

A STUDY ON THE APPLICATION OF MALAYSIAN ACCOUNTING  
STANDARDS (MASB *i-1* / FRS *i-1*) ON THE PRESENTATION OF FINANCIAL  
STATEMENTS BY ISLAMIC FINANCIAL INSTITUTIONS



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DECEMBER 2007

## ***ACKNOWLEDGEMENTS***

First and foremost we are very grateful to the Almighty Allah for giving us the strength to complete this research. In completing this paper we are also indebted to many individuals for their supports. Their contributions are highly appreciated and have given us the courage to proceed with this research.

Our thanks go to UiTM Terengganu especially the Campus Director and the Head of URDC for the unfailing encouragement and supports as well as the financial assistance in completing this research.

We greatly appreciate the help given by our students who had represented us to distribute and collect questionnaires from the respondents. Our special thanks to all respondents for participating in this research, without which the study could never be completed.

We appreciate the editorial contribution by Cik Halimatun @ Nor Ashikin M.Yusof. Her willingness to read and review our work has made this research more meaningful. Last but not least, our special thanks to all friends who have helped us.

All your contributions are invaluable. Thank you all.

## **ABSTRACT**

This study was taken to investigate the degree of application of MASB *i-1* (FRS *i-1*) by the Islamic Financial Institutions (IFIs) and to identify the reasons that encourage the selected IFIs to apply the Standard in the presentation of their financial statements. Due to these reasons, the study was conducted into two phases, namely early adoption and application of MASB *i-1* and current application level of FRS *i-1*. For the early adoption and application of the Standard, all the financial institutions offering Islamic banking services were selected, while for the current level of application, only ten Islamic Banks were selected due to a series of merger and acquisition activities in the second round of the banking consolidation. The assessment of MASB *i-1* (FRS *i-1*) applications was conducted via company's Annual Reports and inputs from company's checklist and responses from the practitioners. The checklist was designed in accordance to the requirements of MASB *i-1* (FRS *i-1*). Findings of the research showed that in general most IFIs had complied with the Standards except for very few common items. All IFIs under this study did not disclose unusual supervisory restriction; and earnings and expenditure prohibited by Shariah. Not all of the IFIs disclosed additional information which is encouraged by the Standard such as Value Added Statement, Environmental Report, Statement of Zakat Fund and Statement of Qard Hassan Fund. The main reason that encourages IFIs to apply MASB *i-1* (FRS *i-1*) in the presentation of their financial statements is to meet the Bank Negara Malaysia (BNM) requirement. These findings, to a certain extent, would be a reference to all interested groups in this field, namely the academicians, financial statement preparers, government and accounting standards setter.

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