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FEATURES OF THE CONCEPTUAL FRAMEWORK OF FINANCIAL REPORTING FOR ISLAMIC FINANCIAL INSTITUTIONS

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Abstract. This article analyzes the Conceptual Framework of Financial Reporting for Islamic Financial Institutions developed by the Organization for Accounting and Auditing for Islamic Financial Institutions (AAOIFI).

Keywords. Islamic accounting model; features of Islamic accounting; AAOIFI; principles of Islamic model; Islamic model; Islamic accounting; AAOIFI concept; Islamic principles; accounting model; Islamic economics

Introduction. The purpose of this article is to highlight the distinctive characteristics of the AAOIFI Concept. As a result of the assessment, the authors conclude that the AAOIFI Concept contains significant differences from the IASB Concept, which include the approaches used in the development of the Concept, the principles and rules underlying the Concept, users of financial statements, elements of financial statements, as well as the evaluation bases of these elements. Currently, there is a development of countries with the principles of the Islamic economy. These include, first of all, countries in which Islam is the state religion, such as Bahrain, Morocco, Saudi Arabia and others. Uzbekistan is also growing interest in cooperation with Islamic countries and, accordingly, Islamic financial institutions. One of the most important reasons for this is the international political situation. The emergence of Islamic banks and other financial institutions as relatively new organizations has led specialists in the field of Islamic Sharia and accounting to search for a suitable model by which accounting standards could be developed and implemented in the practical activities of organizations in order to provide adequate, reliable and relevant information for users of accounting statements. For these

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purposes , in 1991 An Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, Accounting and Auditing Organization for Islamic Financial Institutions – AAOIFI) was established [7]. The objectives of this organization are:

* development of accounting, management, auditing and ethical standards in relation to the activities of Islamic financial institutions, taking into account international standards and methods of compliance with the rules of Sharia;

* dissemination of these ideas and their application through training seminars, publications of periodicals;

* preparation and release of accounting standards and explanations on their application;

* improving the quality and uniformity of audit and management practices through the issuance of audit and management standards for financial institutions;

* promotion of relevant ethical standards by issuing rules and standards of ethics for financial institutions;

* rapprochement with interested regulatory authorities, Islamic financial institutions and other financial institutions offering Islamic financial services, as well as with audit and accounting firms in order to implement the standards and recommendations issued by AAOIFI [5, p. 235].

In this regard, this article examines the Conceptual Framework of financial Reporting for Islamic financial Institutions, developed by the Organization for Accounting and Auditing for Islamic Financial Institutions (AAOIFI) and the Conceptual Framework of the Financial Reporting of the International Accounting Standards Board (IASB). All over the world, organizations generate financial statements for external users. Many countries have national financial reporting standards. However, due to the globalization of the economy, the expansion of companies' activities, their entry into the world market, there is a need to prepare

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financial statements that would attract foreign investors. For this purpose, many Russian companies prepare financial statements according to international Financial Reporting Standards (IFRS), some companies according to US GAAP standards. However, these standards are not always applicable in countries with the principles of Islamic economics. The Conceptual Framework of Financial Reporting for Islamic Financial Institutions (IFIs) is the basis of financial reporting standards for Islamic financial institutions. The three key reasons for the development of the Conceptual Framework are:

* the need to create general accounting and reporting rules so that information users can see that the institution conducts its activities in accordance with the principles and rules of Sharia;

* Relations between Islamic financial institutions and the parties with whom they interact are fundamentally different in a number of key issues from relations between traditional organizations. Unlike non-Islamic organizations, Islamic institutions are prohibited from using interest in financial transactions; they cannot participate in speculative transactions and transactions prohibited by Sharia;

* the information required by users of the financial statements of Islamic institutions is unique and specific, so these financial statements should reflect the nature of the relationship between such institutions, as well as transactions, events and conditions involving such organizations. The Conceptual Framework of Financial Reporting for Islamic Financial Institutions (AAOIFI Concept) contributes to a better understanding of accounting information included in financial statements, which in turn increases confidence in Islamic financial institutions. They are aimed at harmonization by creating a basis for choosing the most appropriate accounting procedure permitted by accounting standards. The approach used in the development of the AAOIFI Concept includes the following key principles:

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* establishment of accounting concepts previously developed by other financial reporting Standards development councils that comply with Islamic principles and ideals of accuracy and fairness of presentation;

* establishing aspects requiring disclosure and greater transparency in accordance with the principles and rules of Sharia;

* identification of concepts established by other organizations for the development of financial reporting standards that contradict Sharia norms and the development of new concepts for the purposes of financial reporting by Islamic financial institutions;

* the establishment of concepts reflecting the unique nature of certain transactions, events or conditions in Islamic financial institutions (for example, the mobilization of funds according to the mudaraba model);

* identification of the main users, in particular, those who do not have access to information that is not reflected in the financial statements for general purposes;

* presentation of the types of information required by the users of financial statements to whom these statements are addressed. Thus, it can be summarized that the main difference between the AAOIFI Concept is that it is developed in accordance with the principles of Sharia, based on the norms of social justice. The next distinguishing feature of the AAOIFI Concept is the users of information. According to the Conceptual Framework of the Financial Statements of the IASB (the IASB Concept), the main users of general-purpose financial statements are shareholders, lenders and other creditors [1]. However, financial statements may not contain all the information needed by the main users. In addition, individual groups of primary users may have different information needs. In this regard, the IASB strives to present a set of information that meets the needs of as many key users as possible. Financial statements include information about the financial position,

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which is information about the nature and amount of the organization's resources and requirements for it; information about the results of the organization's activities, i.e. about the consequences of operations and other events that lead to changes in the economic resources of the organization and its requirements. The financial statements also contain information about the organization's cash flow, which allows users to assess the company's ability to generate future cash receipts and information about changes in equity, which explains the reasons for changes in the company's economic resources and requirements for it and the impact of these changes on future financial results [1]. The users of the financial statements of Islamic financial institutions are shareholders, holders of investment accounts, holders of deposit accounts, debtors, employees of the institution, zakat collection bodies, government agencies and other users associated with the institution. The information needs of the listed user groups differ. The AAOIFI Concept, as well as the IASB Concept, emphasizes that financial statements cannot provide users with all the information needed by each user group. The AAOIFI concept, as well as the IASB Concept, focuses on the general information needs of users of financial statements. However, it is possible to distinguish two groups of users whose needs differ significantly from the needs of users specified in the IASB Concept. The first group includes holders of investment accounts and other depositors who have concluded a mudaraba agreement. The mudarab agreement is a profit-making partnership agreement, on the basis of which one party provides (rabbul-mal) capital, and the other party (mudarib) provides its entrepreneurial abilities (labor) for capital management. According to the Sharia Standard No. 13 "Mudaraba", capital must be provided in cash, but a material form of provision is also allowed [6, p. 8]. In the case when capital is provided in the form of tangible assets, the contribution to capital is the value of these assets. The information needs of this group of users differ from the needs of

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ordinary investors due to the unique conditions of the Islamic partnership agreement in making a profit. The second group of users includes zakat collection bodies, which collect, manage and distribute zakat among those in need. Islamic financial institutions are responsible to less fortunate members of society. In addition to paying taxes, Islamic financial institutions have a moral and social obligation to pay a religious tax, which is their duty under sharia law, as well as part of their corporate social responsibility.

Zakat in six countries of the world is a state tax [4, p. 83]. According to the AAOIFI Concept, state bodies can receive directly the information they need, since according to the provisions of the Islamic economic doctrine, the state plays a significant role in managing socio-economic processes [3, p. 63]. Access of external users to information is limited, they have the right to use only general-purpose financial statements. General-purpose reporting, in addition to information on the use of economic resources of the institution and the performance of duties to protect resources when prices change, also includes information:

* necessary to assess the compliance of the institution's activities with the principles of sharia (in the case of receiving income from prohibited activities, information about this should be disclosed in detail);

* necessary to assess the inherent risks associated with the activities of an Islamic financial institution and its financial situation;

* necessary for the calculation of zakat;

* on the fulfillment of fiduciary duties – the legal obligations of one party to act in the interests of the other. An obligated party is a person entrusted with the management of money or property;

* necessary for assessing the ability to perform social duties

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* assisting the employees of the IFI in assessing their labor relations, including the ability of the IFI to protect their rights, develop their managerial professional skills and increase their productivity. General information needs are the minimum set of information required to meet the information needs of external users [9, p.46]. It follows from the above that the financial statements of the IFI are addressed to all participants in economic relations and have a social orientation. The AAOIFI Concept clearly distinguishes two types of financial statements: general purpose financial statements and special financial statements. General-purpose financial statements, as well as in the IASB Concept, are aimed at meeting general information needs. It includes:

* basic reporting;

* accounting policy report;

* notes to the reporting;

* additional reports, when necessary [9, p. 52]. The main reporting includes:

* a report reflecting the size of the economic resources of the IFI and its requirements (statement of financial position or balance sheet);

* a report reflecting changes in the amount of economic resources due to the financial results achieved by the IFIs (financial results report);

* reports reflecting changes in the amount of economic resources due to other events and operations. Such reports include: a cash flow statement, a report on changes in capital; as well as a report on the formation and use of the Zakat fund, a report on the formation and use of the card fund, a report on changes in the capital of holders of off-balance sheet investment accounts, a report on changes in the excess of pole holders (for Takaful Islamic insurance organizations) [9, p. 54].

- predictive value - the information should help users predict the potential outcome of current or operations of the IFI;

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* feedback - the information should facilitate verification of the accuracy of the initial forecasts and their correction;

* timeliness – if information is not available, or becomes available after a long period of time, then it is useless in decision-making. The Concept of AAOIFI also highlights the concept of information reliability. According to this Concept, reliability is a characteristic that allows users to rely on reporting with confidence. However, reliability does not guarantee absolute accuracy, since accounting information necessarily reflects calculations and judgments. Reliability, rather, means that, being based on all the specific conditions of a certain transaction or other event, the method chosen for evaluating and/or disclosing its methods provides information reflecting the essence of this transaction or other event. The calculations and judgments used in these methods comply with the principles of Sharia, which allow the use of convincing evidence in the absence of irrefutable. The reliability of accounting information should have the following characteristics:

* truthful presentation – information should reflect the truthful presentation of the information it is intended to reflect• * neutrality – information should meet the information needs of its users without any bias or unfair information privilege of one group of users at the expense of another;

* compliance with the content and form – the information must provide reliable information about any transactions or other events, it is necessary that it be presented in accordance with the content, as well as the economic and legislative form; completeness - the information in the reporting must be complete and meaningful, omission of any information may lead to false information, which, in turn, will lead to its unreliability and inappropriateness;

* verifiability - this means that independent experts can come to a general consensus on the information reflected in the reports without entering into an

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agreement; * the sequence of application of accounting methods of assessment and disclosure of information from one period to another. However, this does not mean that the FFI is obliged to use the same accounting methods for the same objects, if there is a reasonable reason to use other;

* comparability – a characteristic of information that allows users to identify similarities and differences between objects;

* conservatism – a certain degree of prudence in forming judgments necessary for calculations under conditions of uncertainty, which allows avoiding overestimation of assets or income, and underestimation of liabilities or expenses [9, p. 79]. Transparency of information results from the use of some qualitative characteristics that fall within the framework of the conceptual framework, including truthful presentation and clarity. Transparency also appears with adequate and appropriate disclosure of information. Adequate disclosure means that financial statements must contain all the important information necessary to make these statements useful for its users in making decisions, regardless of whether they are included in the statements themselves, presented in the form of notes to them or in any additional reports. Thus, based on a critical comparative assessment of the Concepts of the IASB and AAOIFI, their significant differences were highlighted in this article. The AAOIFI Concept clearly defines the principles of the activity of the IFIs, the objectives of the preparation of financial statements, its users, disclosed methods of recognition and valuation of assets and liabilities, requirements for the qualitative characteristics of information and its disclosure. It is necessary to note the significant contribution of AAOIFI to the harmonization of Islamic accounting standards. As ways to improve the AAOIFI Concept based on its critical assessment, we propose to expand the essential characteristics of the elements of financial

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statements, as well as to disclose the use of the bases for evaluating the elements of financial statements.

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