



UNIVERSITI TEKNOLOGI MARA

AUD688: ACCOUNTING, AUDITING AND GOVERNANCE OF ISLAMIC FINANCIAL INSTITUTIONS

Course Name (English)	ACCOUNTING, AUDITING AND GOVERNANCE OF ISLAMIC FINANCIAL INSTITUTIONS APPROVED
Course Code	AUD688
MQF Credit	3
Course Description	The course discusses the emerging accounting, auditing and governance issues in the Islamic financial institutions and financial services industry. The first part of this course explains the influences of Islamic worldview, Shariah and Islamic ethics on accounting. Contemporary issues such as international accounting harmonisation and accounting for Islamic investments and securities, etc. are also discussed. The second part of the course will focus on auditing and governance. The needs for and the process to properly and systematically undertake Shariah audit in Islamic financial institutions are explained. The course also examines the IFSB's and AAOIFI's corporate governance standards and guidelines for Islamic financial institutions. Finally, the contemporary issues on risk management will be introduced in the context of evolving Islamic financial institutions and services industry.
Transferable Skills	Reflective learner Responsive Ethically & Socially sensitive Balanced graduate intellectually, spiritually & emotionally
Teaching Methodologies	Lectures, Blended Learning, Tutorial, Discussion
CLO	CLO1 Explain the principles & characteristics of Islamic financial institutions, the development and challenges of Islamic financial institutions and the needs for Islamic accounting, auditing and governance for Islamic financial institutions CLO2 Adhere to professional ethics, values and professionalism in relation to Islamic Financial Institutions. CLO3 Evaluate on the Shariah contract, contemporary issues on accounting, governance, risk and auditing issues on Islamic financial institutions.
Pre-Requisite Courses	No course recommendations
Topics	
1. Introduction 1.1) Principles & characteristics of Islamic banks & financial institutions 1.2) Development & challenges of Islamic banks & financial services industry 1.3) The needs for Islamic accounting, auditing & governance for IFIs	
2. Foundation of Islamic accounting theory 2.1) Islamic worldview & accounting 2.2) Accounting concepts: an Islamic perspective 2.3) Islamic ethics & accounting 2.4) AAOIFI's code of ethics for accountants & auditors of IFIs	
3. Shariah contract for Islamic Financial Instrument 3.1) Accounting for Mudharabah Financing 3.2) Accounting for Musharakah Financing 3.3) Accounting for Murabahah Financing 3.4) Accounting for Islamic Deposit and Investment account 3.5) Concept of Istisna 3.6) Concept of Salam 3.7) Accounting for investment in Islamic securities	

4. International accounting harmonization and IFIs

- 4.1) The needs for international accounting harmonisation
- 4.2) The needs for international accounting standards for IFIs
- 4.3) Accounting standard setters for IFI
- 4.4) BNM regulations on IFI
- 4.5) IFRS for IFI

5. Corporate governance & ethics in IFIs

- 5.1) The importance & definition of corporate governance
- 5.2) The development of corporate governance & the role of stakeholders
- 5.3) Characteristics & principles of corporate governance in IFIs
- 5.4) IFSB's guiding principles on corporate governance for IFIs
- 5.5) Islamic business ethics in IFIs

6. Risk management for IFIs

- 6.1) The importance & definition of risk management for financial institutions
- 6.2) Unique risk profile & characteristics in IFIs e.g. financial risk, business risk, treasury risk & governance risk
- 6.3) Islamic financial instruments & unique risks e.g. Mudharabah, Musyarakah, Murabahah, Salaam, Istisna' etc.
- 6.4) Risk mitigation for operational risk, credit risk, market risk, rate of return risk, etc.
- 6.5) IFSB's guiding principles of risk management for IFIs

7. Auditing & Shariah supervision of IFIs

- 7.1) Auditing in IFIs
- 7.2) The roles & importance of Shariah compliance & supervision in IFIs
- 7.3) The roles & functions of Shariah advisory or supervisory committee (board)
- 7.4) The needs for Shariah audit for IFIs
- 7.5) The process to undertake Shariah audit in IFIs

Assessment Breakdown	%
Continuous Assessment	50.00%
Final Assessment	50.00%

Details of Continuous Assessment	Assessment Type	Assessment Description	% of Total Mark	CLO
	Test	Covering Chapter 1 & 2	10%	CLO1
	Written Report	Write up on Shariah Contract	20%	CLO3
	Written Report	Annual Report Analysis	20%	CLO2

Reading List	Reference Book Resources
	<ul style="list-style-type: none"> 2016, <i>Islamic Financial System</i>, 2nd Ed., ISRA KUALA LUMPUR [ISBN: 9789671222010]

Article/Paper List
This Course does not have any article/paper resources

Other References
<ul style="list-style-type: none"> • BOOK AHCENE LAHSASNA 2016, <i>SHARIAH AUDIT IN ISLAMIC FINANCE</i>, IBFIM, KUALA LUMPUR • WEBSITE <i>ISLAMIC FINANCIAL SERVICES ACT 2013</i> http://www.bnm.gov.my/documents/act/en_ifsa.pdf • WEBSITE <i>MASB TECHNICAL PRONOUNCEMENTS</i> http://www.masb.org.my/pages.php?id=27 • WEBSITE <i>STANDARDS AND GUIDELINES BY BANK NEGARA MALAYSIA</i> http://www.bnm.gov.my/index.php?ch=en_policy&pg=en_policy_banking • WEBSITE <i>IFSB STANDARDS</i> https://www.ifsb.org/published.php • WEBSITE <i>AAOIFI STANDARDS</i> http://aaoifi.com/