about financial reporting requirements shall improve the level of monitoring, governance and compliance with Shari'ah principles and rules and shall engage the stakeholders of the Waqf institutions in a better way. Higher quality reporting shall also assist in mitigating the risks of mismanagement and misgovernance (financial or otherwise).

PR2 In response to the evolution of different forms of Waqf institutions, the AAOIFI Waqf project was initiated in 2016. This resulted in the issuance of two standards on Waqf, namely AAOIFI Shari'ah Standard (SS) 60 "Waqf" and AAOIFI Governance Standard (GS) 13 "Waqf Governance".

PR3 The AAOIFI Accounting Board (AAB / the board) realises that it is necessary to support the institutions' financial reporting objectives in a more effective and efficient manner. This AAOIFI Financial Accounting Standard (FAS) is the final output in completion of the AAOIFI Waqf project.

PR4 This AAOIFI FAS introduces the main objectives as well as the concepts underlying financial reporting, general presentation and disclosures in the financial statements of Waqf institutions. It is expected that, unless otherwise indicated, recognition and measurement of financial transactions by Waqf institutions will follow existing AAOIFI FASs or, where no suitable FAS exists, the relevant generally accepted accounting principles applicable to not-for-profit organizations as long as these standards are not in contravention of Shari'ah principles and rules.

Introduction

Overview

IN1 A Waqf institution is different from a purely business-oriented / for-profit entity or public sector institution. The closest resemblance is to non-profit sector charitable bodies with endowment funds. However, Shari'ah requirements, the Waqif's instructions and investment and commercial functions set Waqf institutions apart. The institutional setup is distinctive from most institutions and the unique purpose and structure of establishing a Waqf institution is to provide recurring charity that yields continuous religious, educational, cultural or financial benefits to specified beneficiaries or to the general public.

IN2 This AAOIFI Financial Accounting Standard (FAS) provides comprehensive accounting and financial reporting requirements for Waqf and similar institutions including general presentation and disclosures, specific presentation requirements (e.g., in case of Ghallah) and the key accounting treatments in respect of certain aspects specific to Waqf institutions.

IN3 The principles set forth in this AAOIFI FAS are consistent with Shari'ah principles and rules. This enables better comprehension of information included in the general-purpose financial statements and enhances the confidence of the stakeholders of the Waqf institutions.

Rationale for issuing this standard

IN4 The board realised the need to have a comprehensive standard on financial reporting by Waqf institutions in order to ensure transparency and accountability by these institutions. The board noted that high quality financial reporting by Waqf institutions is a useful means to discharge the Nazir's accountability and stewardship under Shari'ah principles and rules.

IN5 The board concluded that there is a need to establish a common standard for accounting and financial reporting by Waqf institutions that demonstrates compliance, in form and in substance, with the principles and rules of Shari'ah in their financial and other dealings.

IN6 The implementation of robust guidance will in turn contribute towards improving effectiveness and efficiency of operations, maximizing the benefits to beneficiaries, ensuring proper accountability and management, while maintaining (and if possible, expanding) the Waqf corpus and ensuring the sustainability of the Waqf institution.

AAOIFI Financial Accounting Standard 37
Financial Reporting by Waqf Institutions

Objective of the standard

1. The objective of this standard is to establish principles of financial reporting by Waqf institutions, which are established and operated in line with Shari'ah principles and rules.

Scope

2. This standard shall be applicable to all types of Waqf institutions and other institutions constituted on the concept of Waqf, and operated in line with Shari'ah principles and rules, irrespective of their legal status, including virtual Waqf institutions.

3. A Waqf formed by an entity, or endowed on that entity, for which it is the beneficiary itself (referred to as internal Waqf) is also a virtual Waqf institution and shall be subject to the requirements of this standard. The consolidation of such virtual Waqf institution's financial statements with the financial statements of the respective entity shall depend on the financial reporting framework as applicable to the respective entity.

Definitions

4. For the purpose of interpreting and applying this standard, the following short definitions are relevant:

    a. Asset – for the purpose of this standard, is a present economic resource controlled by a Waqf institution as a result of a past transaction, other event or condition and gives it a future economic benefit (including service potential). [Explanation: Assets include the Waqf corpus];

    b. Beneficiaries – are persons (natural or juristic) entitled either to the disbursement of the Waqf's benefits (arising from return on assets or income) or the services and programs provided by the Waqf in accordance with the provisions of the Waqf deed. Beneficiaries can be specified persons and / or groups or the general public, as well as defined programs for the benefit of a specific segment of people, society at large, environment, animals etc.;

    c. Contributions – for the purpose of this standard, are assets, future economic benefits or service potential that have been contributed to the Waqf institution by external parties that result in an increase in the Waqf equity / net assets of the Waqf, resulting from non-exchange transactions;

    d. Expenses – for the purpose of this standard, are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets of the Waqf institution;

    e. Ghallah (yield) – in the specific context of this standard, as calculated and presented in line with the requirements of paragraph 38, represents the net surplus from financial activities and other gains / losses attributable (adjusted for non-cash items and items not available for distribution) to the beneficiaries;

f. Income – in the specific context of this standard, is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets of the Waqf institution (excluding the Waqf corpus[1]);

g. Liability – for the purpose of this standard, is a present obligation (legal or constructive) other than quasi-equity, that is enforceable against the Waqf institution resulting in an outflow of economic resources. A liability results from a past transaction, other event or condition. A future commitment is not considered a present obligation for the purpose of this definition, unless it is considered onerous;

h. Management[2] – an organ, or a combination of organs, that manage the Waqf's operations and resources. Management's functions include, inter-alia, risk assessment, planning, organizing, staffing, leading or directing and controlling the Waqf. Management includes employees and volunteers, and may also include the Nazir (or a member of the board of Nazirs) involved in the aforementioned functions, irrespective of their designations or remuneration being paid. It may also refer to departments and / or the whole organizational management collectively;

i. Nazir[3] (or the Mutawalli as used in some jurisdictions) – an individual, a board of Nazirs, a juristic person or a government agency, responsible for the management and governance of the Waqf, protecting and developing the Waqf assets and resources, and distributing its benefits in accordance with the terms and conditions as stipulated in the Waqf deed;

j. Net assets – are the residual interest in the assets of the Waqf institution after deducting all its liabilities [Explanation: Net assets include the corresponding amount initially recognised against the Waqf corpus];

k. Restricted fund – as specified in paragraph 34, is the fund that is restricted for certain purposes by the Waqif, respective donor, regulations, financial accounting standard or by the Waqf governance policies;

l. Virtual Waqf institution – is a Waqf institution created in compliance with Shari'ah principles and rules, without legal or regulatory registration / documentation;

m. Waqf – in line with Shari'ah, means dedicating the corpus of an asset and making available its benefits to beneficiaries. It is an inalienable religious endowment in Islam;

n. Waqf corpus[4] – is the business or asset(s) that has been designated as the corpus of Waqf by the Waqif and required to be sustained;

o. Waqf equity – shall be as defined in paragraph 32;

p. Waqf institution – includes a Waqf and a virtual Waqf institution; and

[1] See paragraph 11
[2] See AAOIFI GS 13 "Waqf Governance"
[3] See AAOIFI GS 13 "Waqf Governance"
[4] See paragraph 2/2/2/2 of AAOIFI SS 60 "Waqf"

q. Waqif (principal donor of Waqf) – is a person (natural or juristic) eligible from the legal and Shari'ah perspectives, who establishes a Waqf and allocates an asset(s) that he owns, to the Waqf.

5. All other terms used shall have the same meaning as assigned to them in respective AAOIFI standards, particularly AAOIFI Shari'ah Standard (SS) 60 "Waqf" and AAOIFI Governance Standard (GS) 13 "Waqf Governance".

Core principles and framework

6. This standard should be read with the core principles of accounting contained in the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework) and core principles and fundamentals which are documented in Appendix B "Fundamentals of accounting for Waqf institutions".

Initial recognition and subsequent measurement of assets and liabilities

Assets comprising of the Waqf corpus

7. Waqf corpus shall include all types of individual assets, businesses and contributions to the Waqf equity that are defined by the Waqif as the corpus of Waqf, in line with Shari'ah principles and rules, and hence constitute sustainable equity of the Waqf institution by its very nature.

8. Waqf corpus may be contributed by the Waqif in the form of specified assets or contributions to the Waqf equity (in the form of cash or in-kind assets). Determination of assets comprising of the Waqf corpus shall be as follows:

   a. in case of specified assets, the same shall comprise of the Waqf corpus; and

   b. in case of cash contribution or contribution of in-kind assets (e.g., tangible or intangible assets or investments etc.), the Waqf corpus shall be their cash equivalent(s).

9. Contributions by Waqif or others, not specifically defined as the Waqf corpus in terms of Waqf deed (or other form of declaration by Waqif), shall not be considered as the Waqf corpus.

Initial recognition

10. Assets comprising of the Waqf corpus shall initially be recognised at fair value, with a corresponding amount recognised as Waqf equity. Determination of fair value shall be in line with the requirements of relevant AAOIFI FASs.

11. Any additions to the Waqf corpus shall also be accounted for in line with the requirements of paragraph 10.

12. Assets comprising of the Waqf corpus not expected to generate economic benefits (e.g., Masjid, manuscripts etc.) shall be initially recognised at nominal value.

13. All other assets and liabilities shall be initially recognised in line with the accounting policies of the Waqf institution, determined in line with the requirements of this standard and relevant AAOIFI FASs.

Subsequent measurement

14. Assets comprising of the Waqf corpus (excluding cash contribution or contribution of in-kind assets) shall be measured at fair value, with a corresponding effect of fair value gains and losses to be recognised directly in Waqf equity, regardless of any requirements of any other AAOIFI FASs (including investment in subsidiaries and associates). No depreciation or amortisation shall be charged on such assets. The fair value shall be reviewed generally at the end of each financial reporting period and shall be re-measured in case of indications of significant changes from the previous valuation.

15. Income arising from assets comprising of the Waqf corpus (other than fair value gains or losses, as referred to in paragraph 14) shall be recognised in the statement of financial activities.

16. Assets comprising of the Waqf corpus which are not expected to generate economic benefits, other than the benefit of usage, (e.g., Masjid, manuscripts etc.) shall be carried at originally assigned nominal value and disclosed appropriately. Where possible, a disclosure of estimated fair value / replacement cost might be useful for the users of the financial statements.

17. All other assets and liabilities (including assets procured through proceeds of cash or in-kind contributions to the Waqf equity) shall be subsequently measured in line with the accounting policies of the Waqf institution, determined in line with the requirements of this standard and relevant AAOIFI FASs.

Income and expense recognition

18. Income recognised in the statement of financial activities for the period shall represent the gross inflow of economic benefits or service potential resulting in an increase in net assets of the Waqf institution including investment income, return on assets, donations, contributions and fair value gains etc. The same shall be recognised according to the accounting policies determined in line with the requirements of this standard and relevant AAOIFI FASs (see paragraph 22).

19. Expenses recognised in the statement of financial activities for the period shall include:

    a. expenses necessary to be incurred to earn income, including direct expenses related to the investment, maintenance and administration of the Waqf corpus etc.; and

    b. governance and management expenses of the Waqf.

20. The Waqf institution shall set a policy for reasonably allocating shared costs that relate to activities mentioned in paragraph 19 (a) and (b).

Recognition of utilization of Ghallah

21. Utilization of Ghallah shall be accounted for as an appropriation from equity and shall accordingly be presented in the statement of changes in Waqf equity, with detailed disclosures in the statement of Ghallah.

Accounting policies and estimates

Selection of accounting policies

Hierarchy for selection and application of accounting policies

22. Development of accounting policies by Waqf institutions shall be performed according to the following hierarchy:

1

- FAS specifically addressing the respective transaction, other event or condition or other pronouncement issued by AAOIFI

2

- FAS on similar matters

3

- Generally accepted accounting principles as applicable in the respective jurisdiction, insofar as these are not against the conceptual framework and Shari'ah principles and rules

4

- The management's judgment as long as it is in line with the conceptual framework and Shari'ah principles and rules

Specific requirements of FAS 1[5] applicable on Waqf institutions

23. The requirements of FAS 1 shall be applicable on Waqf institutions, insofar as they do not contravene the specific requirements of this standard.

General presentation of financial statements

Confirmation of compliance with AAOIFI FASs

24. The financial statements shall include an explicit statement of compliance that this AAOIFI FAS, along with other applicable AAOIFI FASs, have been followed in their entirety.

25. Where AAOIFI FASs are not followed in their entirety, such as due to overriding requirements of local laws and regulations, the statement referred to in paragraph 24 shall not be provided. In this case, the institution shall accordingly disclose the significant departures and deviations.

Complete set of financial statements

26. The complete set of financial statements required for Waqf institutions shall include the following:

[5] Presently FAS 1 “General Presentation and Disclosures in the Financial Statements of Islamic Banks and Financial Institutions”. However, the existing standard is undergoing a revision process whereby an exposure draft of the revised standard has already been issued.

a. statement of financial position as at the end of the period (also known as balance sheet) (see paragraphs 28-35);

b. statement of financial activities for the period (see paragraph 36);

c. statement of Ghallah for the period (see paragraphs 37-39);

d. statement of changes in Waqf equity for the period (see paragraphs 40 and 41);

e. statement of cash flows for the period (see paragraph 42); and

f. notes to the financial statements (see paragraphs 43 and 44).

27. The financial statements of a virtual Waqf institution shall be prepared in a similar manner, in line with the requirements of paragraph 26.

Statement of financial position

28. The statement of financial position shall be presented reflecting the Waqf institution's assets, liabilities and the Waqf equity in line with the requirements of paragraphs 29-35.

Assets

29. The statement of financial position shall reflect different classes of assets according to the nature of the operations of the Waqf institution. These may generally include the following:

a. cash and cash equivalents;

b. receivables (adequately classified according to the nature of the Waqf institution's operations, particularly rentals, dividends, trade receivables, etc.);

c. inventories (adequately classified according to the nature of the Waqf institution's operations);

d. Islamic financing assets (as classified and reported in line with relevant AAOIFI FASs, e.g., Qard Hasan, Islamic microfinance, etc.);

e. investments in Sukuk, shares and similar instruments;

f. investments in subsidiaries and associates;

g. investments in real estate;

h. other investments – with disclosure of their types;

i. property, plant and equipment – with disclosure of significant types and related accumulated depreciation; and

j. functional and heritage assets and collections and related accumulated depreciation, if any.

30. The above line items shall distinguish between "assets comprising of the Waqf corpus" and other assets.

Liabilities

31. The statement of financial position shall reflect different classes of liabilities according to the nature of the operations of the Waqf institution. These may generally include the following:

    a. trade and other payables;

    b. unearned / deferred income;

    c. benefits payable (being declared, yet unpaid amount of Ghallah);

    d. Islamic financing payables (as classified in line with relevant AAOIFI FASs);

    e. restricted funds (as classified according to their nature); and

    f. program expenses payable.

Waqf equity

32. The statement of financial position shall reflect different classes of Waqf equity according to the nature of the operations of the Waqf institution. These may generally include the following:

    a. corresponding amount of the Waqf corpus as measured at initial recognition;

    b. reserves (as created from time to time);

    c. unappropriated surplus / accumulated deficit, distinguishing between:

        i. unappropriated Ghallah; and

        ii. others;

    d. fair value adjustments pertaining to assets comprising of the Waqf corpus; and

    e. adjustments on sale, transfer or exchange of the Waqf corpus, in line with Shari'ah principles and rules.

33. If the Ghallah has different classes and utilization as per conditions of Waqif, the same shall be distinguished and disclosed accordingly. [Explanation: Any internal reclassification between Ghallah attributable to one class of beneficiaries to another, in case of a multi-purpose Waqf institution, shall be subject to Shari'ah principles and rules and adequately disclosed along with justification thereof].

Accounting for restricted funds

34. Waqf institutions, at times, receive funds specifically assigned to carry out certain activities or to be utilized for particular purposes. These may include collection and distribution of Zakah or collection and distribution of specific contributions for a specific purpose. Such contributions received are considered restricted funds.

35. Restricted funds received (distinguishing between Zakah and other significant restricted funds) shall be initially recorded as a liability. Their utilization, as well as other movements therein, shall be

adequately disclosed in the notes to the financial statements. Corresponding amounts of respective assets pertaining to restricted funds shall also be disclosed.

Statement of financial activities

36. The statement of financial activities shall be presented according to the nature of operations of the Waqf institution. The following items may generally be presented on its face (whereas detailed disclosures in respect of the same shall be provided in the notes to the financial statements):

a. investment income from different classes of investments (in line with the classification presented in the statement of financial position);

b. income from other classes of assets (in line with the classification presented in the statement of financial position);

c. net income from trading and commercial operations, if any;

d. contributions by Waqif or others, not specifically defined as the Waqf corpus;

e. net surplus / deficit from programs (disclosures in respect of each of the programs to be provided in the notes to the financial statements);

f. fair value gains / losses on investments and other assets not comprising of the Waqf corpus;

g. other income;

h. governance and management expenses;

i. impairment and other similar losses;

j. depreciation and amortisation;

k. other expenses; and

l. surplus / deficit for the period.

Statement of Ghallah

37. The statement of Ghallah is a component of the financial statements[6]. Its objective is to present, for the benefit of the users of the financial statements, in one place:

a. the determination of Ghallah in line with the conditions of the Waqif or as essential for the achievement of Waqf objectives (which may, or may not, match with the accounting income as presented in the statement of financial activities);

b. the benefits allocated / distributed during the period out of Ghallah available for distribution; and

[6] Explanation: The statement of Ghallah is a presentation statement (e.g., similar to the statement of cash flows) which reflects the true nature of a Waqf institution. It presents, in a single statement, the computation of Ghallah and attribution of benefits which may, in an accounting cycle, be included in the statement of financial activities and statement of changes in Waqf equity etc.

c. balance available of unappropriated Ghallah as of the beginning and the end of the period (being a part of Waqf equity).

38. The statement of Ghallah shall present the following items:

a. determination of Ghallah for the period, including the following:

i. surplus / deficit for the period (as depicted in the statement of financial activities);

ii. less: fair value gains, accrual of income (net of related impairment charge) and other increase in assets or decrease in liabilities not available for distribution as Ghallah;

iii. add: fair value losses;

iv. add: previously recognised fair value gains, accrual of income and other increase in assets or decrease in liabilities – now realised in cash and cash equivalents;

v. less: previously recognised fair value losses – now realised against cash and cash equivalents;

vi. less: Ghallah attributed to Waqf equity (to be disclosed as a reserve);

vii. add: transfers from reserves;

viii. add / less: adjustment for foreign currency translations; and

ix. others, as appropriate;

b. opening balance of unappropriated Ghallah;

c. total Ghallah available for distribution ((a) plus (b));

d. benefits distributed / allocated as payable:

i. direct distributions to beneficiaries (to be classified and presented according to the nature of operations of the Waqf institution and the conditions of the Waqif);

ii. utilization for own programs and other transfers to the statement of financial activities;

iii. utilization for procurement of assets – in the form of creation of capital reserve;

iv. any other incidental adjustment;

v. opening balance of benefits payable (recorded as a liability);

vi. less: closing balance of benefits payable (recorded as a liability); and

e. closing balance of unappropriated Ghallah ((c) minus (d)).

39. The statement of Ghallah may also include adjustments related to amortisation, depreciation and impairment on investments / assets and corresponding creation of capital reserve / asset or investment replacement reserve, if considered necessary by the Waqif or the Nazir.

Statement of changes in Waqf equity

40. The statement of changes in Waqf equity shall present the movement in different components of Waqf equity during the period.

41. The statement shall, in particular, present the movement related to Ghallah and benefits distribution within the movement of unappropriated surplus / accumulated deficit.

Statement of cash flows

42. The statement of cash flows shall present cash flows from / used in operating activities, investing activities and financing activities for the period, according to the requirements of FAS 1, insofar as they do not contravene the specific requirements of this standard.

Notes to the financial statements

43. Notes to the financial statements shall disclose the significant accounting policies and other detailed disclosures in respect of the components of financial statements.

44. In particular, disclosure shall be made of:

    a. the historical cost of assets or the historical amounts of liabilities when the assets and liabilities are carried at revalued amounts in the statement of financial position; and

    b. the movement in the allowance for credit losses on receivables during the period, in line with the requirements of FAS 30 “Impairment, credit losses and onerous commitments”, including allowance charged to income statement during the period, receivables written-off during the period, receivables collected during the period which were previously written-off and the balance of the allowance for credit losses as of the beginning and end of the period.

Risk management disclosures: Waqf equity sustainability

45. A Waqf institution may be exposed to legal, commercial, operational or other forms of risk.

46. A Waqf institution shall disclose information that enables the users of the financial statements to evaluate the Waqf institution’s objectives and policies for managing risk.

47. When the Waqf institution is subject to corpus sustainability requirements by the Waqf deed or regulatory authorities, the nature of those requirements and how they are incorporated into the Waqf institution’s policies relating to the Waqf corpus management shall be disclosed.

48. When the Waqf institution has not complied with the sustainability requirements, the management shall disclose the reasons and consequences of such non-compliance.

Statement of service performance

49. Waqf institutions shall prepare and present a statement of service performance, as part of the notes to the financial statements or as appended to the financial statements. The purpose of the statement of service performance is mainly to provide non-financial information to help users understand the operational performance of the Waqf institution in correlation to its financial activities and state of affairs.

50. Service performance reporting is based on two elements:

a. outcome(s): the impact of the Waqf institution on society in accordance with provisions of the Waqf deed; and

b. output(s): goods, benefits, grants, distributions or services that the Waqf institution delivered during the period.

51. The statement of service performance shall:

a. describe the outcome(s) the Waqf institution seeks to achieve or influence through the delivery of its services. A description of the outcome(s) in the statement of service performance should be more specific and focused over the short to medium-term; and

b. describe and quantify, to the extent practicable, the output(s) (goods, benefits, grants, distributions or services) the Waqf institution has delivered during the current period.

52. The statement of service performance includes only the outputs that are significant to the performance of the Waqf institution. Additional quantitative disclosures related to the statement of service performance are provided in Appendix C “Quantitative disclosures”.

General disclosures

53. The financial statements shall disclose the following information about the Waqf institution, wherever applicable:

a. the legal name of the Waqf institution;

b. type of entity e.g., trust, registered charity, a company limited by guarantee, etc.; and

c. the registration or company number, if any.

54. The Waqf institution shall provide the following information:

a. the purpose, mission or objectives of the Waqf institution in accordance with the provisions of the Waqf deed;

b. the governance structure and relationship with other entities;

c. the principal activities carried out to achieve the Waqf institution’s objectives;

d. the main sources of cash and other resources;

e. main sources of income;

f. reliance on volunteers and donated goods and services;

g. contact details: website, social media, email address, postal address and contact number; and

h. significant conditions of the Waqif.

Effective date

55. This standard shall be effective on the financial statements of the Waqf institutions beginning on or after 01 January 2022. Early adoption of the standard is permitted. Any new Waqf institution shall apply this standard since inception.

Appendices

Appendix A: Adoption of the standard

This standard was presented for the approval in the AAOIFI Accounting Board’s meeting No. 18 held on 1-2 Dhul-Qa’dah 1441H, corresponding to 22-23 June 2020 and was approved in principle. After incorporation of the board’s comments, it was approved by circulation on 15 Rabi’ II 1442H, corresponding to 30 November 2020.

Members of the board

1. Mr. Hamad Abdulla Al Oqab – chairman
2. Mr. Syed Najmul Hussain – deputy chairman
3. Mr. Abdelhalim Elsayed Elamin
4. Mr. Abdulmalik Abdullah Alsuwayni
5. Dr. Abdulrahman M. Alrazeen
6. Ms. Amal Al Masri
7. Dr. Bello Lawal Danbatta
8. Mr. Firas Hamdan
9. Mr. Hondamir Nusratkhujaev
10. Mr. Imtiaz Ibrahim
11. Mr. Irshad Mahmood
12. Dr. Muhammad Albeltagi
13. Mr. Samet Arslan
14. Mr. Saud Al Busaidi
15. Mr. Yusuf Ahmed Ibrahim Hasan

Reservation

The standard was approved unanimously.

Working group members

1. Mr. Syed Najmul Hussain – chairman
2. Mr. Musaab Alhadlaq – coordinator
3. Dr. Abdulrahman Alrazeen
4. Mr. Ahmad Alshnaiber
5. Mr. Ehsan Makhdoum
6. Dr. Hisham Dafterdar
7. Dr. Muhammad Albeltagi
8. Dr. Omar Zohair Hafiz
9. Mr. Salman Manjalai
10. Dr. Waleed Alshabani

External consultant

1. Dr. Shahul Hameed bin Mohamed Ibrahim

Executive team

1. Mr. Omar Mustafa Ansari (AAOIFI)
2. Mr. Mohammad Majd Bakir (AAOIFI)
3. Mr. Haroon Tabraze (Senior Consultant-Researcher)
4. Ms. Farida Cassim (AAOIFI)
5. Ms. Merjan Abid (Executive Assistant)

Appendix B: Fundamentals of financial reporting for Waqf institutions

Introduction

FR1 This AAOIFI FAS shall be read with the "AAOIFI Conceptual Framework for Financial Reporting" (the conceptual framework). However, due to the nature of Waqf institutions, certain specific financial reporting principles are provided for in this appendix.

Objectives of financial reporting for Waqf institutions

FR2 The financial reporting for Waqf institutions shall aim to ensure stewardship and accountability of Waqf institutions to their stakeholders with the intention of enabling the effective and efficient achievement of the objectives of the Waqf including, in particular, to enable the stakeholders to assess:

a. the sustainability of the Waqf corpus and the attainment of its stated objectives;

b. the sustainability of sufficient distributions to beneficiaries and / or the ability of the Waqf institution to carry out its programs;

c. whether the Ghallah or yield of the Waqf investments is reasonable in relation to the risk undertaken;

d. whether the management and supporting expenses are reasonable and do not erode the Ghallah attributable to the beneficiaries or unreasonably diminish the level of functional programs;

e. whether the Waqf institution has satisfied the conditions of the Waqif with respect to the distribution to beneficiaries and / or the objectives of the Waqf deed; and

f. whether functional programs, if any, have been carried out effectively and efficiently.

Financial reporting principles

Fairness and transparency in financial reporting

FR3 The Waqf institution shall ensure that the financial reporting process is established on the principles of fairness and transparency. The Waqf institution shall opt for optimal disclosures and transparency in matters where judgments are applied.

FR4 Best practices of reporting related party transactions and conflict of interest shall be followed. Additionally, financial reporting shall be performed in a manner that the costs attributable to the management of the Waqf institution, particularly to the senior management and, where applicable, the Nazir and those charged with governance, are separately reported in a fair and transparent manner.

Specific financial reporting principles for Waqf institutions

FR5 The Waqf institution shall establish accounting policies in line with the hierarchy presented in paragraph 22 and maintain adequate accounting records.

FR6 Fund accounting shall be based on an adequate set of principles of accounting taking into consideration the different categories of funds constituting the Waqf institution, particularly, if the intentions of the Waqif or the beneficiaries for each category of funds are different. The accounting and financial reporting for Zakah and other charity / restricted funds managed by the Waqf institution shall ensure adequate disclosures in line with the principles applicable to respective investments, safekeeping and disbursement.

FR7 There is also a trade-off of quantity of information in external financial reporting due to the need for brevity of financial statements. As such sufficient financial and management accounting records need to be kept by the Nazir from which detailed segmental information can be produced if and when required, especially when the Waqf institution handles different funds with different purposes.

FR8 Waqf institutions, duly considered as investment entities, are not required to prepare consolidated financial statements if they own majority stake of another entity (not being a subsidiary Waqf).

Appendix C: Quantitative disclosures

Statement of service performance

QD1 A Waqf institution shall report additional information in the form of a statement of service performance as a part of the notes to the financial statements or accompanied thereto (see paragraphs 49-52).

QD2 The disclosures shall include, for example:

a. additional output measures:

i. appropriate quality measures of goods or services delivered;

ii. a measure of the timeliness of delivery of the Waqf institution's goods or services if this is important to the beneficiaries;

iii. an allocation of income and expenses related to each category of the Waqf institution's output(s);

iv. a quantification of the contributions from volunteers in terms of hours or full-time staff equivalents (this figure may be estimated and shall be noted as such if this is the case); and

v. quantitative performance measures using performance ratios such as "governance and management expenses / total Ghallah", "Ghallah per CU[7] of yield producing assets", and "distributions and net program expenses / total Ghallah";

b. comments on those factors which affect the achievement of the outcome(s). This might include the working relationships between volunteers and employees, decisions to broaden or narrow the delivery of services or the impact of factors external to the entity – such as economic, legal and geographical factors;

c. the Waqf institution's plans for the period being reported on, and an explanation of actual performance achieved against the plans set by the Waqif; and

d. any additional information that is considered relevant to stakeholders' understanding of the Waqf institution's outcome(s) and output(s).

QD3 If the Waqf institution manages multiple funds for different purposes or collects and distributes Zakah, activities related to these funds should be separately disclosed.

QD4 Details of the program income and expenses should be categorized appropriately and disclosed in the notes in a manner that provides better understanding of the statement of service performance. The governance and management expenses should be disclosed in the notes on a functional basis and appropriately allocated to each fund, program and event on a just and equitable basis.

[7] Currency unit

Appendix D: Basis for conclusions

Rationale for issuing this standard

BC1 The information needs of the users of the financial statements of Waqf institutions are distinct and specific. The recording and reporting for Waqf institutions have been inconsistent because various Waqf institutions have their own reporting practices and requirements. Globally, most countries have local rules and regulations for the governance of Waqf institutions and not-for-profit organizations. However, there is no guidance for financial reporting requirements of Waqf institutions by an Islamic standard setting body that could be uniformly adopted.

BC2 The board understands that the specific nature and objectives of not-for-profit organizations such as Waqf institutions would ideally require their own conceptual framework based on stewardship and accountability that should be the basis for developing an AAOIFI FAS. However, considering the significant similarities in reporting requirements with other financial institutions, the board concluded that a (standalone) standard can be developed for Waqf institutions based on AAOIFI's conceptual framework, with suitable modifications required for Waqf institutions.

BC3 The modifications suggested by the board include additional definitions of the elements of financial statements, terminology and reporting requirements for Waqf institutions. The diversity in the nature of Waqf institutions necessitates different and modified financial reporting formats as Waqf institutions have wide social objectives. This standard aims to prescribe both quantitative, as well as qualitative, reporting requirements.

BC4 AAOIFI encourages and supports revitalization of the institution of Waqf as a social finance institution being an important element of Islamic economic system. AAOIFI, in its continuous efforts, aims to harmonize and standardize financial reporting practices of Waqf institutions.

Nature of Waqf

BC5 The objective of a Waqf institution is to provide monetary and / or non-monetary benefits and / or services to specified beneficiaries or the general public, contrary to a commercial entity that solely exists to sell goods or provide services for a price.

BC6 A Waqf institution must maintain its sustainability by ensuring that the income or Ghallah from its assets is greater than its expenses so that the services and distributions can be continually provided and possibly expanded. For this function, the Waqf institution is also an investment or profit seeking institution, in which case normal accounting principles (in particular the accrual concept of accounting) can and should be applied. The concept of capital maintenance applies here in a different, but more effective, manner.

BC7 The nature of transactions entered into by a Waqf institution mostly include non-exchange transactions in which the Waqf institution is the only party receiving value without directly returning any value to their donors or Waqif(s).

BC8 The current global accounting standards, including AAOIFI FASs, mainly address for-profit entities. The conceptual framework for such entities on which their accounting standards are based have evolved from the stewardship concept, and more to decision usefulness concept for owners, potential investors and creditors, arising from the environment of advanced and developing financial and capital markets and large-sized companies.

BC9 The commercial and investment management function of the Waqf institutions involves exchange transactions and therefore, their accounting treatment shall follow the relevant AAOIFI FASs.

BC10 Due to the various size, scale, scope and functions of different Waqf institutions, the financial reporting requirements may need to proportionately vary. From case to case, this AAOIFI FAS is mainly issued / developed to be used for Waqf institutions which are of a relatively large size. However, smaller size Waqf institutions can use the standard with some relaxation to specific requirements considering materiality and decision usefulness.

Scope and virtual Waqf institutions

BC11 The board considered that all Waqf institutions are not subject to the same regulatory / legal framework and may differ in form of legal registration / incorporation. In addition, there may be situations of existence of a Waqf institution duly meeting the definition and criteria of Waqf under Shari'ah principles and rules but lacking a legal / corporate existence. These institutions (virtual Waqf institutions) may include, for example:

a. the parent virtual Waqf institution of an entity which meets the criteria of Waqf such as a company being declared as Waqf not having a registered parent Waqf entity; or

b. the assets which are declared as Waqf being a part of a commercial or not-for-profit entity such as an endowment fund created within and controlled by a university (also at times referred to as internal Waqf).

BC12 The board deliberated on different possible scenarios of unregistered and / or virtual Waqf institutions and considered different financial reporting aspects for the same. After evaluating different options, the board concluded that a Waqf which is not legally registered as a Waqf but meets the requirements for being classified as a Waqf (or a virtual Waqf institution) according to Shari'ah principles and rules, qualifies as a reporting institution in line with the framework as well as this standard. Accordingly, all such institutions are considered Waqf institutions under this standard and shall be subjected to the requirements of the same.

Definitions

BC13 The primary definitions of Waqf, assets and Waqf equity were deliberated upon while determining the scope of the standard. Multiple discussions were held at the working group and board meetings in this regard where it was agreed that a Waqf institution dedicates a corpus of Waqf, but not of an asset, and makes its benefits available to the defined beneficiaries as per the specifications of the Waqif. In practice, this is reflected as an institution established for a defined purpose (private and / or public), usually but not necessarily, for a charitable purpose. The charitable purpose would be religious, educational, scientific, cultural, environmental sustainability and health care services. It may also be in the form of institutions set up for financial inclusion purposes, humanitarian, social welfare and other similar purposes as long as it is not contrary to what is permissible in Shari'ah.

BC14 The board concluded that for the purpose of this standard, Waqf institutions include Islamic non-profit organizations established for primarily charitable purposes complying with the Shari'ah rules of Waqf (or Habs, as also referred to in Fiqh), which can take many forms such as registered charities or Waqf, associations, trusts, private or public corporations or a bodies established by governments. Therefore, the board suggested that a new definition shall be included for the term 'Waqf institution', whereby a Waqf can be a trust, a corporate entity, even an unregistered entity, which has the basic structure as per Waqf. Consequentially, the accounting treatment shall circle around the term 'Waqf institution', not the Waqf itself.

BC15 The board also concluded on suitable classifications for assets of the Waqf institution and assets comprising of the Waqf corpus. The discussions led to an agreement that these are benefits in the form of future cash inflows. However, a Masjid, for instance, may not provide the same cash inflows and therefore may not fall under the basic definition of an asset. It was agreed that assets of the Waqf institution are resources controlled as a result of past events, being the establishment of the Waqf institution from which it expects to receive future economic and other benefits or service potential.

BC16 Besides economic benefits, assets of the Waqf institution may also produce other than economic benefits such as spiritual benefits or shelter. To encompass all the purposes to which assets may be put, this standard uses the term "future economic or other benefits or service potential" to describe the essential features of assets. The assets of the Waqf institution that provide a means to achieve its objectives and are used to deliver goods or services, but do not directly generate net cash flows (or Ghallah), are described as having service potential. These assets include, for example, hospitals, universities and the like. Assets such as investments or investment properties that are used to generate net cash flows or Ghallah are described as embodying future economic benefits.

Assets comprising of the Waqf corpus

BC17 The board considered the significance of the Waqf corpus in the specific context of Waqf institutions. It was deliberated at length as to whether assets comprising of the Waqf corpus shall be presented and accounted for in a manner different from normal assets of a common entity or the normal assets of a Waqf institution.

Initial recognition and subsequent measurement

BC18 The board discussed and considered that due to the sustainability and perpetuity requirement of Waqf institution in general, and that of the asset comprising of the Waqf corpus in particular, it is essential that such assets be presented separately and accounted for in a manner that depicts the sustainability and perpetuity of the same.

BC19 The board considered different options with regards to initial recognition and subsequent measurement of assets comprising of the Waqf corpus. Considering the nature of these assets, as well as the business model of the Waqf institutions, the board decided that the assets comprising of the Waqf corpus:

a. shall be initially recognised at fair value (unless impracticable), instead of nominal value or cost so that the financial statements may provide faithful presentation. The board considered nominal value to be an inappropriate basis of accounting and since the asset is bestowed to the Waqf hence the cost is relative for the Waqif but not for the Waqf.

However, the cost (if known) in case of recent acquisition of asset, may be considered a good estimate of fair value;

b. shall be subsequently carried at fair value (unless impracticable) for the purpose of faithful presentation and comparability, as well as enabling the users of financial statements to assess the level of stewardship of the Nazir and financial performance of the Waqf institution along with its correlation with operational activities; and

c. shall not be subject to depreciation / amortisation because of the perpetuity and sustainability of the assets and because of application of fair value model of accounting.

BC20 While discussing the matter of subsequent measurement of such assets, the board had a divided view in respect of fair value, historical cost or nominal cost accounting. A vote was conducted to reach a resolution, where majority of the members voted in favor of subsequent measurement at fair value. The decision of the majority was taken duly considering that its benefits are in the form of demonstrating the true potential of Waqf institutions and their comparability outweigh the corresponding costs and that the cost model will not reflect the true earning potential of Waqf institutions particularly if depreciation is also allowed.

Accounting for gains / losses on the Waqf corpus

BC21 The board discussed the issue of fair value gains or losses as well as any gain or loss arising on disposal / replacement of assets comprising of the Waqf corpus (in rare circumstances, in line with Shari'ah principles and rules). The board considered different options and necessary guidance was acquired from the Shari'ah committee in this respect. The matter was discussed in several public hearings / comments received in writing as well.

BC22 The main issue was to determine as to whether any fair value gains / losses or any gains or losses on disposal / replacement of assets comprising of the Waqf corpus (in rare circumstances) qualifies as accounting income or Ghallah for the purpose of the Waqf institutions.

BC23 After due deliberation, the board decided for assets that are specified as the Waqf corpus, any capital gains or losses do not qualify as accounting income or as Ghallah, particularly considering the sustainability and perpetuity requirement and accordingly the same shall be considered as movement in capital account (i.e., taken directly to equity) rather than a component of statement of financial activities. The board particularly took note of the fact that any such gains / losses are not distributable according to the very nature of the Waqf institution.

BC24 The board further considered that this situation shall be applicable only in case of specified assets (for example land, building etc.) whereas for all other assets including assets acquired out of the Waqf corpus, which was specified in form of cash, any such gains / losses shall be considered distributable and hence taken to the statement of financial activities and considered a part of Ghallah.

Determination of assets comprising of the Waqf corpus

BC25 The board considered that the Waqf corpus may be contributed by the Waqif in the form of specified assets or contributions to the Waqf equity (in the form of cash or in-kind assets). The board deliberated upon practical difficulties in identification of the Waqf corpus in case of newer types of Waqf institutions, particularly those constituted on cash, cash equivalents or shares of a company.

BC26 The matter was extensively discussed with the Shari'ah committee, and it was concluded that any gain in the fair value can never be distributed. Similarly, any proceeds from sale of such asset can only be reinvested but not distributed (the same applies in the case of fair value losses); and any surplus or deficit resulting as a sale or exchange of the Waqf corpus in Waqf Al-Ayan (Waqf of specific asset(s)) shall constitute part of Waqf equity. In case the asset of the Waqf corpus is sold at a loss, it shall be recognised as part of Waqf equity as a negative reserve and continue to remain Waqf equity indefinitely. In whatever manner the Waqf corpus is defined, as per Shari'ah, the value of the Waqf corpus shall be sustained.

BC27 The board considered and concluded upon the following categories to determine assets comprising of the Waqf corpus as follows:

a. in case of specified assets, the same shall comprise of the Waqf corpus. This may apply in case of identified land, building, equipment etc., as well as complete ownership of a company or a specific percentage of ownership of a company or a specific number of shares in a company. In these situations, whatever has been specified by Waqif shall be considered as the Waqf corpus and shall be sustained and subject to accounting requirements defined in this respect; and

b. in case of cash contribution or contribution of in-kind assets (e.g., tangible or intangible assets or investments etc., which are not specified by the Waqif as the Waqf corpus), the Waqf corpus shall be their cash equivalents and accordingly the cash equivalent value of the Waqf corpus shall be sustained. This is similar to the share capital in a company whereby the share capital is sustained for the purpose of the continuity of the company. In this scenario, any gains or losses arising on fair valuation or on disposal / replacement shall be taken to statement of financial activities and shall be considered a part of Ghallah. It is further clarified that from the perspective of Shari'ah principles and rules there is no bar on disposal of these assets as they do not comprise of the Waqf corpus.

BC28 The board further considered that there can be contributions by Waqif or others, which are not specifically defined as the Waqf corpus in terms of Waqf deed (or other form of declaration by Waqif), and accordingly the same shall not be considered as the corpus of Waqf. These shall be directly taken to the statement of financial activities or a capital reserve in line with the nature of the same.

Replacement and derecognition of the Waqf corpus

BC29 The board discussed the following scenarios and the same were discussed with the Shari'ah committee as well, whereby:

a. the Waqif may specify a building as Waqf Al-Ayan (Waqf of specific asset(s)); in which case the building becomes the Waqf corpus and has to be sustained in perpetuity. If the building is sold due to a necessity in line with Shari'ah principles and rules (see paragraph 10/1/5 of AAOIFI SS 60 "Waqf"), it shall have to be replaced with a similar asset. However, there might exist a situation where the Waqif does not specify a building owned by the Waqf. In this case, any building that may be purchased by the Waqf shall not constitute the Waqf corpus. It may be sold, and the gains may be disposable (or available for use);

b. the Waqif may declare a number of (such as 100,000) shares of a company as the Waqf corpus which have to be sustained. Any bonus shares, received subsequently, can be sold (unless the Waqif has stipulated otherwise), and the amount used as Ghallah. On the other hand, the Waqif may declare the Waqf as constituting 50% ownership of the entity, in which case the ownership percentage needs to be maintained and no bonus shares may be sold so that the fair value gains / losses are routed to Waqf equity); or

c. the Waqif may purchase a property out of a cash Waqf. In such scenario, the resulting gain or loss arising on the sale of the property shall be taken to the statement of financial activities and shall be distributable to the beneficiaries as well as be adjustable with other gains or losses.

BC30 The board discussed the provisions related to replacement and derecognition of the assets of the Waqf corpus and concluded that the permissibility of sale or replacement of the assets of the Waqf corpus is not an accounting issue and rather falls under the ambit of the Shari'ah standard. AAOIFI SS 60 "Waqf" provides the conditions of substitution[8], particularly that a substitute shall neither be of a lower value nor generate lower revenues compared with the Waqf corpus being replaced, and that a purchase of a substitute shall be carried out with immediate effect, unless securing a suitable substitute requires time or faces delay.

BC31 The board further considered a situation that may arise where an immediate replacement is unavailable and the Waqf corpus is sold for practical reasons, in line with Shari'ah principles and rules. In such an event, the sale proceeds constitute part of the Waqf equity, till the time the new asset comprising of the Waqf corpus is acquired.

Fair value determination and frequency

BC32 The board considered practical difficulties and cost involved in frequent determination of fair values, particularly where external consultants / valuers are required. Considering the same, it was decided that involvement of external consultants / valuers is not an accounting requirement and shall be left to the judgment of the management duly considering the cost versus benefit. Additionally, it was also agreed to provide a relaxation in the frequency of assessment as specifically mandating a frequency would not be appropriate.

BC33 The board received comments on the exposure draft, as well as recommendation from the working group, regarding the need for flexibility in fair value accounting for small Waqf institutions, Masjids, etc., since:

a. there are no economic benefits being generated by such assets (except for the benefit of usage);

b. there is generally significant resource constraints in terms of human and financial capacity of such institutions; and

[8] See paragraph 10/1/5 of AAOIFI SS 60 "Waqf".

c. there is limited value addition to users of financial statements of such institutions.

BC34 Accordingly, the board decided to provide relaxation for the fair valuation of assets of such institutions.

Specific requirements of FAS 1 applicable on Waqf institutions

BC35 In order to avoid duplication of reporting requirements, the board decided to provide a reference to the relevant sections of FAS 1 (see paragraph 23). Accordingly, it was agreed that this standard shall be read in conjunction with FAS 1.

Consolidation of Waqf institutions

BC36 The board considered the requirement for consolidation or business combination of Waqf institutions, including a Waqf institution that controls a business entity, or a Waqf institution that may have control over other Waqfs.

BC37 In this respect, the board noted that for the nature of a Waqf institution which controls a business entity resembles that of an investment entity whereby the primary objective is not the business itself, but rather to earn returns on investments and to distribute them to the owners / beneficiaries.

BC38 The board also agreed that an exception exists for Waqf institutions (or charitable institutions) formed in another country and / or those that are being funded by a main Waqf institution. These offshore Waqf institutions might or might not be registered as a Waqf but are in the nature of extension of the parent Waqf institution and hence, shall be consolidated with the parent Waqf institution.

Restricted funds

BC39 The accountability of Waqf institutions is for contributions received, the revenue generated and the way appropriated Ghallah is distributed and hence, restricted fund accounting becomes applicable. The board discussed the appropriate classification of restricted funds in the statement of financial position and decided that restricted funds are not to be considered equity, but rather a liability, given their specific-purpose nature. An example of the same is a Zakah fund created by a Waqf which has specific uses in line with Shari'ah principles and rules.

BC40 Due to the sensitivity of the conditions that surround restricted funds, Waqf institutions should have adequate financial records of transactions, events, assets and liabilities as well as a good system of internal controls. A detailed disclosure of the movement of restricted funds shall cater to the information needs of the users of the financial statements. Therefore, the board decided that restricted funds are to be presented as a liability on the statement of financial position.

Statement of service performance

BC41 The board considered that Waqf institutions are established to operate non-commercial public benefit programs and activities or to achieve non-commercial objectives. The board concluded that the effectiveness and efficiency of these activities and distributions cannot be determined solely through general-purpose financial statements. Hence, an operational performance report (i.e., a statement of service performance) embodying / featuring both qualitative and quantitative information should be provided in addition to the financial statements.

BC42 The exposure draft had initially included the preparation of the statement of service performance as a preferred option. Based on the feedback on the exposure draft from the industry, it was concluded that additional information in the form of statements or disclosures is necessary. Hence, the board mandated the presentation of a statement of service performance for Waqf institutions. It was also agreed that detailed disclosures should be incorporated for contributions received and their utilization, preferably as a sector-wise analysis. The statement shall, therefore, provide information with regard to the outcomes and outputs in relation to the objectives of the Waqf institution.

Appendix E: Brief history of the preparation of the standard

H1 AAOIFI initiated the Waqf comprehensive project for the revision and development of the Shari'ah, governance and accounting standards on Waqf in 2017. The AAOIFI Accounting Board (the board) approved the financial accounting standard development project in its meeting No. 7, held on 17-18 Jumada II 1439H, corresponding to 6-7 March 2017 in the Kingdom of Bahrain. The initiation of the development of a financial accounting standard on Waqf was documented and effected by an agreement that was entered into by and between AAOIFI and Istithmar al-Mustaqbal (Saudi Arabia) on 12 April 2017. This involved the formation of a dedicated working group for the new standard, taking effect on the date of the agreement.

H2 The basis of the preliminary study was discussed with the executive assistant in the first meeting of the working group held on 30 Sha'ban 1440H, corresponding to 5 May 2019. The development team and executive assistant agreed on most of the questions to be addressed in the study.

H3 The working group held its second meeting on 25 Ramadan 1440H, corresponding to 30 May 2019, to discuss the first draft of the preliminary study. The answers to the questions were addressed in detail, mainly with regard to the types of Waqf; and the working group agreed on the scope of the standard.

H4 The third working group meeting was held on 9 Shawwal 1440H, corresponding to 12 June 2019. The members discussed the timelines for deliverables and the way forward.

H5 The exposure draft of the standard was presented to the working group on 5 Muharram 1441H corresponding to 4 September 2019. In this meeting the members reviewed the draft and concluded on the need and format of a statement of calculation of Ghallah; as well as the primary financial statements.

H6 The exposure draft of the standard was presented to the board at its meeting No. 15 convened on 15-16 Muharram 1441H, corresponding to 14-15 September 2019. In this meeting, the board members reviewed the draft including the scope and the accounting treatment and recommendations by the working group. They conducted detailed discussions with regard to framework principles, valuation of assets and contributions to the Waqf equity.

H7 The working group was presented the updated draft with the board's comments in the meeting held on 14 Safar 1441H, corresponding to 13 October 2019.

H8 The exposure draft with the changes from the working group was presented to the board at its meeting No. 16 held on the 2-3 Rabi' I 1441H, corresponding to 31 October and 1 November 2019. The board members agreed on issuing the exposure draft after completion of the appendices for framework principles and basis for conclusions.

H9 The exposure draft was issued after incorporation of the board comments on 3 Jumada I 1441H, corresponding to 30 December 2019 in two working group meetings and 24 Shawwal 1441H, corresponding to 16 June 2020. After due deliberation, the standard was forwarded to the board for final approval.

H10 The public hearing for the exposure draft was conducted in 2020. The first public hearing webinar event was conducted in January in the Kingdom of Bahrain. The next public hearing was conducted in the Sultanate of Oman (hosted by College of Banking and Financial Studies – CBFS) in February.

H11 The committee of the Shari'ah board for review of accounting and governance standards held its Meeting No. 11 on 21 Rajab 1441H, corresponding to 16 March 2020 where the standard was discussed duly taking the views for conformity with Shari'ah.

H12 The roundtable for the exposure draft was conducted through webinar on 11 Shawwal 1441H, corresponding to 3 June 2020 with a select group of industry leaders and experts.

H13 All comments received from the public hearings and roundtable event along with the views and comments received in writing from different industry participants on the exposure draft was presented for discussion at two working group meetings held on 22 Shawwal 1441H, corresponding to 14 June 2020 and on 24 Shawwal 1441H, corresponding to 16 June 2020. After due deliberation, the standard was forwarded to the board for final approval.

H14 The standard, after due changes observed by the working group, was presented to the board at its meeting No. 18 convened on 1-2 Dhul-Qa'dah 1441H, corresponding to 22-23 June 2020. In this meeting, the standard was approved in principle, with instructions for making suggested changes.

H15 After due process and incorporating instructions and comments of the board, the standard was issued on 30 Rabi' II 1442H, corresponding to 15 December 2020.