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Management

Comparative Analysis of Accounting Treatments

Between the IFRS's and AAOIFI

for The Islamic Financial Leasing Provided by Islamic Banks

PHD DISSERTATION

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Abstract

The study aims to discuss the problem of conflict financial reporting between the banks to improve the accounting treatment of the IFI, Islamic banks and conventional bank, within the same country that adopted the IFRS’s as the formal accounting standards for the financial reporting. The research methodology put together the four methods. Comparative theoretical analysis between IFRS16 and FAS 32 at the accounting treatment. Physical review and comparison for the Islamic banks’ financial reports. Using the T-test to compare the effects of applying IFRS16 and FAS 32, that will be by extracting the available years' financial reports of Islamic and conventional banks. Structured interviews with the experts of Islamic accounting and IFRS’s, the interviews designed according to the literature reviews influences on the research problem in addition to the results of the comparative theoretical analysis and the analysis of the annual reports. The dissertation approached that the expected problems have existed, Islamic bans are not entirely complying with the AAOIFI accounting standards, and the IFRS’s could be suitable for the Islamic banking financial reporting.

Key Words: Financial leasing, Islamic finance, Islamic banks, IFRS’s, AAOIFI.

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Abbreviation list

Abbreviation	Explanation
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
BNM	Bank Negara Malaysia
ECLM	Expected Credit Loss Model
FAS	Financial Accounting Standard
FASB	Financial Accounting Standards Board
IAS’s	International Accounting Standards
IASB	International Accounting Standard Board
IFI’s	Islamic Financial Institutions
IFRS’s	International Financial Reporting Standards
IFSB	Islamic Financial Services Board
MASB	Malaysian Accounting Standard Board
SAC	Shariah Advisory Council
UAE	United Arab’s Emirates

1. Introduction

1.1 Setting the Scene

Islamic finance has been utilized as an alternative and supportive financial tool in the market since the establishment of the first Islamic bank for commercial purposes, which is Dubai Islamic Bank in 1975 (Bakar, 2015). The term "Islamic finance" is defined as the alignment of financing procedures in line with Islamic teachings. The basic principles of Islamic finance activities are interest prevention (usury) in all transaction contracts that engage in commercial activities, based on fair and legal sharing of profits and losses (Tara et al., 2014). Since the Islamic finance started as an initial financial model, it was obligated to work in a dual banking system which is still being ruled by the conventional banks (Khattak, 2010). During the first stage of Islamic finance development, Islamic banks provided many financial products similar to the conventionally offered ones. These new products, called Shari'a compliance products, complied with Islamic Shari'a rules and included Islamic personal loans and Islamic credit cards (Bakar,2015). After almost a decade, these banks started to provide independent products based on Shari 'rules called "Shari 'based products"; for example, Mudarabah deposits "partnership investment deposits" and Ijarah Muntahia Bittamleek "Islamic Financial leasing" (Cebeci, 2012).

However, Islamic financial leasing and Murabaha commodity (buy and resale of products) are considered the most frequently used Islamic financial products (Mnif Sellami & Tahari, 2017). Ijarah Muntahia Bittamleek is like a finance leasing in a conventional bank, where the tenant has the option to own the asset upon the termination of the lease. Murabaha refers to a sale where the seller discloses the cost of the commodity and amount of profit charged. Therefore, Murabaha is not a loan given on interest; instead, it is a sale of a commodity at a profit.

Recently many organisations have been established to develop and govern Islamic finance. The most important of them is the Islamic Financial Services Board (IFSB) which has considered issuing the Islamic financial risk management standards (Aydın, 2017). Besides, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) which is an international Islamic organization which issued standards relating to Islamic financing practices from the legal and professional aspects of Islamic financial institutions (Mnif Sellami & Tahari, 2017). The AAOIFI issued the Islamic accounting standards to cover the differences of Islamic finance which are related to Islamic rules from conventional banking. Notably, the standard (No 8) Ijarah Muntahia Bittamleek (leasing) are issued with due regard to the principal compliance with the leased financial assets, from which the ownership of the asset is not transferred directly to the lessee following the IFRS's. This criterion of financial leased assets recognition may affect the creditor (lessor) accounting treatment when utilizing the Islamic financial leasing. Currently, some countries still require Islamic banks to apply international accounting standards, and others have committed Islamic banks to apply accounting standards issued by the AAOIFI. The application of a standard other than IFRS 16 as applying the AAOIFI standards to address the accounting operations for the finance leasing product will lead to differences in the financial statements of the Islamic bank (Siswantoro, 2018).

1.2 The Study Problem

The problem started when the AAOIFI was established in 1991 and then published accounting standards based on Islamic rules. Therefore, some Islamic countries, like Jordan, Qatar and Bahrain, imposed on the Islamic banks, which work within the country banking system, to adopt the AAOIFI accounting standards (Sarea, 2012). The other counters which adopted the Islamic finance impose on the Islamic financial institution to apply either the IFRS's or other national accounting standards like Indonesia (Siswantoro, 2018). Accordingly, the problem has arisen by the conflict of financial reporting between the banks, Islamic banks, and conventional banks, within the same country that adopted the IFRS's as the formal accounting standards for the financial reporting. Moreover, between the Islamic banks' branches in other countries than the sovereign country of the same bank. This dilemma spreads to the utilization of the Islamic financial leasing "Ijarah Muntahia Bittamleek" by the Islamic banks. These differences belong to the asset's recognition under IAS 16 and FAS 1 and the financial leasing treatment between IFRS 16 and FAS 32. Moreover, the consideration of other issues included in the IFRS's like IFRS 9 the expected credit loss model. Additionally, the impermeant loss of the non-current assets under the AAOIFI accounting standards.

Hence, the study problem arises in:

1. Various accounting treatment of the Islamic financial leasing under the IFRS's and AAOIFI accounting standards in the Islamic banks.
2. Negative consequences of the accounting treatments differences appear when the leasing parties apply adverse accounting standards like the duplication of the non-current assets and depreciation recognition.
3. Different effects of adoption IFRS's or AAOIFI accounting standards appear on the leasing revenue, expenses and the value of assets held for leasing.
4. Ignore the influence of the expected credit loss model on the leasing credit by the Islamic bank (lessor) when adopting the AAOIFI accounting standards than the IFRS's.
5. The effects of apply the impermeant loss of the non-current assets by the Islamic bank (lessor) when adopting the AAOIFI accounting standards.

1.3 Research Aim and Objectives

The general aim of the research is to improve the accounting treatment of the IFI. To approach this aim, the research will emphasize the following.

1. Discuss the need for exceptional accounting standards for the Islamic banking industry.
2. Measure the commitment of Islamic banks to the specific accounting standards, which is AAOIFI accounting standards, in the financial reporting process.
3. Recognize and understand the negative consequences in the financial reporting process when adopting two different sets of accounting standards in the national financial market or between the same Islamic bank branches when the Islamic bank has global branches.
4. Focus on the negative consequences in the financial reporting process when adopting two different sets of accounting standard when these Islamic banks are utilizing the Islamic financial lease.
5. Discuss the suggested results that have been nominated by the previous studies for avoiding the mentioned negative financial reporting consequences.

1.4 Research Contribution

The research Contribution described; “the evaluation of the importance of the thesis to the development of the discipline” (Watts, 2010). Whetten (1989) associates a theoretical contribution to consist of the following attributes: (1) Significant, new, value-added contribution to current thinking addition to the field of research. (2) Will the theory change the area of research in some way or the other? (3) Are the underlying logic and supporting evidence required and is the assumptions explicit? (4) Does the research reflect clear thinking and is the multiple thinking (What-How-Why-When-Who) covered? (5) Is the thesis written well with all the thoughts flowing logically? (6) Is the topic of interest to another research, and will it advance the current thesis? (7) Is the research of interest to others and can the obtained results be generalized further?

Where the research presented contributions to the subject of the conflict in the Islamic banks financial reporting, which were caused by the issuing of the AAOIFI accounting standards?

However, the following main research contributions have been realised:

1. This research contributes towards a process theory of the Islamic banking sector within two aspects (improving the financial reporting process and wide the acceptability of the Islamic banking), which will help these Islamic banks to improve their industry worldwide.
2. Providing useful information to all parties interested in the Islamic banking markets worldwide (investors, foreign financial markets) regarding the (a) Islamic finance attractions products and features, Islamic commercial rules (b) financial reporting regarding apply the IFRS's and AAOIFI accounting standers, accounting treatment of some Islamic finance products; especially the Islamic financial lease and discussing the dilemma of using two sets of accounting standards in this industry.
3. The research considered to be one of the few studies conducted to recognize and resolve a global problem which the Islamic banking industry face and it is not limited to a region or a country. while the research methods rely on collecting data from Islamic bank from different regions like Arab Gulfs, middle east, and Europe.

4. The research provides results depending on the real practical experience form the research community and the researcher himself.

1.5 Research Structure and Layout

This research is structured into four chapters to achieve its primary aim and objectives as follows:

The first chapter set the scene and outlined the scope of the research problem to be addressed during the current study. Moreover, it develops the frame of well-studied research aim, objectives, the significance of the research, and the research contribution to knowledge has also been highlighted in this part.

Chapter two discuss the literature review of the research which explained the Islamic finance then review the previous studies according to specific consequences started by the need for different Islamic accounting standards, then the Islamic bank's compliance to the AAOIFI accounting standards; continuously, obtaining previous academics contribution related to AAOIFI accounting treatment of some Islamic finance products; finally, the Islamic financial lease. The literature review affected the study problem, objective and the development of the research methodology and research questions were concluded. At the end of the chapter discuss the accounting treatment of financial leasing.

Chapter three describe the research framework, study community selecting methodology and the tools of collecting data. All data is primary data which will be collated from; (1) the accounting standards both IFRS’s and AAOIFI to conduct the theoretical comparison between the related standards. (2) published financial statement of Islamic banks within two groups, which are IFRS’s complied and the AAOIFI complied to conduct the T-test to measure the effects on some items in the selected financial statements. (3) Structured and semi-structured interviews with experts in Islamic finance, AAOIFI accounting standards and IFRS’s.

Chapter four represents the research findings following by the implementations and discussion, conclusion, and recommendation.

2. The Literature Reviews

2.1 Brief Overview of Islamic Finance

The financial system in Islamic finance is based on achieving the teachings of the Qur'an and Prophet Mohamad Sona’h, which is to contribute to raising and developing the economy rather than reaping the maximum returns on financial assets. Islamic law is based on a general principle in commercial transactions, which is to prevent and criminalize exploitative contracts based on usury (interest), or unfair contracts that involve risks or speculations such as gambling. However, Islamic law, represented by Islamic finance, urges ethically acceptable investments that yield legitimate and fair profits "socially valuable". Islamic finance is based on two fundamental principles. First, it is deduced from Islamic law, and since Islamic law is the primary criterion for the validity of its contracts. a. Second, Islamic finance is directly linked to spiritual values and social justice under Islam(Gheeraert & Weill, 2015).

Islamic financial laws prohibit Muslims from bargaining with interest (payment or receipt). They are based on the prescription of investing in any fixed income securities such as treasury bonds, treasury bonds, or any other financial guarantee that promises a guaranteed return. This does not mean that Islam refuses to deal with money or that its economic theory is based on exchange, but its financial laws are based on the fact that all parties of any financial transaction participate in risk, profit, or loss and that there is no single party in a financial contract that gets the pre-determined return. For example, "depositors" in Islamic banks are shareholders who earn profits when the bank transfers profit or loses part of their savings if it records a loss(Hussain et al., 2015).

The profit-sharing system may increase the volume of investments and thus create more job opportunities. It will make the profit system feasible and acceptable in those projects whose expected returns are higher than the cost of capital, and thus liquidate the accepted projects in another way under the Islamic Profit Sharing System(Kammer et al., 2015).

The Islamic financing system will reduce the amount of speculation in the financial markets, but it still allows a secondary market for trading shares and investment certificates based on the principles of profit sharing. This reason will return to the financial market and enhance the liquidity of shareholders under the profit-sharing system. It is not allowed to supply money by exceeding the supply Commodities, and thus will reduce inflationary pressures in the economy(Dewar & Hussain, 2017).

Islamic banking market share has increased in more than half of the 31 tracked jurisdictions, and the number of countries where Islamic banking is systemically essential(Cham, 2018). The majority of Islamic banking assets are in the Middle East, including Iran, Saudi Arabia, and the United Arab Emirates, which have an enormous volume of assets(Bhatti, 2019). Furthermore, also Malaysia considers the leader of Islamic finance(Ledhem & Mekidiche, 2021). Hoggarth (2016) found Russia and Kazakhstan and whole central Asian region they have engagement with Islamic finance, to produce an additional source of income, and utilise the unique features of Islamic finance (Levine, 2005).

Furthermore, the development of Islamic banking has the same level of importance as conventional banking and can add benefits to economic productivity and growth in the same level of convenience. Moreover, Islamic banking provides a unique contribution to macroeconomic for two reasons. First, since Islamic finance system depends on sharing loss and profit of the financed projects, the IFI's increase the conservation of its credit policies by robust and incentives evaluation of the investment projects before they provide the loan to the debtor(Biplob & Abdullah, 2019).

For that reason, these IFI's provide more significant contribution than conventional l banks by producing great analytical information about the project risk second, since the Islamic finance methodology extracted from running the whole economic cycle, by using partnership financing and share the entire risk with the other parties, not only using the lending contract(Suci & Hardi, 2019).

That depends on generating money from money without the other factors of the economic cycle, as conventional banking, Islamic financial institution is considered more valuable to economics (Belanès et al., 2015). However, Islamic banks have succeeded in surviving from the financial crisis impact in 2008 by keeping substantial amounts of deposits. On the other side, conventional banks have lost the confidence of their clients. Muslim depositors who are Sharia compliance have tried to increase deposit volume.

Furthermore, Islamic banks provide Sharia-compliant banking products and services with these types of products have kept away from the reasons for the crisis(Baber, 2018).

Islamic financial products Can be classified under three groups depending on the type of the Shari'ah-compliant contracts, as follow: Trading contract like Murabaha, (buy and resell) Salam (forward contract) and Istisna'a. (Build and sell). Profit and Loss Sharing contacts (partnership contract) like, Musharakah and Modaraba, Leasing contract like, Ijarah, which is rent is charged against the usufruct of assets (similar to the operational leasing). Another form of Ijarah is Ijarah Muntahia Bittamleek" leasing ending by transferring the title of the asset to the lessee" (identical to the commercial rental in the conventional finance). Furthermore, there are Some other services provided by Islamic Banks are based on the Shari'a compliant contracts of Wakalah, Kafalah. In these contracts, Islamic banks perform business transactions for its customers against predetermined service charges (Ali & Hussain, 2017). Murabaha is the most popular Islamic financing product that is used by most clients.

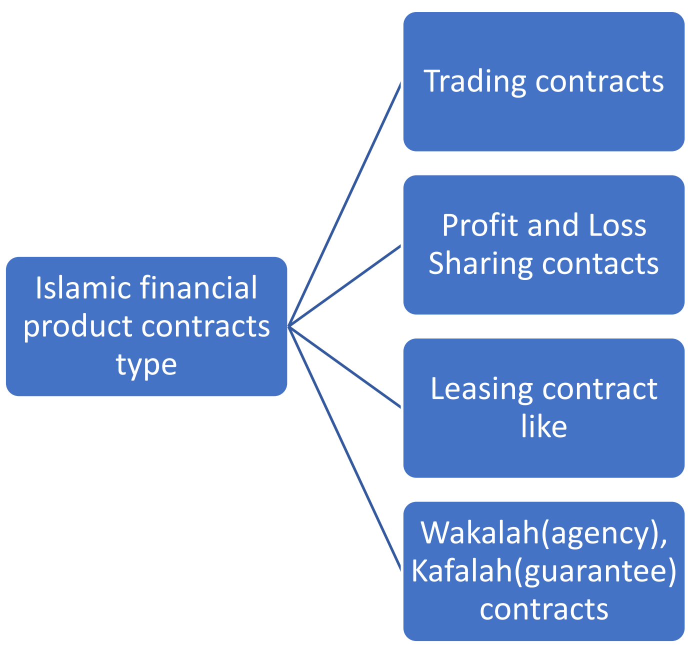

Figure (1) Islamic finance contract types (own work)

The concept of Murabaha is a type of sales transaction between the two parties, seller and Bayer, the seller has to expressly disclose both the original cost and markup being to the buyer as the radical Shari'a standard. By Using Murabaha, the Islamic financial institution determines the price, which consists of the original cost and markup (an interest-based loan), for underlying assets to sell it to the client (buyer) in advance and then the client (buyer) has to settle the price of the underlying by postponed instalments(Miah & Suzuki, 2020).

The Islamic financial institution does not have to own the underlying assets before starting the Murabaha process; they can buy the underlying assets on the order of the buyer and then resale it to the buyer. By both options, the Islamic financial institution assumes the risks of the underlying assets. However, the underlying assets have to be compiled to the Islamic Shari'a standards (AAOIFI, 2015). Musharakah (Contract Partnership); partnership contracts are an agreement between several parties to achieve profit by merging the assets, services, or obligations. Which Modaraba is a partnership in profit whereby one party provides capital (Rab al-Mal), and the other party offers labour (Mudarib)Islamic financial leasing involves the conventional financial leasing with the same target, which transfers the title of the underlying assets to the lessee (Bakar, 2015).

However, Razi (2014) identified some different characters of the Islamic system that make the Islamic financial leasing different. The most significant difference that is the title of the underlying assets remain in the financial statement of the lessor (the Islamic financial institution) until the real transfer of the title of the underlying asset to the lessee, which means it is just a contract for renting the usufruct of the assets and then there are other contracts to transfer the title. In the other side, conventional financial leasing requires the lessee to recognise the underlying assets in his financial statements. There are four optional contracts to transfer the Islamic finance uses the title of the asset will be clarified in the Islamic financial leasing accounting section). That difference consequents other differences, like the lessor has to tolerate the insurance cost, and the maintenance cost of the underlying asset and the other character is the underlying assets has to be compiled to the Islamic Shari'a standards (Lateef et al., 2017).

2.2 Discussion of the Problem-Related Research

The discussion primarily focuses on articles that have dealt with the need for Islamic accounting standards, the compliance with AAOIFI accounting standards, the accounting treatment of Islamic financial products and finally the Ijarah Muntahia Bittamleek “Islamic Financial leasing” accounting treatments.

Sarea & Hanefah (2013) discussed the need for Islamic accounting standards through a review of the literature. Focusing on one the significant challenges facing Islamic Financial Institutions (IFS’s) which is the preparation of financial statements under different accounting standards and the probability to proceed problems of comparability, reliability, and compliance level’s measurement.

The results of the review concluded that there is a need for the Islamic accounting standards to fill the gap in (IFS’s) and it advised to adopt the AAOIFI accounting standards. The results of this paper rely on the objectives of financial accounting for Islamic banks and Islamic financial institutions, which are as follows:

1. To determine the rights and obligations of all interested parties, including those rights and obligations resulting from incomplete transactions and other events following the principles of Islamic Sharia and its concepts of fairness, charity, and compliance with Islamic business values.

2. To contribute to the safeguarding of the Islamic bank’s assets, its rights, and the rights of others adequately.

3. To contribute enhancement of the managerial and productive capabilities of the Islamic bank and encourage compliance with its established goals and policies and, above all, compliance with Islamic Sharia in all transactions and events.

4. To provide through financial reports useful information to the users of these reports to enable them to make legitimate decisions in their dealings with Islamic banks.

This paper utilized the theoretical review only to conclude that the adoption of AAOIFI accounting standards will resolve the dilemma of the financial reporting in Islamic banks, on the other hand, I found this paper neglected the existence of the IFRS’s, and the majority of these Islamic banks are working within a conventional banking system adopted the IFRS's. Additionally, the global acceptability of IFRS's. Therefore, according to the limitation of the research method, this article added recent problems of financial reporting for the Islamic banking industry related to the conflict between IFRS's and AAOIFI accounting standards since it also neglected the positive results of IFRS's(Morshed, 2020).

Shafii & Zakaria (2013) proposed to consider the judgment of experts in Islamic financial institutions (IFIs) on Shariah matters when adopting IFRS and International Accounting Standards (IAS) to report Islamic financial transactions. Since more than one hundred countries use international Financial Reporting Standards (IFRS) for several types of organizations. Primary data gathering included a group interview with representatives, such as Shariah officers, accountants, and academic experts to gather perspicacity on how the industry practitioners deal with general and specific IFRS issues in applying IFRS and IAS.

This study presented both conceptual and practical issues encountered by practitioners in implementing international standards for financial reporting to report Islamic financial transactions and was not limited to literary reviews only. This study pointed out with impartiality the need for cooperation between academics, standards-setting, and organizer in providing technical guidance applied for reporting on Islamic financial transactions.

The results of this study were based on the responses of the experts participating in the interviews, where the explanations of their comments were as follows:

Accounting concepts and entries are not the main determinants of the validity of financial contracts that comply with Islamic law, and that the correct procedures for formulating and implementing Sharia contracts for the financing product are the factual basis for measuring the legitimacy of Islamic financing products.

Interviewees complied fully with the recommendations made by the Shariah Advisory Council (SAC) of BNM on the Shariah permissibility of the general concepts underlying assumptions which are the applicability of substance over form, time value of money and fair value and probability in recording Islamic financial transactions.

Sharia does not oppose the employment of the principle of the time value of money only to exchange contracts that include deferred payment. However, it is rigorously prohibited in debt-based transactions.

The vocabulary used in the IFRS should be 'Islamised' such as the term interest, which is similar to Riba, whereas in practice the term profit is used to replace interest. This paper is considered from the Initial studies that established the road for the harmonization between IFRS's and AAOIFI in the purpose of publishing the IFI's financial reporting according to globally accepted accounting standards.

When comparing with (Sarea & Hanefah, 2013), I found this article adopt more comprehensive research method presented both conceptual and practical issues that will produce more reliable result. Additionally, it relays on the experts' opinions as accounting concepts, and entries are not the main determinants of the validity of financial contracts that comply with Islamic law. Besides, the correct procedures for formulating and implementing Sharia contracts for the financing product are the actual basis for measuring the legitimacy of Islamic financing products. Accordingly, that will give a fileable frame to adopt the accounting standards.

Mohammed et al. (2019) aimed to study the need for a separate set of Islamic accounting standards for Islamic financial institutions concerning reporting practices for those Islamic financial institutions, and thus contribute to answering whether there were already such exceptional standards. Relying on in-depth semi-structured interviews were conducted with senior international Islamic financial institutions and officers who are incredibly involved in the preparation of financial statements in Malaysia.

The paper provides evidence of the current position of reporting on the operation of international Islamic financial institutions, and the impact of accounting standards AAOIFI and the practical application of international financial reporting standards in reporting on international Islamic financial institutions.

The article concluded that most of the interviewees indicate the feasibility of IFRSs in reporting IFIs; many interviewees put more prominent importance on the spirit of Islam based on Islamic contract. In this case, the results show that to satisfy the public that they are offering Sharia-compliant products approved by the Sharia Advisory Council, there is a need for guidance or standards for Islamic financial institutions within the framework of the International Financial Reporting Standards. The main concern raised in the paper is the lack of a separate Islamic accounting standard. Instead, the option should be within the framework of IFRS in cooperation work of Accounting and Auditing for Islamic Financial Institutions (AAOIFI) and the International Accounting Standard Board (IASB).

I found this paper provides an adverse result than the (Sarea & Hanefah, 2013) and support the sound of the globality of IFRS which is vital part of the acceptability of Islamic finance(Morshed, 2020), this article used a more effective research method, it focused on the theoretical side and the practical part of financial reporting in the Islamic banking industry by selecting the expert financial managers of the Islamic banking as the research community.

However, the recommendation of this study which is no need for a particular set of accounting standards and the urge to cooperate between Accounting and Auditing for Islamic Financial Institutions (AAOIFI) and the International Accounting Standard Board (IASB) are considered the radical solution for the dilemma of financial reporting conflict in the Islamic banking industry, this is something I can endorse based on my Islamic finance experience.

Siswantoro & Ibrahim (2017) studied the possibility to apply the IFRS's by the Islamic banks in Malaysia. It concluded that it is not so easy to transform Islamic accounting standard into International Financial Reporting Standard (IFRS) since financing based Islamic rules have natural features as well as its accounting and it may outrage some basic principles of Islamic rules. Moreover, the study mentioned that the (AAOIFI) still commits to have different accounting standard as it is based on the Fiqh (maxims). Nevertheless, some countries have adopted IFRS’s as Malaysia. This paper attempts to show some evidence of accounting standards that do not have a robust Islamic basis, to avoid their adoption and application, especially in the direction of compliance with international financial reporting standards. the researcher referred this conclusion to the theoretical research discussion as

1. Muslims, in common, are still inadequate to resolve their problem with simple ease, in this case, the Islamic Accounting Standards. However, as long as serious efforts are made to develop Islamic accounting standards, it will sequentially yield better results. The problems that usually arise as a result of the Muslim's inability to overcome these fundamental problems. For example, the lack of Muslim scholars, careful studies and sciences are in line with Islamic education.

2. The difference in regulation in Islamic accounting standards is inevitable. However, at least, they should have mutual understandings to be comparable. On the other hand, the harmonization between Islamic accounting standards in different countries is not difficult compared to conventional accounting. Because in Islam, we have already similar underlying financial transactions that have such significant differences. For example, Mudarabah (profit and loss sharing), Murabaha (buying and selling contracts), Musharaka (partnership) and others. All of them have been in practice in the Islamic state in the past.

3. The development of Islamic accounting concepts and standards in supportive tools such as technical publication and statement of principle may make it clear that Islamic accounting is no different from traditional ones. However, there is no reliable, unmistakable evidence for this. In this case, they assume that the current tradition is in line with Islamic teachings. Nevertheless, if we deepen understanding accounting concepts and principles, there are essential elements of diversity in the term conception and institutions.

This study reached to the difficulty of change from AAOIFI accounting standards to the IFRS's mentioning the reasons for the Islamic rules' violation. In my opinion, this paper ignored the importance of IFRS's adoption by Islamic banks in some countries. There is no question why it is beneficial to apply the IFRS's, or what the positive consequences of IFRS's for this industry. Adversely, (Mohammed et al. (2019) mentioned that the IFRS's extremely important to increase the global acceptability of the Islamic finance which lead to noticeable development;

additionally the financial reporting process does not produce that volume of unfavorable effect on the validity of Islamic finance product. Moreover, using the literature review only to reach this result still insufficient.

To sum up this part, the previous literature reviews affect this research in the study problem; were a general problem related to the financial reports of Islamic financial institutions which appears and results from the existence of different accounting standards AAOIFI and IFRS's. Therefore, countries require Islamic banks operating within their conventional banking system to follow one of these standards following the instructions of the competent shariah authorities.

Following the discussion of the need for exceptional accounting standards for the Islamic banking industry, the next area will be measuring the Islamic banks' compliance, which adopted the AAOIFI accounting standards, to these standards.

The purpose of this discussion is firstly, to determine the research community because of the research relay on the Islamic banks that adopt the AAOIFI accounting standards, secondly, examine the result validity since if the Islamic banks, which adopted the AAOIFI accounting standards, are not fully complied with these standards the result will be invalid. Accordingly, Sarea & Hanefah (2013) discover the level of compliance with (AAOIFI) accounting standards by Islamic banks of Bahrain. The study design symbolises the connection between independent variables and the level of compliance with the AAOIFI accounting standards in terms of the relative advantage, compatibility, complexity, trialability, and observability. The findings show that Islamic banks of Bahrain are in full convergence with AAOIFI accounting standards. However, I can see the study's limitations in terms of data and sample size, which is limited to accountants working in Bahrain's Islamic institutions.

While Ibrahim & Ahmed (2015) aimed to examine the compliance to AAOIFI accounting standards by showing the basis of accounting measurement for Murabaha operations in Islamic banks in Jordan according to Islamic accounting standards, as well as to demonstrate the effect of accounting measurement tools on financial statements. The most important results of this study are that the Jordanian Islamic banks fully complied with AAOIFI accounting standards, since based on charging all direct costs to the Murabaha goods, so that they are in the buyer's warehouses.

Thus, they apply the historical cost when implementing the Murabaha contracts and prove them in the books on the date of the implementation. Moreover, Islamic banks distribute the Murabaha contract profits on the contract period with the client; this indicates the accrual of the revenue and the expense for each period from the other, which makes it easy to calculate the Zakat without looking at the profits of the upcoming periods. Besides, Murabaha contracts' revenues are recognized as current commitments at implementation date. Profit Distribution over contract term using inventory adjustments at the accounting period end; applying revenue and expenses matching principle. However, according to my experience as an accountant in an Islamic bank in Jordan, I confirm the articles results.

Sakib (2015) the study attempted to find out the level of conformity of Islamic banks in Bangladesh with the accounting standards issued by (AAOIFI). A research methodology was adopted based on the analysis of the annual reports of six Islamic banks from Bangladesh for the year 2012. The reports are collected from the sources of the bank's website. These six banks were found to comply with AAOIFI standards. I see that it's the only method to gauge compliance, therefore I will include it in the research methodology, but it will be more appropriate to choose a number of years.

Al-Sulaiti et al. (2018) aims to examine the compliance of disclosure with the financial accounting standards of the Accounting and Auditing Organisation for Islamic Financial Institutions' (AAOIFI) related to Islamic financing products by Islamic banks in Bahrain and Qatar. The study measures compliance using disclosure indexes. The disclosure indexes include the three financial accounting standards of Murabaha, Modaraba and Musharaka. The data are collected from the annual reports of 24 Islamic banks in Bahrain and Qatar between 2012 and 2015. The paper found that Islamic banks in Bahrain and Qatar comply with AAOIFI financial accounting standards related to Murabaha, Modaraba and Musharaka to the Islamic banks in Bahrain. In my opinion, this backs up the prior study's assertion that the number of years should be taken into account.

To sum up, this discussion about the compliance with AAOIFI accounting standards provide necessary information about the research community since the Islamic banks in countries like Jordan, Qatar, Bahrain, and Bangladesh are complied with AAOIFI accounting standards. Accordingly, with connection this discussion with the previous discussion about the need for specific Islamic accounting standards, the research community should be Jordan, Qatar, and Bahrain. However, Islamic banks in counters like UAE and Malaysia adopt the IFRS's, and in Indonesia the adopt their particular accounting standards. On the other hands, these discussions suggest the most suitable research methods in Islamic finance which are, theoretical comparison, analysis of the annual reports of Islamic banks and individual interviews with experts in Islamic finance, accounting and IFRS's.

The third part of this literature discussion is the dilemma of financial reporting conflict in the Islamic banking industry, which has arisen for the reason of two or more accounting standard are available for adoption by the Islamic banks according to the head office country regulation, is noticeable when examining the accounting transactions treatment of the Islamic finance product inside these Islamic banks.

Abdullah (2012) reviewed the Sukuk accounting treatments (Islamic Bonds) under IFRS's and mentioned that Islamic financial institutions had been established with different Objectives and principles, and they have different financial products with the conventional financial institution. Consequently, when applying the IFRS's, that will encounter unique functions of Islamic Sukuk.

The first point that will face when implementing the IFRS9 to rule the Sukuk is the classification of the Sukuk as equity instruments, financial asset. Classification of the Sukuk as equity instruments appeared from the structure of equity based Sukuk, since the Sukuk holders have actual ownership of the underlying assets, and frequently these assets be a project. I agree with the study's result because it corresponds to my own research on Islamic bonds (Morshed, 2020).

Ahmed et al. (2016) compared both IFRS of IASB and FAS of AAOIFI using theoretical comparison analysis methodology and concluded that none of it is sufficient to handle the reporting of Islamic financial transactions for the Murabaha contract. IFRS applies the concept of the time value of money to the recognition and measurement of Murabaha; besides, they are recognising the Murabaha contract as financing and is based on amortised cost, which applies the concept of the time value of money. In contrast, AAOIFI recognises a Murabaha contract as a trading profit due to show that the transaction is a business; nonetheless, it is not clear whether the concept of the time value of money is applied in the measurement, which depends on the straight-line method. They added that although the IFRS cover accounting issues in detail, these standards are contradicting in some matters with Sharia, as defined by AAOIFI and the legal opinion issued by the SSB for Islamic banks. He presumed that the convergence of standards would be beneficial as both standards could benefit from each other by sharing experiences and expertise in their respective fields. Since one of the research, objectives are to analyses the differences of applying the IFRS's and AAOIFI standards by the Islamic banks. I agree with the study's result because it corresponds to my own research (Morshed & Széles, 2020); moreover, the article gave that the main difference is the time value of money and the using the interest rate as a discount factor for fair value measurement.

Shafii and Abdul Rahman (2016) discussed this issue and concluded that the time dome principle of money might be satisfactory in Islam. However, Muslim jurists have different views on the use of interest rates as a criterion for determining the discount rate though many agree that interest is just a reference rate. This study found that the use of interest rate as a criterion is a problem from an Islamic perspective, although the discount is acceptable in Islam and desirable because it allows enhancing the efficiency and use of investment. The study also found that the adoption of fair value measurement may create trickery. They added that from an Islamic perspective, the reporting entity and users of the financial statement needed to be protected from excessive uncertainty that was unknown to anyone or other parties and could cause unnecessary conflicts and injustice. It also concluded that the use of the discounted cash flow method is highly subjective, as the technique relies on expected rates of return, expected inflation rates and risks associated with uncertainty regarding the magnitude or timing of estimated future cash flows. Also, the potential use of incorrect amounts in cash flows, misapplication, tampering with the timing of future cash flows or using an inappropriate discount rate will result in an inaccurate current value. Thus, the entire process may obscure the measurement of assets or liabilities. since one of the research, objectives are to analyse the differences of applying the IFRS's and AAOIFI standards by the Islamic banks.

According to the two previous articles, the main difference is the time value of money and the using the interest rate as a discount factor for fair value measurement, Shafii & Abdul Rahman (2016) discussed this issue and concluded that the time dome principle of money might be satisfactory in Islam. However, Muslim jurists have different views on the use of interest rates as a criterion for determining the discount rate though many agree that interest is just a reference rate. This study found that the use of interest rate as a criterion is a problem from an Islamic perspective, although the discount is acceptable in Islam and desirable because it allows enhancing the efficiency and use of investment. The study also found that the adoption of fair value measurement may create trickery. They added that from an Islamic perspective, the reporting entity and users of the financial statement needed to be protected from excessive uncertainty that was unknown to anyone or other parties and could cause unnecessary conflicts and injustice. It also concluded that the use of the discounted cash flow method is highly subjective, as the technique relies on expected rates of return, expected inflation rates and risks associated with uncertainty regarding the magnitude or timing of estimated future cash flows. Also, the potential use of incorrect amounts in cash flows, misapplication, tampering with the timing of future cash flows or using an inappropriate discount rate will result in an inaccurate current value. Thus, the entire process may obscure the measurement of assets or liabilities.

Moreover, Suandi (2016) said, Malaysia adopts the impairment based on discount rates The Malaysian argument is that discount rates used in the Impairment are only for calculation, and it is not for crediting interest to a debtor, which is explicitly forbidden. Accordingly, the Malaysian Accounting Standard Board (MASB) admits the IFRS's methods of valuation, then they MASB replaced the current Islamic accounting standards with IFRS standards.

I support the results of these discussions because it provides indicators for the possibility of unifying the financial reporting process among the Islamic banks and make the Islamic finance more globally acceptable and that will be by adoption of IFRS's since these discussions did not proceed a rejection of using the time value of money and the interest rate as a discount factor in the impairment loss. On the other hand, they are providing an unequivocal acceptance for these concepts but limit that acceptance by the collaboration between AAOIFI and international accounting standards board IASB to consider the Islamic rules instructions belong to these subjects.

Additionally, Mohammed et al. (2019) mentioned that the IFRS's extremely important to increase the global acceptability of the Islamic finance which led to noticeable development; additionally, the financial reporting process does not produce that volume of unfavourable effect on the validity of Islamic finance product.

Siswantoro (2018) analyzed whether Islamic banks in Indonesia needed the Financial Accounting Standard for sukuk Some Islamic banks prepare their financial reports following International Financial Reporting Standards (IFRS). He adopted personal interviews with financial managers of Islamic banks in Indonesia as a research methodology for the study. The results are that the Islamic Sharia Council in Indonesia has not authorized the use of interest as a discount factor. Since IFRS 9 does not take into account any legitimate considerations, the application of this standard by Islamic banks in Indonesia becomes inappropriate and shows the need for a unique Islamic accounting standard. Clarifying my opinion, the result of this study is depended massively on the Islamic Sharia Council in Indonesia justification. Accordingly, the deep understanding of the IFRS's features and importance furthermore the accounting effects on the shariah validity of the Islamic finance products must be considered when conducting this type of studies.

To sum up, this discussion affects the research problem by the existing of the opinion conflict between the Sharia councils in the Islamic counties. These effects spread to the research methodology since the methodology should consider this conflict. The other effects will be on the research community because they should have a deep understanding of the IFRS's features and importance furthermore the accounting effects on the shariah validity of the Islamic finance products.

The last literature review discussion will be about the main research problem, which is the accounting treatment conflict between IFRS’s and AAOIFI accounting standards when the Islamic banks utilize the Islamic financial leasing “Ijarah Muntahia Bittamleek.”

Shariff & Rahman (2003) which is a one from the initial studies adopted to clarify the differences between the IFRS and AAOIFI accounting standards aimed to examine the characteristics of accounting for Islamic financial leasing product as practised by Malaysian financial institutions. , the study adopted a comparison between the International Accounting Standard on leasing (IAS 17) and the accounting standard for Ijarah (FAS 8) as developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as the first research methodology tool. The study identified that there are significant differences as to the nature of leasing and Ijarah, and as consequence accounting principles that have made all the two standards, as well as accounting techniques developed for leasing and Ijarah, are significantly different. Secondly, the study investigates the level of acceptability of AAOIFI's FAS 8 among the Malaysian financial institutions. The result presents a low level of acceptability of FAS 8, and thus, it indicates that, first, the aim to harmonize the accounting practices on Islamic financing practices by financial institutions internationally may be a challenging task.

Secondly, until and unless the regulatory agency adopts the AAOIFI standard as in the case of Malaysia, Bank Negara Malaysia, AAOIFI standards will remain only as a reference but do not have the legal authority. This study concluded that the harmonization with IFRS's is more suitable and acceptable since the accounting conflict makes the quality and comparability of accounting information of Islamic financing in Malaysia such as Ijarah will be at a paling. However, in my opinion this study has some problems as it relied on IAS 17, and now it is replaced by IFRS 16. Moreover, this study was limited to theoretical comparison there is no physical analysis showing the real effects on the financial statements. additionally, measuring the acceptability of the AAOIFI accounting standards is based on a survey without in-depth discussion with experts for the reasons and the solutions; furthermore, the research community is Malaysia only, so there is no consideration for the opinion conflict between the Sharia councils in the Islamic counties which provide a more comprehensive understanding.

Atmeh & Serdaneh (2012) criticized the accounting treatment offered by AAOIFI for violating the matching principle and lacking faithful representation. Additionally, suggested amendments for accounting treatments are also proposed. Nevertheless, the research relied on

IAS 17, and now it is displaced by IFRS 16. Moreover, this study was restricted to theoretical comparison there is no physical investigation telling the real effects on the financial statements.

Hanif (2016) aims to measure the possibility of applying the traditional accounting standard in Ijara accounting by Islamic financial institutions and the problems that may result from that. A theoretical comparison between IAS-17 and FAS-8, as well as their implications, was adopted as a research methodology. The study concluded in this process that despite continuous efforts by experts in Islamic finance to match the revenues and costs of clients with the traditional financial industry, the Ijara and leasing contract carries more financial, legal, and accounting differences than similarities, and therefore the application of traditional leasing accounting is not Suitable for Islamic financial institution. However, the study's flaws include the fact that it was based on IAS 17, which has since been replaced by IFRS 16, and that it was limited to a theoretical comparison and remains a personal judgment. Additionally, it focused on the invasion of the Islamic rules of the Ijara contract to conclude; in adverse, Mohammed et al. (2019) mentioned that the IFRS's extremely important to increase the global acceptability of the Islamic finance which led to noticeable development; moreover, the financial reporting process does not produce that volume of unfavorable effect on the validity of Islamic finance product.

Morshed & Széles (2020) examined the impact of the AAOIFI accounting standards for financial leased assets on the lessee's accounting treatment while employing an Islamic finance lease. The significance of this research became clear when the AAOIFI released Islamic accounting standards that varied significantly from IFRSs when it comes to the recognition of leased financial assets. In the statement of financial position, Islamic financial institutions recognize financial leased assets using AAOIFI accounting under long-term assets. Interviews with financial managers of Jordanian enterprises that implement Islamic financial leasing were used as a qualitative research approach in this study. Both Islamic financial leasing parties identify assets in the long-term asset side, according to the findings of this study. The lessee should use a fair accounting treatment and view it as operational leasing with adequate reasons for noncompliance with the IFRS in order to avoid inflation of Islamic financial leased assets.

2.3 Summary of the Discussion of the Problem-Related Research

This previous discussion influences this research in many perspectives to be unique and contribute new knowledge regarding the dilemma of financial reporting conflict in the Islamic banks.

2.3.1 The research problem

Firstly, the general problem related to the financial reporting of Islamic financial institutions as the provider of the Islamic financial lease (lessor)which appears and results from the existence of different accounting standards AAOIFI and IFRS's. Therefore, almost countries require Islamic banks operating within their conventional banking system to follow one of these standards. The dilemma is raging when the decision of what standard should be adopted is following the instructions of the competent shariah authorities since the existing of the opinion conflict between the Sharia councils in the Islamic countries.

Secondly, the trend that adopts the IFRS's extremely important to increase the global acceptability of the Islamic finance which lead to noticeable development; moreover, the financial reporting process does not produce that volume of unfavorable effect on the validity of Islamic finance product. Accordingly, the research questions will examine both themes.

2.3.2 The research area

Since Islamic banks in countries like Jordan, Qatar, Bahrain, and Bangladesh follow AAOIFI accounting standards, patterns regarding the research community were supplied. However, IFRS-compliant Islamic banks are not required because Qatar banks apply IFRS 16 to financial leasing as lessors. In Indonesia, they have their own set of accounting rules. As a result, Jordan, Qatar, and Bahrain will be the focus of investigation.

Secondly, the research community should have a deep understanding of the IFRS's features and importance furthermore the accounting effects on the shariah validity of Islamic finance products.

2.3.3 Research methods

The mentioned articles that examined the accounting treatment of Ijarah Muntahia Bittamleek under both IFRS's and AAOIFI accounting standards adopted only the comparative theoretical review for the accounting treatments of the lessor, despite this methodology is limited and relay on the researcher opinion. It will be the first method in this research. what makes this research unique when compared with the literature review of Ijarah Muntahia Bittamleek are that: (a) It will adopt to other methods, analysis of the annual reports of Islamic banks as lessors and individual interviews with experts in Islamic finance, accounting and IFRS's since these methods were adopted by almost mentioned studies in the full literature review. (b) Will consider the influences on the research community to select the interviews. (c) The interviews will be designed according to the literature reviews influences the research problem in addition to the results of the comparative theoretical analysis and the analysis of the annual reports.

2.3.4 The research questions

1- Dose the Islamic banking industry need private accounting standards, Do the IFRS’s improve the Islamic banking accounting treatments and make it more universally acceptable?

2- What are the differences between the IFRS’s and AAOIFI of the financial leasing accounting treatment for the lessor?

3- What are the consequences of the accounting treatments differences, if found, on the financial market?

2.4 Bridged of the AAOIFI Accounting Treatment of Islamic Financial Leasing

2.4.1 Islamic leasing (Ijarah), the AAOIFI Sharia's Standard No. (9): Ijarah

Translating the terms from conventional finance to Islamic finance; operational leasing is "Ijarah" financial leasing is "Ijarah Muntahia Bittamleek." Application of leasing in Islamic banks is limited to the financial leasing "Ijarah Muntahia Bittamleek" as the conventional banks.

Providing detailed interpretation for the term "Ijarah Muntahia Bittamleek" will focus the AAOIFI Sharia's Standard No. (9): Ijarah a and Ijarah Muntahia Bittamleek(AAOIFI, 2015). Since the research study, the accounting treatment according to the AAOIFI accounting standards and the Islamic finance experts consider the AAOIFI Sharia's Standards are the most suitable recourse to explain the concept and the rules of any Islamic financial product. Accordingly, the standard defined the term "Ijarah" as leasing of property plant or equipment; for example, house, building, machine, and car according to a contract under which a stipulated permitted benefit in the form of a usufruct is obtained for a specified period in return for a defined permitted consideration. According to this definition, there is no significant difference between leasing and Islamic " Ijarah" (Hanif, 2014).

While the definition of Ijarah and Ijarah Muntahia Bittamleek as leasing contracts which involve a promise by the lessor to transfer ownership in leased property to the lessee. Either at the end of Ijarah period or by stages during the term of the contract. However, the forms of the transfer of the leased asset will be discussed in others section. The purpose of this term is similar to financial leasing in the term of providing another type of financial facilities to the debtor (lessee). Referring to the Islamic finance theory, this type of commercial facilities is acceptable since it relays on real underlying assets, it is not a loan contract that aims to gain interest(Iqbal, 1997).

Figure (2) Ijarah Muntahia Bittamleek (Hanif, 2014)

To apply the “Ijarah Muntahia Bittamleek” as a financial product by the Islamic banks and even the conventional banks, the are many concepts and rules the banks should understand and consider them, as the followed paragraph.

Figure (3) Ijarah Muntahia Bittamleek concepts and rules(Hanif, 2014)

2.4.1.1 Promise to lease (an Asset)

A customer requests the bank to the usufruct of an existing asset which the customer wishes to take on lease. This request in practice existed as a separated contract used by the Islamic banks within the entire agreement's contracts. Besides, this contract can be used for one term arrangement or multi terms arrangement as a master contract in the "Ijarah Muntahia Bittamleek" product, in this case, there may either be a separate lease contract for each transaction, in a specific written document signed by the two parties or the two parties may exchange notices of offer and acceptance by referring to the terms and conditions contained in the master contract.

Banks have the right to claim the customer who has promised to lease to pay a sum of money (down payment) to ensure the customer's thoughtfulness in accepting a lease on the asset and the following responsibilities. The banks are not allowable to deduct from this down payment except in the case of actual damage suffered by the banks when the customer does not perform his promise contract.

Whoever, in the case of fulfilling the promise to transfer ownership, when the lessee rejects the transfer or failed in performing his payments, the promisor (lessee) shall be charged either the difference between the cost of the asset intended to be leased and the total lease rentals for the asset which is leased based on Ijarah Muntahia Bittamleek. However, it is essential that if the bank transferred the ownership of the underlying assets in the contract, the received amount of this sale would deduct out of the compensation amount. The amount of the down payment upon the agreement between the two parties the bank could handle it as an investment deposit or just a custody deposit (Lateef et al., 2017).

2.4.1.2 Acquisition of the asset to be leased by the bank

The standard stipulated the underlying assets that would be used in the "Ijarah Muntahia Bittamleek." The bank must own the assets, and the contract shall not be executed unless and until the Institution has acquired that asset. A lessee of an asset may enter into a sub-lease contract with a party other than the owner for a rental that is either the same, lower, or higher, payable either currently or on a deferred basis, unless the owner stipulates that the lessee should not assign or sublet the property to third parties or should not do so without his approval.

The lessee is prohibited to lease the asset back to its owner in the lease period for a rental that is lower, same, or higher than what he is paying if the two rentals are paid on a spot basis. Where Islamic law considers this type of operation to circumvent the usury (interest) process. The bank may designate one of its clients to function as its agent in purchasing the desired asset by this customer such as equipment and machinery. For example, to lease these assets to the customer (the lessee). Although this type of agency (for asset purchase) is permissible, it is always preferred that the agent is someone other than the client (prospective tenant) to the maximum extent possible (N. I. Abdullah & Dusuki, 2004).

2.4.1.3 Signature of the contract and the consequences thereof

A lease contract is a binding contract which neither party may terminate or alter without the other's approval. The duration of an "Ijarah Muntahia Bittamleek." The contract must be specified in the contract. The period of the contract should begin on the date of performance of the contract unless the two parties agree on a specified future commencement date(Lateef et al., 2017).

2.4.1.4 Rules governing benefit and leased property

The leased asset must be competent of being used while maintaining the asset, and the benefit from an Ijarah must be permissible by Islamic law. The underlying assets of "Ijarah Muntahia Bittamleek" may be a share in an undivided asset held in common with the lessee, whether the lessee is a partner with the lessor or not. In this case, the lessee has the right to use the leased asset in agreement with the other party, such as the mechanism to share ownership of a specific asset. The lessor is responsible for a leased asset where he burdens the maintenance expenses, the replacement guarantee and the cost of insurance policy on the mentioned assets of the throughout the duration of the Ijarah unless the lessee commits misconduct or negligence(Abdul Rahman, 2007).

2.4.1.5 Termination and expiry of the contract

It is permitted to terminate the lease contract by mutual approval, but it is prohibited for one party to terminate it except in case of force majeure or there is a defect in the leased asset that materially damages its use. Termination is also possible when one party obtains an option to terminate the contract in which case the party who holds the option may exercise it during the specified period. The (bank) lessor may stipulate that the “Ijarah Muntahia Bittamleek” contract be terminated if the lessee (client) does not pay the rent or fails to pay it on time(Lateef et al., 2017).

2.4.2 The accounting treatment for both Ijarah and Ijarah Muntahia Bittamleek

2.4.2.1 Recognition and measurement of the value of assets acquired for Ijarah

The bank acquires assets for Ijarah purposes at a definite compensation for a specified period. These assets are considered as the property of the bank and are recognized in the leased assets (non-current assets) in the statement of financial position. The assets values are measured according to the standard in the lessor’s books at the cost of acquisition (historical cost) and include the net price plus any other necessary expenses that are charged to the lessor, such as customs fees, tax, transportation costs, and insurance during, and exclude the indirect expenses those are not a result of the acquisition of useable assets(El-Halaby et al., 2021).

The accounting entries will be as:

Purchasing of property (assets) for Ijarah.

Dr/ Assets held for Ijarah purpose.

Cr/ Payment method.

Leasing of property (assets) Ijarah.

Dr/ Leased assets (Ijarah assets) non-current assets.

Cr/ Assets held for Ijarah purpose.

2.4.2.2 Initial direct costs of the contract

It includes expenses for negotiations, preparation, and approval of the lease contract, such as commissions and legal expenses for registering the contract, fees paid to attorneys, and experts.

According to the standard, these costs are charged to the lessor's income statement and the lessee as agreed upon between them as an expense for the financial period in which they were contracted if these expenses are not of relative importance.

The standard did not indicate what is meant by relatively important. However, it is recognized that costs and expenses of relative importance are those with copious amounts, which are amortized more than one fiscal year(El-Halaby et al., 2021).

The accounting entries will be as:

Recognize the initial costs of the contract in the case of its relative unimportant.

Dr/ The initial costs (expense, the statement of profit or loss) of the contract / Ijarah.

Cr/ Payment method.

Recognize the initial costs of the contract in the case of its relative important.

Dr/ The initial costs (prepaid expense, current assets) of the contract / Ijarah.

Cr/ Payment method.

At the end of each year recognize the related expense amount according to the matching principle.

Dr/ The initial costs (expense, the statement of profit or loss) of the contract / Ijarah.

Cr/ The initial costs (prepaid expense, current assets) of the contract / Ijarah.

2.4.2.3 Depreciation of the Ijarah assets

The standard provides that these assets are depreciated following the depreciation policy adopted by the bank in its books. However, Islamic banks do not set a residual value for the leased assets in the depreciation policy(AAOIFI, 2015).

The accounting entries will be as:

Dr/ Depreciation expense leased assets (Ijarah assets).

Cr/ Accumulated depreciation expense, leased assets (Ijarah assets).

2.4.2.4 Maintenance expenses and repairs to the leased assets

The capital expenditure maintenance of the leased assets: which relates to the assets itself and it is subject to the remaining of the assets' benefit. Operational maintenance: Also called periodic (regular) maintenance, which is maintenance that keeps the assets to continue its performance. As oils for the machines that are required for obtaining the benefit of the original. The standard states that these expenses are borne by the lessor and are classified into capital or operating expenses following the lessor's accounting policies(AAOIFI, 2015).

The accounting entries will be as:

Recognize the expense of the maintenance in the case of its relative unimportant (operational expenses).

Dr/ Maintenance's expense leased assets (Ijarah assets).

Cr/ Payment method.

Recognize the expense of the maintenance in the case of its relative important (capital expenditure).

Dr/ Provision of capital expenditure of the leased assets/Ijarah.

Cr/ Payment method.

At the end of the year

Dr/ Leased assets (Ijarah assets) non-current assets.

Cr/ Provision of capital expenditure of the leased assets/Ijarah.

2.4.2.5 Presentation and disclosure

The leased assets are shown in the statement of financial position at the carrying value, minus their total depreciation, under the name of "Ijarah Muntahia Bittamleek." The income statement shows items of expenses, costs, and depreciation.

2.4.2.6 Ijara payments

The Ijara payment is considered for the lessor as periodic leasing (Ijarah) revenue charged to the Income statement for the financial period. Whereas, for a lessee, it is considered a periodic charge that is incurred Income statement for the financial period, taking into account the accrual basis and charge the fiscal year with all its revenues or Ijara expenses(Hanif, 2016).

2.4.3 Transfer of ownership in Ijarah Muntahia Bittamleek

2.4.3.1 By gradual selling (dismissing partnership)

Using this type of transferee of ownership: the "Ijarah Muntahia Bittamleek" agreement Include promise contract, leasing (Ijarah) contract, and dismissing partnership contract. It considers the most applicable transferee of ownership mechanism by the banks since it almost reflects the conventional financial leasing (CIMA Advance Diploma In Islamic Finance. Chartered Institute Management Accountant UK, 2015).

It is recorded at a historical cost and depreciation expenses are recognized in the period in which it is due, bearing in mind its decrease in proportion to the decrease in the lessor's share.

Dr/ Depreciation expense leased assets (Ijarah assets) under dismissing partnership.

Cr/ Accumulated depreciation expense, leased assets (Ijarah assets) under dismissing partnership.

The lessor carries expenses for repairing the leased assets according to the ownership shares.

Recognize the expense of the maintenance in the case of its relative unimportant (operational expenses).

Dr/ Maintenance's expense leased assets (Ijarah assets) under dismissing partnership.

Cr/ Payment method.

Recognize the expense of the maintenance in the case of its relative important (capital expenditure).

Dr/ Provision of capital expenditure of the leased assets (Ijarah assets) under dismissing partnership.

Cr/ Payment method.

At the end of the year.

Dr/ Leased assets (Ijarah assets) non-current assets) under dismissing partnership.

Cr/ Provision of capital expenditure of the leased assets (Ijarah assets) under dismissing partnership.

The value of the paid Ijarah payments is a deduction from the leased assets in this type of lease, with recognition of the profit or loss resulting from the difference between the sale price and the book value of the sold share.

The accounting entry of the Ijara payments.

Dr/ Cash.

Cr/ Revenue from "Ijarah Muntahia Bittamleek" under dismissing partnership.

To recognize the lessee shares of "Ijarah Muntahia Bittamleek" under dismissing partnership.

Dr / Revenue from "Ijarah Muntahia Bittamleek" under dismissing partnership.

Cr/ The lessee share of the leased assets (Ijarah assets) non-current under dismissing partnership provision.

At the end of the agreement period these assets are fully depreciated as per the lessor's policy, the accumulated depreciation provision of the leased assets (Ijarah assets) under dismissing partnership will be closed in the revenue from "Ijarah Muntahia Bittamleek" under dismissing partnership(El-Halaby et al., 2021).

Dr/ Accumulated depreciation expense leased assets (Ijarah assets) under dismissing partnership.

Dr/The lessee share of the leased assets (Ijarah assets) non-current under dismissing partnership provision.

Cr/ Leased assets (Ijarah assets) non-current assets) under dismissing partnership.

Cr/ Revenue from "Ijarah Muntahia Bittamleek" under dismissing partnership.

If the customer does not fulfil all the Ijarah payment, the bank will sell the leased assets to a third party. the entries will be:

Dr/ Cash from the sale of (Ijarah assets) non-current under dismissing partnership.

Dr/ The accumulated depreciation of the leased assets.

Cr/ The leased assets (Ijarah assets) under dismissing partnership.

If there is a profit.

Cr/ Gain on sale of (Ijarah assets) non-current under dismissing partnership

If there is a loss of the sale.

Dr/ Loss on the sale of (Ijarah assets) non-current under dismissing partnership.

This loss will be closed in the lessee share of the leased assets (Ijarah assets) non-current under dismissing partnership provision as.

Dr/ The lessee share of the leased assets (Ijarah assets) non-current under dismissing partnership provision.

Cr/ Loss of sale of (Ijarah assets) non-current under dismissing partnership.

Finally, the lessee shares of the leased assets (Ijarah assets) non-current under dismissing partnership provision will be close as.

Dr/ The lessee share of the leased assets (Ijarah assets) non-current under dismissing partnership provision.

Cr/ Cash receipt from the sale of (Ijarah assets) non-current under dismissing partnership.

2.4.3.2 By gift (donation)

Assets acquired for “Ijarah Muntahia Bittamleek” by donation with historical cost and what applies to Ijara in terms of treatment of direct costs of the contract and Ijara revenue and repair expenses (direct costs “of relative importance” to the contract are distributed over the fiscal periods covered by the contract).

These assets are depreciated as per the lessor’s policy, with the waste value considered zero when determining the consumption premium. At the end of the lease term, the assets will be transferred to the lessee as a gift (donation) if he commits to pay all the Ijarah payments so the lease accounts will be closed(Morshed & Széles, 2020).

The accounting entries will be different according to two cases when the lessee pays the entire Ijarah payment the entries will be:

Dr/ The accumulated depreciation of the leased assets.

Cr/ The initial cost of the leased assets.

when the lessee does not fulfil all the Ijarah payment, the bank will sell the leased assets to a third party. the entries will be similar to the derecognition of an asset when selling at as IAS 16:

Dr/ Cash.

Dr/ The accumulated depreciation of the leased assets.

Cr/ The initial cost of the leased assets.

The balance amount will be recognized as “Ijarah Muntahia Bittamleek” investment gain or loss. However, this mechanism is applied by the Islamic banks, but recently, most of them converted to gradual selling (dismissing partnership).

2.4.3.3 By selling for a specific price

These leased assets are depreciated as per the lessor’s policy, taking into consideration the residual value equal the agreed sale price when determining the consumption premium. When the lease term end: If the lessee completes the Ijarah payment and pays the agreed price at the end of the contract; the ownership of the asset is transferred to him, and the leasing accounts are closed.

If the lessee decides not to purchase the leased assets at the end of the agreement: In the event that the not lessee is imposed to perform the sale contract: the assets are recognized at the cash value expected to be fulfilled. If this value is less than the net book value, the difference is recognized as a loss in the same financial period.

If the lessee is imposed to perform the sale contract: The difference between the book value and the expected fulfilment is recognized account receivable of the lessee.

However, this mechanism of transferring the ownership is not applicable by the Islamic banks since it does not reflect the simulation of conventional financial leasing(CIMA Advance Diploma In Islamic Finance. Chartered Institute Management Accountant UK, 2015).

2.4.3.4 By selling before the expiry of the period at a price equivalent to the rest of the Ijarah payments

It is recorded at a historical cost and treats rental income and expenses, contract costs and the end of the financial period as its previous methods. The gain or loss arising on the difference between the sale price and the net book value is recognized(El-Halaby et al., 2021).

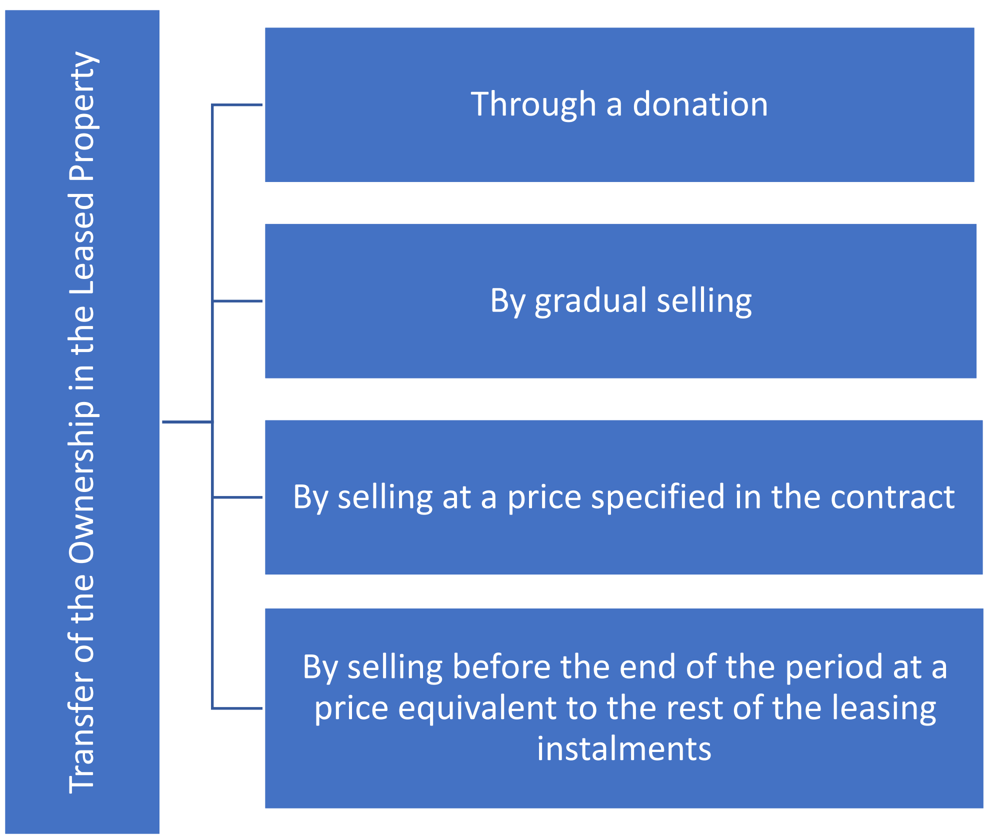

Figure (4) Transfer of the Ownership in the Leased Property (own work)

2.5 Glimpse at the Financial Leasing Accounting Treatment Under (IFRS 16)

2.5.1 Overview

IFRS 16 Leases requires lessees to recognise assets and liabilities for most leases. The International Accounting Standards Board (IASB) issued the standard after joint deliberations with the Financial Accounting Standards Board (FASB). However, there are significant differences between the IASB and FASB standards (e.g., lessees classify leases as finance or operating leases under the FASB standard)(Raoli, 2021).

The current lease accounting requirements in IAS 17 Leases have been criticised for neglecting to meet the requirements of users of the financial statements, expressly because IAS 17 does not want lessees to recognise assets and liabilities resulting from operating leases.

IFRS 16 directs those reviews by requiring lessees to recognise most leases on their statement of financial position and providing enhanced disclosures. The IASB believes this will result in a more reliable representation of lessees' assets and liabilities and more excellent clearness of lessees' financial obligations and leasing activities (Picker et al., 2019).

Under IFRS 16, leases are accounted for based on a 'right-of-use model'. The model shows that, at the commencement date, a lessee has a financial obligation to make lease payments to the lessor for its right to use the underlying asset during the lease term.

The lessor carries that right to use the underlying asset at lease commencement, which is the time when it makes the underlying asset ready for use by the lessee. Entities will need to concentrate on whether an arrangement contains a lease or a service agreement because there are significant differences in accounting.

This research focuses on Islamic financial leasing; accordingly, the interpretation of this section will not be included.

Although IFRS 16 changes how the definition of a lease is applied, we believe that the evaluation of whether a contract includes a lease will be straightforward in most arrangements.

However, judgement may be required in applying the definition of a lease to special arrangements, especially those that include vital services.

For lessees, the income statement presentation and expense recognition guide are similar to finance leases under IAS 17 (i.e., separate interest and depreciation expense with higher periodic expense in the earlier periods of a lease).

Lessor accounting is extensively maintained from current accounting. Lessors will classify all leases using the same classification system as in IAS 17 and differentiate between operating and finance leases (Kabir & Rahman, 2018).

This chapter will focus on the accounting treatment of financial leasing, Islamic financial leasing, in both the lessor and lessee books. Although, this research focus on the accounting treatment of Islamic financial leasing "Ijarah Muntahia Bittamleek" at the Islamic banks financial statement as lessor, concentrated reviewing of the accounting treatment of the financial leasing in the lessee financial statements under IFRS 16 should be significant to measure the differences between the IFRS16 and FAS 32 accounting treatment of Islamic financial leasing "Ijarah Muntahia Bittamleek."

2.5.2 Lessee accounting

2.5.2.1 Initial recognition

IFRS 16 requires the lessee to recognize an obligation to pay lease payments and an asset that represents the right to use the underlying asset (the right to use asset) during the term of the lease for all lease contracts, except short-term lease contracts and low-value lease assets if they choose to apply for these exemptions.

The purpose of short-term lease policy contracts and leases for accounting policy options for low-value assets is to reduce the cost and complexity of applying IFRS 16.

However, the lessee who makes these choices must provide accurate, quantitative and qualitative disclosures about lease contracts, short-term leases and low-value assets (Picker et al., 2019).

2.5.2.1.1 Short-term leases

A short-term lease is described as a lease on the start date of a lease term of 12 months or less and does not include an option to purchase the underlying asset.

Short-term lease exemption can be done by a type of underlying asset to which the right to use associates. The type of core assets is a group of underlying assets of a similar kind and used in the operations of the entity. The lessee making this accounting policy option does not recognize the obligation to lease or the right to use in the statement of financial position.

Instead, the lessee recognizes the lease payments associated with those rents as expenses, either straight-line method over the lease term or on another systematic basis. It is expected that the lessee will apply another regular basis if this basis is more representative of the lessee benefits.

When deciding, whether a lease is a short-term lease; the lessee evaluates the term of the lease in the same way that all other leases are evaluate.

That is, the term of the lease includes the term of the non-cancellable lease. The periods are covered by the option to extend the lease if the lessor is reasonably assured of the exercise of this option. Moreover, periods covered by the option to terminate the lease if the lessee is reasonable, some who do not exercise this option. As the decision is addressed at the commencement date, a lease cannot be classified as short-term if the lease term is subsequently reduced to less than 12 months. Besides, to qualify as a short-term lease, the lease cannot include an option to purchase the underlying asset.

A lease that qualifies as a short-term lease at the commencement is a new lease if there is a lease modification or a change in a lessee’s assessment of the lease term.

A new lease is evaluated to determine if it is eligible for a short-term exemption, as is any other new lease. The short-term lease accounting policy test aims to reduce the cost and complexity of applying IFRS 16. However, the lessee who makes the election must make some quantitative and qualitative disclosures about short-term leases.

When the lessee determines the policy for the type of underlying asset, all future short-term leases for that class are to be held accountable according to the lessee policy. The lessee evaluates any possible change in its accounting policy following International Accounting Standards 8 Accounting policies, changes in accounting estimates and errors. For example, a lessee begins a non-cancellable nine-month lease with the option to extend the four-month lease. The lease does not have a purchase option. On the date of commencement of the lease, the tenant assumes that it is reasonably sure to exercise the option to extend because the monthly rent payments during the extension period are much lower than market prices. Conclusion: the lease term is higher than 12 months. Consequently, the lessee may not count the lease contract as a short-term lease. For example, consider the same details as in the previous example, except for the start date of the lease, the tenant assumes that it does not make sense to exercise the extension option because the monthly rental payments during the optional extension period are as expected by the tenant. Market prices and no other factors would make the exercise of the renewal option reasonably certain. Interpretation: the lease term is 12 months or less. Consequently, the lessee may calculate the lease contract under the short-term lease exemption, he recognizes the lease payments as an expense either on a straight-line basis over the lease term or on another systematic basis and does not recognize the lease obligations or the right to use the assets in its balance sheet, similar to the operating lease contract under IAS 17(ey, 2018; Picker et al., 2019) (Tumpach et al., 2021).

2.5.2.1.2 Leases of low-value assets

The lessee can also specify the option of leases that have an existing primary have a low value (assets of low value). This option can be made based on the lease by lease. A lessee, who is executing this option, does not recognize the lease obligations or the right to use in its statement of financial position. Alternatively, the lessee recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another orderly basis if that basis is more representative of the design of the lessee's benefit(Raoli, 2021).

The lessee measures the value of the underlying asset based on the value of the asset when it is new, notwithstanding the age of the asset being leased. An evaluation is made to determine whether the underlying asset has a low value on an unrestricted basis. Lease contracts for low-value assets are eligible for exemption regardless of whether these lease contracts are material to the tenant.

The evaluation is not affected by the size, nature, or conditions of the lessee. Therefore, different lessees are expected to come to the same conclusion about whether it is a primary asset of low value.

At the time it reached its exemption decisions, the IASB had taken into consideration basic asset leases of $ 5,000 or less when it was new. Examples of low-value assets include desktops and laptops, small items of office furniture, telephones and other low-value equipment that exclude cars because the new car will not usually be low-value.

The underlying asset cannot be of low value unless:

• The lessee can benefit from using the assets alone, or with other resources available to the lessee easily.

• The underlying asset is not dependent on or heavily related to other assets.

For example, the facility may rent a truck for use in its business, and the lease includes the use of tires attached to the truck. To use tires for their intended purpose, they can only be used with the truck, and therefore they depend on the truck or are heavily attached to it. Therefore, the tires will not be eligible to exempt low-value assets. (EY, 2018; PWC, 2016).

2.5.2.2 Initial measurement

2.5.2.2.1 Right-of-use assets

A lessee initially measures the right-of-use asset at cost, which consists of all of the following:

• The amount of the initial measurement of the lease liability.

• Any lease payments made to the lessor at or before the commencement date, less any lease incentives received from the lessor.

• Any initial direct costs incurred by the lessee.

• An estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease unless those costs are incurred to produce inventories.

On initial measurement, a lessee is required to recognize dismantling, removal, and restoration costs as part of the right-of-use asset. Costs may be incurred at lease commencement or during a particular period as a consequence of having used an underlying asset. Costs that are incurred during a particular period as a consequence of having used the right-of-use asset to produce inventories are accounted for under IAS 2 Inventories. The liability associated with dismantling, removal and restoration costs is recognized and measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Tumpach et al., 2021).

2.5.2.2.2 Lease liabilities

On the start date, the lessee first measures the lease obligation at the present value of the lease payments that will be made over the lease term (EY, 2018) (Gillan, 2018).

2.5.2.3 Subsequent measurement

2.5.2.3.1 Right-of-use assets

A lessee consequently measures the right-of-use asset using a cost model, unless it applies one of the other measurement models discussed below.

Cost model

When a lessee implements the cost model, the right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. A lessee implements the depreciation requirements in IAS 16 in depreciating the right-of-use asset, subject to the following requirements:

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee depreciates the right-of-use asset starting the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Depreciation of the right-of-use asset is recognized in a way consistent with existing standards for property, plant, and equipment. IAS 16 is not prescriptive about the methods of depreciation, mentioning straight line, diminishing balance and units of production as possibilities.

The primary requirement of IAS 16 is that the depreciation charge displays the guide of consumption of the benefits the asset brings over its useful life and is applied consistently from period to period(EY, 2018; Gillan, 2018, p. 16).

2.5.2.3.2 Lease liabilities

The IASB noted that the accounting treatment of the lease obligation should be like other financial liabilities (based on amortized cost). Consequently, the lease obligation is increased by using an amount that produces a fixed periodic discount rate on the remaining balance of the obligation.

The IASB noted that the lease accounting treatment of the obligation should be like other financial liabilities (based on amortized cost). Consequently, the lease obligation is increased by using an amount that produces a fixed periodic discount rate on the remaining balance of the obligation (the discount rate initially determined, as long as no revaluation requires a change in the discount rate) (Raoli, 2021).

2.5.2.4 Expense recognition

Lessees recognize the following items in expense for leases:

• Depreciation of the right-of-use asset.

• Interest on the lease liability.

• Variable lease payments that are not included in the lease liability.

• Impairment of the right-of-use asset.

2.5.2.5 Depreciation of the right-of-use asset and interest on the lease liability

After the commencement date, the lessee recognizes the impairment of the fundamental right to use and individually recognizes the benefits of the lease obligation. When the lessee reduces the right-of-use asset on a straight-line basis, it gets the entire periodic expenses (the depreciation expense and the interest amount) usually essential in the early periods and decreases in the following periods.

As a fixed interest rate is used to the lease obligation, the interest expense decreases as cash payments are performed throughout the lease, and the lease obligations decrease. Accordingly, interest expense is contracted more in the early phases and less in the subsequent phases. This trend in calculating the interest. Besides, the decrease in the direct value of the original right of use results in the model of recognizing the expenses charged in the introduction. This expense model is harmonious with the subsequent measurement of finance leases under IAS 17(EY, 2018; Picker et al., 2019).

Variable lease payments

Following the commencement date, lessees recognize any variable lease payments not included in the measurement of the lease liability in the period in which the situation or circumstance that triggers those payments happen in profit or loss(EY, 2018; KPMG, 2017).

Impairment of the right-of-use asset

Lessees' right-of-use assets are obedient to being impairment requirements in IAS 36 Impairment of Assets. If a lessee decides that a right-of-use asset is impaired, it recognises an impairment loss and measures the right-of-use asset at it carrying amount directly following the impairment. A lessee consequently depreciates, usually on a straight-line module, the right-of-use asset from the date of the impairment to the more first stage of failure of the useful life of the right-of-use asset or the end of the lease duration. However, the depreciation period is the residual useful life of the underlying asset if the lessee is logically definite to exercise an option to purchase the underlying asset or if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term(EY, 2018).

2.5.2.6 Example — Lessee accounting

H.K company (lessee) enters into a three-year lease of the building. H.K company agrees to perform the subsequent yearly payments at the end of each year: $5,0000 in year one, $6,0000 in year two and $7,0000 in year three. The initial measurement of the right-of-use asset and lease liability are $ 165,000 (present value of lease payments using a discount rate of approximately 4.235%). H.K company uses its incremental borrowing rate because the interest rate implicit in the lease cannot be readily determined. H.K company depreciates the right-of-use asset on a straight-line basis over the lease term.

At lease commencement, H.K company would recognise the lease-related asset and liability:

Dr/ Right-of-use asset $165,000.

Cr/Lease liability$165,000.

To initially recognize the lease-related asset and liability.

The subsequent journal entries would be recorded in the first year:

Dr/Interest expense $ 6,990.

Cr/Lease liability $ 6,990.

To register interest expense and accrete the lease liability using the interest method ($165,000 x 4.235%).

Dr/Depreciation expense $55,000.

Cr/Right-of-use asset $55,000.

To record the depreciation expense on the right-of-use asset ($165,000 ÷ 3 years).

Dr/Lease liability $50,000.

Cr/Cash $50,000.

To record lease payment.

A summary of the lease contract's accounting (assuming no changes due to reassessment).

is, as follows:

	Year 1	**Year 2**	**Year 3**
Cash lease payments	$50,000	$60,000	$70,000
Lease expense recognized			
Interest expense	$6,990	$5,165	$2,845
Depreciation expense	$55,000	$55,000	$55,000
Total periodic expense	$61,990	$60,165	$57,845
statement of financial position			
Right-of-use asset	$165,000	$110,000	$55,000
Lease liability	$(165,000)	$(121,990)	$(67,155)

(EY, 2018)

2.5.2.7 Remeasurement of lease liabilities

IFRS 16 wants lessees to re-measure their lease obligations when there is an alteration to the lease (a change in the scope of the lease, or consideration of the lease that was not part of the original terms and conditions of the lease) that has not been determined for a separate contract. Lessees' requirement also re-measure lease payments when changing any of the following:

• The lease duration.

• The evaluation of whether the lessee is logically determined to utilize an option to purchase the underlying asset.

• The amounts required to be payable under residual value guarantees.

• Future lease payments resulting from a difference in an index or rate.

• In-substance fixed lease payments.

Lessees use an updated discount rate when updating lease payments for a difference in the lease duration or an updated evaluation of the purchase option. The adjusted discount rate is based on the interest rate implicit in the lease for the remainder of the lease. If this rate cannot be easily fixed, the lessee practices the additional borrowing rate. Lessees use the initial discount rate when lease payments are updated to improve the required amounts of the residual value collaterals and payments that depend on an index or price unless the rate is a floating rate.

When the lease involves a market price improvement (review of the market rent), negotiations between the tenant and the lessor may take some time to complete (negotiation period)(EY, 2018).

2.5.2.8 Lease modifications

If a lease is altered (a change in the scope of a lease or against a lease, and this was not part of the original terms and conditions of the lease), the amended contract is assessed to decide whether he or he includes the lease.

Exercising the current purchase or renewal option or a change in the assessment of whether these options are reasonably certain to exercise them are not amendments to the lease but can lead to a re-measurement of lease obligations and right to use assets(EY, 2018; Picker et al., 2019).

2.5.2.9 Determining whether a lease modification results in a separate lease

The lessee assumes a lease amendment (a change in the scope of a lease or upon a lease, which was not part of the original terms and conditions of the contract) as a separate lease (separate from the original lease) when the following two conditions are met:

The amendment increases the scope of the lease by adding the right to use one or more of the underlying assets.

Increase the lease in proportion to the independent price, to increase the range, and any adjustments to that independent price reflect the conditions of the specific contract. If each of these conditions is performed, the amendment of the lease contract occurs in two separate contracts, the original unmodified contract, and a separate new lease contract. Lessees account for a separate contract that contains a lease in the same way as new lease contracts. If any of the conditions are not met, the amended lease contract is not counted as a separate lease(EY, 2018; Picker et al., 2019).

2.5.2.10 The modification that is a separate lease Example

Lessee enters into a 10-year lease for 2,000 square meters of office space. At the beginning of Year 6, Lessee and Lessor agree to amend the original lease for the remaining five years to include an additional 3,000 square meters of office space in the same building. The additional space is made available for use by Lessee at the end of the second quarter of Year 6. The increase in total consideration for the lease is commensurate with the current market rate for the new 3,000 square meters of office space, adjusted for the discount that Lessee receives reflecting that Lessor does not incur costs that it would otherwise have incurred if leasing the same space to a new tenant (for example, marketing costs).

Lessee accounts for the modification as a separate lease, separate from the original 10-year lease. This is because the modification grants Lessee an additional right to use an underlying asset, and the increase in consideration for the lease is commensurate with the stand-alone price of the additional right-of-use adjusted to reflect the circumstances of the contract. In this example, the additional underlying asset is the new 3,000 square meters of office space. Accordingly, at the commencement date of the new lease (at the end of the second quarter of Year 6), Lessee recognizes a right-of-use asset and a lease liability relating to the lease of the additional 3,000 square meters of office space. The lessee does not make any adjustments to the accounting for the original lease of 2,000 square meters of office space as a result of this modification(EY, 2018; Picker et al., 2019).

2.5.2.11 Presentation

The resulting table abstracts how to provide the amounts and activities related to leasing in the financial statements of the lessees.

Table (1) IFRS16 presentation requirements (BDO, 2019; EY, 2018)

Statement of financial position	Right-of-use assets presented either: • Individually from other assets (e.g., owned assets). • Mutually with other assets as if they were owned, with disclosures of the items that include right-of-use assets and their amounts. Right-of-use assets that satisfy the definition of investment property are presented as an investment property. Lease liabilities presented either: • Independently from other liabilities. • Mutually with other liabilities with disclosure of the items that involve lease liabilities and their amounts.
Statement of profit or loss	Lease-related depreciation and lease-related interest expense are presented separately (i.e., lease-related depreciation and lease-related interest expense cannot be combined). Interest expense on the lease liability is a component of finance costs.
Statement of cash flows	• Cash payments for the principal portion of the lease liability are presented within financing activities. • Cash payments for the interest portion of the lease liability are presented based on an accounting policy election either financing or operating activities. • Lease payments for short-term leases and leases of low-value assets not recognized on the balance sheet and variable lease payments not included in the lease liability are presented within operating activities.

2.5.2.12 Disclosure

The purpose of the disclosures is for lessees to provide information in the notes that, when combined with the information in the statement of financial position, statement of profit or loss, and statement of cash flows, allows users of financial statements to assess the impact of leases on the lessee's financial position, financial performance, and cash flows. However, this research concentrated on the lessor accounting treatment for financial leasing, Islamic financial leasing. Accordingly, a detailed interpretation of the disclosure is not required(Raoli, 2021).

2.5.3 Lessor accounting

IFRS 16 is remarkably similar to International Accounting Standard 17 of the lessor's accounting mechanism. The differences between the lessor's accounting requirements in IFRS 16 and IAS 17 will be interpreted through the following discussion.

2.5.3.1 Lease classification

the standard provides sufficient explanation of the classification of the leased asset to be financial lease assets or operational lease assets. However, the research scope is the accounting treatment of the Islamic financial leas as a financing product in the Islamic finance industry providing by the Islamic banks. Accordingly, subject to the research scope, more illustration of leas classification is not required (EY, 2018; KPMG, 2017).

2.5.3.2 Key concepts applied by a lessor

The total of (a) the lease payments payable by a lessor under a finance lease, and (b) any unguaranteed residual value accruing to the lessor, is the gross investment in the lease. The lease's net investment is: The lease's gross investment, discounted at the lease's implicit interest rate. Unguaranteed residual value: That portion of the underlying asset's residual value for which a lessor's realization is not guaranteed or is guaranteed entirely by a party associated to the lessor(EY, 2018; KPMG, 2017).

2.5.3.3 Finance leases

This section is the essential theoretical interpretation related to the research scope since it provides the critical lessor accounting treatments of the financial leased assets. Therefore, the primary recourse of the theoretical comparison analysis part of the finding is relying on this section.

2.5.3.3.1 Initial recognition and measurement

At the start of the lease, the lessor treatment of the finance lease, as follows:

• Derecognizes the carrying amount of the underlying asset.

• Recognizes the net investment in the lease.

• Recognizes, in profit or loss, any selling profit or selling loss.

For finance leases, the initial measurement of the lease includes the initial direct costs. Initial direct costs are included in the implicit interest rate in the lease and are not added separately.

The net investment in the lease is initially measured as:

1. The present value of lease payments.
2. The present value of the remaining unsecured asset.

Both of which is discounted using the interest rate implicit in the lease.

Any gain or loss on sale is measured as the difference between the fair value of the underlying asset or receivable, if it is less, and the book value of the underlying asset, net of any remaining unsecured asset(Picker et al., 2019).

2.5.3.3.2 Manufacturer or dealer lessors

On the start date, the lessor or dealer lessor recognizes profit of the sale following its direct sales policy to which IFRS 15 applies. Accordingly, upon the commencement of the lease, the lessor the dealer lessor recognizes the following:

• The fair value of the underlying asset as revenue or if it is less, the present value of the rental payments is discounted using the market interest rate.

• The cost (or book value) of the asset minus the present value of the remaining unsecured value, at the cost of sale.

• Gain or loss on sale following the direct selling policy.

The lessor or the leased dealer recognizes the sale of profit or loss on sale with a finance lease on the start date, regardless of whether the lessor transfers the underlying asset as defined in IFRS 15. The costs acquired by the manufacturer or lessor dealer in conjunction with receiving a finance lease are recognized as an expense on the start date and are excluded from the net investment in the lease because it mainly relates to earning profits from the manufacturer or dealer’s selling profit (EY, 2018).

2.5.3.3.3 Subsequent measurement

Following the start of the lease, the lessor treatment of the finance lease, as follows:

• Recognizes financing income (in the statement of profit or loss) over the term of the lease with an amount that occurs in a continuous periodic rate of return on balance remaining from the net investment in the lease (using the implicit interest rate in the lease).

Income is recognized on the components of the net investment in the lease, including:

• Interest on the outstanding lease.

• Interest by accumulating the remaining unsecured assets to their expected value at the end of the lease.

• Diminishes the net investment in the lease for received rental payments.

• Identifies the income from variable lease payments not involved in the net investment in the lease in the period in which this income is earned recognizes any decrease in net investment in the lease(EY, 2018; KPMG, 2017).

2.5.3.3.4 Remeasurement of the net investment in the lease

Subsequent lease start, the net investment in a lease is remeasured only in the two states:

• The lease is modified, and the modified lease is not accounted for as a separate contract.

• The lease term is updated when there is a change in the non-cancellable period of the lease(EY, 2018).

2.5.3.4 Lessor accounting for a finance lease example

Suppose HK company as a Lessor enters into a 10-year lease of buildings with Lessee. The buildings are not specific and are expected to have an alternative use to Lessor at the end of the 10-year lease term. Under the lease:

• Lessor receives annual lease payments of $75,000, payable at the end of the year.

• Lessor expects the residual value of the equipment to be $250,000 at the end of the 10-year lease term.

• The lessee provides a residual value guarantee that protects Lessor from the first $1500,000 of loss for a sale at a price below the estimated residual value at the end of the lease term (i.e., $250,000).

• The buildings have an estimated remaining economic life of 15 years, a carrying amount of $500,000 and a fair value of $555,000.

• The lease does not transfer ownership of the underlying asset to Lessee at the end of the lease term or contain an option to purchase the underlying asset.

• The interest rate implicit in the lease is 10.078%.

Lessor classifies the lease as a finance lease because the sum of the present value of lease payments amounts to substantially all of the fair value of the underlying asset.

At lease start, Lessor accounts for the finance lease, as follows:

To record the net investment in the finance lease and derecognize the underlying asset:

Dr/Net investment in the lease $555,000.

Dr/Cost of goods sold $461,720.

Cr/Revenue $516,720.

Cr/Property held for lease $500,000.

Value of $150,000, both discounted at the interest rate implicit in the lease, which equals $516,720 and (2) the present value of the unguaranteed residual asset of $100,000, which equals $38,280. Note that the net investment in the lease is subject to the same considerations as other assets in classification as current or non-current assets in a classified statement of financial position.

Cost of goods sold is the carrying amount of the equipment of $500,000 less the present value of the unguaranteed residual asset of $38,280. Revenue equals the lease receivable. The carrying amount of the underlying asset:

At lease commencement, Lessor recognizes selling profit of $55,000 which is calculated as the lease payment of $ 516,720 less the carrying amount of the asset ($ 500,000), net of any unguaranteed residual asset ($38,280), which equals $461,720.

Journal entries for a finance lease:

Dr/Cash $75,000.

Cr/Net investment in the lease $ 19,065.

Cr/Interest income $55,935.

Cash; receipt of annual lease payments at the end of the year.

Net investment: reduction of the net investment in the lease for lease payments received of ($75,000), net of interest income of $55,935.

Interest income is the amount that produces a constant periodic discount rate on the remaining balance of the net investment in the lease(Picker et al., 2019).

2.6 Closer Look at International Accounting Standards Related to Leasing

2.6.1 International accounting standard 16 (IAS 16) Property, plant, and equipment

2.6.1.1 Recognition

In this context, recognition simply means a combination of the item in the business's accounts, in this case, as a non-current asset. The recognition of property, plant and equipment depends on two criteria:

(a) Future economic benefits associated with the asset will probably flow to the entity.

(b) The cost of the asset to the entity can be **measured reliably.**

These recognition criteria apply to **subsequent expenditure** as well as costs incurred initially. There are no separate criteria for recognizing subsequent expenditure.

Property, plant and equipment can amount to **substantial amounts** in financial statements, affecting the presentation of the company's financial position and the profitability of the entity, through depreciation and also if an asset is wrongly classified as an expense and taken to profit or loss(Holov, 2018).

2.6.1.2 Future economic benefits

The level of confidence connected with the future economic benefits flow must be assessed. This issue should be based on the evidence presented on the date of the initial recognition (usually the date of purchase). The entity must assure that it will receive the rewards connected with the asset and assume the risks connected with it, which will generally be the case only when the rewards and risks transfer to the entity. Until then, the original should not be recognized(Holov, 2018).

2.6.1.3 Cost measured by reliable

It is commonly simple to measure the cost of an asset as the conversion amount in the purchase, that is, what was paid for it. Self-generated assets can also be easily measured by adding the purchase price of all the parts (labour, materials, etc.) paid to external parties(Holov, 2018).

The standard lists the components of the cost of an item of property, plant and equipment as follow:

- The purchase price, less any trade discount or rebate.
- Import duties and non-refundable purchase taxes.
- Directly attributable costs of bringing the asset to working condition for its intended use.

The revised IAS 16 provides additional guidance on directly attributable costs included in the cost of an item of property, plant, and equipment.

(a) These costs bring the asset to the location and working conditions necessary for it to be capable of operating in the manner intended by management, including those costs to test whether the asset is functioning correctly.

(b) They are determined after deducting the net proceeds from selling any items produced when bringing the asset to its location and condition.

The revised standard also states that income and related expenses of operations that are incidental to the construction or development of an item of property, plant and equipment should be recognized in profit or loss.

The following costs will not be part of the cost of property, plant, or equipment unless they can be attributed directly to the asset's acquisition or bringing it into its working condition.

- Administration and other general overhead costs.
- Start-up and similar pre-production costs.
- Initial operating losses before the asset reaches planned performance.

All of these will be recognized as an **expense** rather than an asset.

In the case of **self-constructed assets**, the same principles are applied for acquired assets. If the entity makes similar assets during the ordinary course of business for sale externally, then the cost of the asset will be the cost of its production under IAS 2 *Inventories*. Also means that abnormal costs (wasted material, labour, or other resources) are excluded from the cost of the asset. An example of a self-constructed asset is when a building company builds its own head office(Picker et al., 2019).

2.6.1.4 Subsequent expenditure

Parts of some items of property, plant and equipment may require replacement at regular intervals. IAS 16 gives examples of a furnace which may require relining after a specified number of hours or aircraft interiors which may require replacement several times during the life of the aircraft.

This cost is recognized in full when it is incurred and added to the carrying amount of the asset. It will be depreciated over its expected life, which may be different from the expected life of the other components of the asset.

The carrying amount of the item being replaced, such as the old furnace lining, is derecognized when the replacement takes place. Expenditure incurred in replacing or renewing a component of an item of property, plant and equipment must be recognized in the carrying amount of the item. The carrying amount of the replaced or renewed component must be derecognized.

A similar approach is also applied when a separate component of an item of property, plant and equipment is identified in respect of a major inspection to enable the continued use of the item.

2.6.1.5 Measurement Subsequent to initial recognition

The standard offers two possible treatments here, mostly a choice between keeping an asset recorded at cost or revaluing it to fair value.

a. Cost model. Carry the asset at its cost less depreciation and any accumulated impairment loss.
b. Revaluation model. Carry the asset at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revised IAS 16 makes clear that the revaluation model is available only if the fair value of the item can be measured reliably(Picker et al., 2019).

2.6.1.6 Depreciation

The standard states:

- The depreciable amount of an item of property, plant and equipment should be allocated on a systematic basis over its useful life.
- The depreciation method used should reflect the pattern in which the entity consumes the asset's economic benefits.
- The depreciation charge for each period should be recognized as an expense unless it is included in the carrying amount of another asset.

Land and buildings are dealt with separately even when they are acquired together because land typically has an unlimited life and is therefore not depreciated.

In contrast, buildings do have a limited life and must be depreciated. Any increase in the value of the land on which a building is standing will have no impact on the determination of the building's useful life.

A review of the useful life of property, plant and equipment should be conducted at least at each financial year-end and the depreciation charge for the current and future periods should be adjusted if expectations have changed significantly from previous estimates. Changes are changes in accounting estimates and are accounted for prospectively as adjustments to future depreciation (Picker et al., 2019).

2.6.2 International financial reporting standard 9 (IFRS 9) Financial instruments

During 2014 IASB declared adopted draft of IFRS 9 to replace the current standard IAS 39, and the IFRS 9 will have been obligatory by the end of 2018. The IASB justifies that replacement of IAS 39; that IAS 39 adopt the rules methodology that will make the decision more constant and predictable, yet rules methodology does not support to perform a productive accounting treatment. On the other hand, IFRS 9 depend on principles methodology. The problem with this methodology is these no operational assistance (Gornjak, 2017)**.**

2.6.2.1 Business model

To ascertain the purpose of holding the financial assets in the meaning of classifying the financial assets as measured at amortized cost or measured at fair value through profit and loss or other comprehensive income (‘IFRS 9 Financial Instruments’). When a firm first recognizes a financial asset, it classifies it regards the business model for managing the asset and the asset's contractual cash flow components. Each financial asset will be measured at amortized cost when the asset is held within a business model whose purpose is to keep assets to receive future assets cash inflows, and the payments of principal and the interest were determined to flow on specified dates by the assets contract. When the entity held any financial assets in business models whose aim is accomplished by selling financial assets are measured at fair value through profit or loss.

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose aim is accomplished by both collecting contractual cash flows and selling financial assets. Equity instruments are measured at fair value in the statement of financial position, with value changes recognized in profit or loss, excluding those equity investments for which the entity has selected to present value changes in 'other comprehensive income. There is no 'cost exception' for unquoted equities." (‘IFRS 9 Financial Instruments’).

2.6.2.2 Expected credit loss

Gornjak (2017) mentioned that the expected credit loss as a unified model to run the impairment of all financial assets, which advance financial reporting. Impairment of the financial assets produces tangible changes in accounting policies, which adopts the model of future losses, although stakeholders have a vision into an instrument with increase the credit risk. Novotny-Farkas (2016) said the recent recognition of credit losses would diminish the accumulated of loss continuations and the overemphasis of regulatory capital. Furthermore, protracted disclosure requirements are possible to contribute to more effective market discipline. Through these channels, IFRS 9 improve financial stability. Gomaa et al., (2018) realised that the FASB requires the current judgment of all cash flows not assumed to be settled by an entity, which includes all financial instruments at each reporting date.

That provision settles adequate for the meeting of the entire proposed credit losses, plus that will display the economics of lending and loan losses through approving those economic losses occur if credit-loss expectations change from initial expectations. However, among other things, it remains challenging to predict the result of the combination of the FASB’s imperative that the provision for credit losses should consider the full amount not supposed to be settled on financial assets. The expected credit model would enhance the bank transparency considering it presents a part in mitigating or heightening such as credit risk interests.

IFRS’s reports the general model for impairment based on fluctuations in credit quality since initial recognition in three steps:

The first Stage involves financial instruments that do not have a meaningful increase in credit risk after the initial recognition, or that has low credit risk at the reporting date. For these assets, twelve -months expected credit losses are recognized, and interest revenue is calculated on the gross carrying amount of the asset; considering that is, without deduction for credit allowance. Twelve -months are the expected credit losses that result from default events that are apparently within twelve -months after the reporting date. It is not the predicted cash shortfalls over the 12 months but the entire credit loss on an asset-weighted by the probability that the loss will happen in the following twelve -months.

The second Step involves financial instruments that have a significant increase in credit risk after the initial recognition, but there is no actual indication of an impairment unless they have low credit risk at the reporting date. Accordingly, the lifetime of expected credit losses of these assets is recognized, and the calculation of the interest will be on the gross carrying amount of the asset. The period of anticipated credit losses are the expected credit losses that occur from all possible default cases of the whole assumed life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default as the weight. The third Stage includes financial assets that have objective evidence of impairment at the reporting date. For these assets, the entity recognizes the lifetime of expected credit losses, and interest revenue is calculated on the net carrying amount(IFRS 9 Financial Instruments, n.d.)**.**

2.6.3 International accounting standard 36 (IAS 36) Impairment of assets

There is an established principle that assets should not be carried at above their recoverable amount. An entity should write down the carrying amount of an asset to its recoverable amount if the carrying amount of an asset is not recoverable in full. IAS 36 puts in place a detailed methodology for carrying out impairment reviews and related accounting treatments and disclosures.

2.6.3.1 Identifying a potentially impaired asset

An entity should assess at the end of each reporting period, whether there are any indications of impairment to any assets. The concept of materiality applies, and only material impairment needs to be identified.

If there are indications of possible impairment, the entity is required to make a formal estimate of the recoverable amount of the assets concerned.

IAS 36 suggests how indications of a possible impairment of assets might be recognised. The suggestions are mainly based on common sense.

(a) External sources of information.

- A fall in the asset's market value that is more significant than would normally be expected from the passage of time over regular use.
- A significant change in the technological, market, legal or economic environment of the business in which the assets are employed.
- An increase in market interest rates or market rates of return on investments likely to affect the discount rate used in calculating value in use.
- The carrying amount of the entity's net assets being more than its market capitalization.

(b) Internal sources of information: evidence of obsolescence or physical damage, adverse changes in the use to which the asset is put, or the asset's economic performance.

Even if there are no indications of impairment, the following assets must always be tested for impairment annually.

- An intangible asset with an indefinite useful life.
- Goodwill acquired in a business combination(IASB, n.d.).

2.6.3.2 Recognition and measurement of an impairment loss

If the recoverable amount of an asset is lower than the carrying amount, the carrying amount should be reduced by the difference (i.e., the impairment loss) which should be charged as an expense in profit or loss. The impairment loss is to be treated as a revaluation decrease under the relevant IAS.

In practice, this means:

- To the extent that there is a revaluation surplus held in respect of the asset, the impairment loss should be charged to revaluation surplus.
- Any excess should be charged to profit or loss (Raoli, 2021).

3. Research Methodology

The research methodology put together the four methods. They are:

1. Comparative theoretical analysis between IFRS16 and FAS 32 at the accounting treatment.

2. Physical review and comparison for the Islamic banks' financial reports.

3. Using the T-test to compare the effects of applying IFRS16 and FAS 32, that will be by extracting the available years' financial reports of Islamic and conventional banks.

4. Structured interviews with the experts of Islamic accounting and IFRS's, the interviews designed according to the literature reviews influences on the research problem in addition to the results of the comparative theoretical analysis and the analysis of the annual reports.

The sequence of the research methods is described in the followed paragraph:

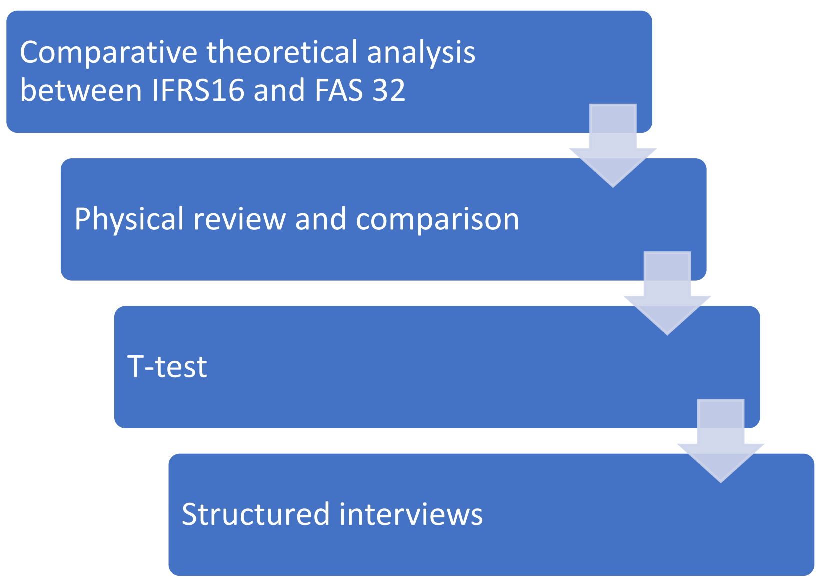

Figure (5) Research methodology sequences (own work)

3.1 Comparative Theoretical Analysis Between IFRS16 And FAS 32

According to the literature review the articles that examined the accounting treatment of Ijarah Muntahia Bittamleek under both IFRS's and AAOIFI accounting standards adopted only the comparative theoretical review for the accounting treatments, despite this methodology is limited and relay on the researcher opinion. It had been the first method in this research. The comparison has been done in:

Leasing revenues: How the Islamic bank recognize the revenue of financial and operational leasing under IFRS16 and FAS 32, and what are the differences and the effects on the financial statements.

The leased asset: What are the accounting treatments of the assets used in the Islamic financial and operational leasing by the Islamic banks under IFRS16 and FAS 32.

Repairs and maintenance: Which part of the Islamic financial agreement (lessor and lessee) should burden these expenses under IFRS 16 and FAS 32, and what are the effects on the income statement of each part.

Depreciation: The recognition of the leased assets will entirely influence this item under the financial leasing agreement; therefore, determine which part of the Islamic financial leasing agreement (lessor and lessee) should burden these expenses under IFRS 16 and FAS 32, and what are the effects on the financial statement of each part.

Impairment loss of assists: The recognition of the leased assets will entirely influence this item under the Islamic financial leasing agreement; therefore, determine which part (lessor and lessee) has to apply the impairment loss test under IFRS's and AAOIFI accounting standards on the lased assets and what is the consequences on the financial statements of the part which apply this test.

Expected credit loss model: The leased revenue recognition will ultimately influence this item under the financial leasing agreement; therefore, determine the consequences on the financial statements of the Islamic bank (lessor) when apply and do not apply 0this model.

This comparative analysis provides the information needed to identify elements of the T-test analysis.

What make this research unique when compared with the literature review of Ijarah Muntahia Bittamleek are that it adopted other methods, analysis of the annual reports of Islamic banks, the T- test to provide statistical data and it has not been applied by other research yet and individual interviews with experts in Islamic finance, accounting and IFRS's.

3.2 Physical Review and Comparison of The Islamic Banks' Financial Reporting

In this part, a physical review had been conducted among the financial reports of the Islamic bank, which apply the AAOIFI accounting standers in Jordan, Bahrain, and Qatar. These banks had been selected according to the literature review. The financial statement had been downloaded from the banks' websites for the past ten years to examine the stability of the accounting treatment and policies as lessors. The physical examination focused on:

- Recognition of the leased assets.
- Recognition of investment in the lease.
- Depreciation and maintenance expenses.

The sample was selected as two Islamic banks from each country, since in Jordan the Islamic banks are four but two of them has ten or more years of financial statements. Therefore, only two banks selected from the other countries to keep consistency of the comparison; moreover, during the reviewing of the financial statements of the Islamic banks in Bahrain and Qatar, the banks in the same country use the same accounting treatments.

The sample was as the following table:

Table (2) Banks sample (own work)

Country	Bank
Jordan	Jordan Islamic Bank
	Islamic International Arab Bank
Qatar	Masraf Al Rayan
	Qatar Islamic Bank
Bahrain	Bahrain Islamic Bank
	Al baraka Bank – Bahrain

3.3 The T-Test Is to Compare the Effects of Applying IFRS16 and FAS 32

That had been done by extracting ten years' financial reports of Islamic banks. The comparison had been between; financial statements of Islamic bank which apply the AAOIFI accounting standards and financial statements of which apply the AAOIFI accounting standards and financial statements of Islamic bank but apply the methodology of IFRS's for Islamic financial leasing. Both samples consider the banks as lessors.

The T-test used the data of the result of the following percentage.

- The financial leasing revenue- expenses/ Assets using for financial leasing.

3.4 Structured Interviews

According to the results of the comparative theoretical analysis, the analysis of the annual reports and the T-test results the research built structured questions to conduct interviews. Based on what is clarified in the literature reviews, it is indicated that the research community should have a deep understanding of the IFRS's features and importance furthermore the accounting effects on the shariah validity of Islamic finance products. Therefore, the interviews were conducted with two segments of participants consisting of experts in Islamic accounting (professors of Islamic accounting and managers of Islamic banks.) and International Financial Reporting Standards experts (audit managers and financial accounting professors) in Jordan and Qatar. All the persons interviewed above are actively involved in the preparation, review, and teaching of the financial statements of IFIs, Islamic accounting and IFRS. They can, therefore, provide a rich interpretation of reporting practices. Most of them represent the major financial institutions in the banking sector. Those interviewed found an ardent desire for Islamic banking and thus produced a fruitful penetration in this current paper.

The sample was selected according to specific principles. The twelve experts in Islamic accounting; three of them are famous fully professors of Islamic accounting in Jordan, five of head financial departments in the Islamic banks in Jordan and what they mentioned from the staff as a professional in the topic. Finally, the last four participators were the financial managers of the Islamic banks in Bahrain and Qatar as what mentioned in the physical examination parts.

The thirteens IFRS’s experts as follow, five professors their concentration field on IFRS’s, two of them have a professional book of IFRS’s issued annually, the others have a huge academic contribution in the IFRS’s. The rest are audit supervisor and managers form the big four audit firms; theses auditors are involving in the audit job of Islamic banks. Theses auditors were asked about their interest and ability to participate in the topic.

These principles of selecting the sample are for keeping the high qualified information without any distraction from unappropriated data came from information lack.

Consequently, the structured interviews envisioned to capture the crucial evidence concerning the research purpose. Structured interviews were done within a reasonably organized context; hence, the questions asked were necessarily prepared in advance only some question for more explaining during the conversation asked.

Numerous questions automatically asked through the interview, with the structured question, to provide elasticity to both the interviewer and the participant to investigate and explain additional details or to consider other relevant points. The meetings were in the form of a conversation in addition to the question-and-answer method. All of the interviews were conducted face to face to consider the face expression and sound of the interviewed. The interviews were Arabic and translated into English. They recorded and then transcribed and were then coded manually by the researcher.

The interviews began with the Islamic accounting experts in the purpose of discussing the need for particular accounting standard to the Islamic banking industry and the trend of the financial reporting process does not produce that volume of unfavorable effect on the validity of Islamic finance product. Additionally, finding what is acceptable by the Islamic finance rules in the IFRS 16 to be applied to the Islamic financial leasing.

The next stage was for discussing the result of the theoretical comparison analysis and T-test results with Islamic accounting and IFRS's experts in the purpose of providing more interpretation of the result and finding the solution for this dilemma. The researcher also authenticated that their interviews are strictly confidential, as no one identity will be published. Researchers will end the conversations by asking interviewees whether they had any problems for discussion. The process will continue with the analysis of interview transcripts and documentary data using qualitative coding and manual recoding researchers this technique depends on the researcher qualifications of the subject since the researcher has an eleven years' experience in Islamic finance and auditing; additionally, professional certificates in Islamic finance and IFRS's.

This type of conversation, in many ways, differs from the structured questionnaire. First, the relationship between the researcher and the participant is not rigidly formulated. There is no questionnaire containing the complete list of questions to be posed to a participant. The researcher will have a mental framework of study questions, and his success will depend on his professional experience and qualifications in Islamic finance and accounting (Cassell, 2015).

Specifically, questions posed to any participant will differ according to the context and setting of the interview. Second, the qualitative researcher should not adopt any uniform behaviour for an interview. Preferably, the qualitative interview is shaped in a conversational mode, and the conversation itself will lead to a sort of social relationship, where the quality of this relationship is unique to every participant. Third, every interviewed can add information to the research has other choices, and the value of the interviewer answers depend on his personality, experience, awareness, knowledge, and understanding of the subject(Cassell, 2015).

4. Findings, Implementations, Conclusion, and Recommendation

4.1 Findings

During this part, the researcher conducts the mentioned methodology to reach the results of the hypotheses testing. The methodology will follow the sequenced methods, considering the processing terms of each method. The sequence will be as.

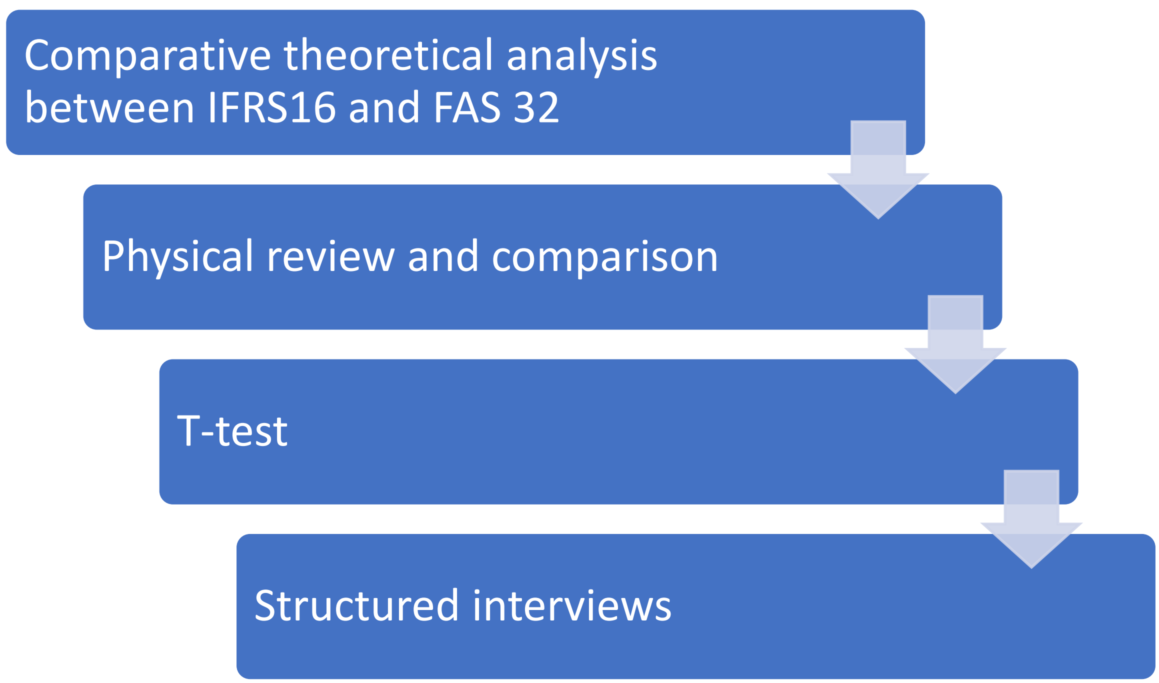

Figure (6) Methodology sequence (own work)

4.1.1 Comparative theoretical analysis between IFRS16 and FAS 32

This part of the analysing process aims to build the image of the unique features between both sets of standards. The analysis focuses on some accounting treatments of financial leasing elements in the financial statements, which are mentioned later. The process is to compare the best practices of the accounting treatment by the IFRS 16 and FAS 32 of each element, and commentary will follow this comparison. The method results summary will be at the end of this theoretical discussion.

Leasing revenues: How the Islamic bank recognize the revenue of financial and operational leasing under IFRS16 and FAS32, and what are the differences and the effects on the financial statements.

Under IFRS 16:

Income from Ijarah: Recorded as receivable and recognized on an accrual basis on an effective yield basis.

Operating lease: Income received from investment properties is accounted for on a straight-line basis over the lease duration.

Under FAS 32:

Rental income of both structures should seem in the income statement of the lessor as Ijara Revenue allocated proportionately to the term of the lease.

Commentary:

The IFRS 16 provide more specification of the income received from the leasing investment process. In this case, advanced presentation and disclosure appear in the financial reports of the IFI when applying the IFRS 16.

The leased asset: What are the accounting treatments of the assets used in the Islamic financial and operational leasing by the Islamic banks under IFRS16 and FAS 32.

Under IFRS16.

Ijarah investment receivable consist of deferred income and allowance for impairment is subtracted from the gross amount. All financing receivables are measured at amortized cost fewer impairment losses if any.

Under FAS 32.

Two categories of assets are presented in the statement of financial position. Recognition at the initial cost, the annual value will be measured at historical cost and book value. Under the heading: Investments in Ijarah Assets for operating leasing and Ijarah Muntahia Bittamleek Assets.

Commentary:

The differences in recognition of the leased assets referred to the criteria of the recognition of the non-current assets. The main variety is controlling or own the underlying assets.

Under the IFRS's, IAS 16 non-current tangible assets, says the underlying assets have to be under the control of the financial reporter. Accordingly, under the financial lease, the lessor has to replace the leased assets by leasing investment since the control of the leased assets is transferred to the lessee.

On the other hand, the AAOIFI accounting standards, FAS 1 presentation of the financial statements, the financial reporter has to recognize the underlying assets under their ownership. Therefore, there is no consideration of who is controlling the assets. This situation leads to recognizing the leased assets in the statements of financial position of the lessor, not the lessee.

The other consequence is, there are no differences between the income out of the operational lease or financial lease. moreover, the lessor will transfer the ownership to the lessee by another contract that achieves this purpose.

The most sensitive dilemma appears when the lessor applies the AAOIFI, and the lessee applies the IFRS's, almost the lessees are commercial clients, and they apply the IFRS's. In this case, both of the lease parties will recognize the leased assets in their statement financial position. The consequences of these differences will spread to the other accounting treatment as will be discussed later.

Repairs and maintenance: Which part of the Islamic financial agreement (lessor and lessee) should burden these expenses under IFRS 16 and FAS 32, and what are the effects on the income statement of each part.

Under IFRS 16.

There is no need to consider the repairs in the financial statement of the bank related to Ijarah Muntahia Bittamleek assets (financial leasing).

Under FAS 32.

Repairs are recognized as expenses. A provision for repairs is set if repairs are material and vary in an amount from year to year.

Commentary:

This variation is related to criteria of the leased asset recognition. Applying the IFRS's, the ownership of the leased asset will be transferred to the lessee directly. Adversely, there is no ownership transfer under AAOIFI till the other contact of the ownership transfer is executed.

When adopting the AAOIFI, FAS 32, it causes profit restriction since the lessor will pay maintenance expenses.

Focusing on the dilemma of accounting interest conflict; applying the FAS 32 by the lessor and IFRS 16 by the lessee will cause both parties are recognizing the maintenance expenses in the financial statement, which means inflating expenses.

Depreciation: The recognition of the leased assets will entirely influence this item under the financial leasing agreement; therefore, determine which part of the Islamic financial leasing agreement (lessor and lessee) should burden these expenses under IFRS 16 and FAS 32, and what are the effects on the financial statement of each part.

Under IFRS 16.

There is no need to mention the depreciation in the financial statement of the bank related to Ijarah Muntahia Bittamleek (financial leasing) assets.

Under FAS 32.

Depreciation of Ijarah Muntahia Bittamleek assets (financial leasing) as the Ijara assets (operational leasing); is calculated through the depreciation policy of the lessor. The residual value of leased assets shall be taken as zero in case lessee acquires ownership is through gift and if the transfer to the lessee is at a token or amount specified in the contract, the said amount should be subtracted in determining the depreciable cost. The most proper method is a straight line because of the rentals is also accounted for on a straight-line basis.

Commentary:

This variety is linked to criteria of the leased asset recognition. Implementing the IFRS's, the ownership of the leased asset will be transferred to the lessee directly. Negatively, there is no ownership transfer under AAOIFI till the other contact of the ownership transfer is executed.

When adopting the AAOIFI, FAS 32, it makes profit restriction since the lessor recognizes the depreciation expenses.

Focusing on the dilemma of accounting interest conflict; applying the FAS 32 by the lessor and IFRS 16 by the lessee will cause both parties are recognizing the depreciation expenses in the financial statement, which means inflating expenses.

Impairment loss of assists: The recognition of the leased assets will entirely influence this item under the Islamic financial leasing agreement; therefore, determine which part (lessor and lessee) has to apply the impairment loss test under IFRS's and AAOIFI accounting standards on the lased assets and what is the consequences on the financial statements of the part which apply this test.

Under IFRS 16.

The lessor does not need to recognize impairments loss on the leased assets since the leased assets tittle transferred to the lessee.

Under FAS 32.

The impairment test is required to be achieved by the lessee under, FAS 30 impairments.

Since the lessor still represents the leased asset in their financial statements as FAS1 requirements.

Commentary:

This diversity is connected to principles of the leased asset recognition. Fulfilling the IFRS's, the ownership of the leased asset will be transferred to the lessee immediately. Negatively, there is no ownership transfer under AAOIFI till the other contact of the ownership transfer is performed. When adopting the AAOIFI, FAS 32, it makes profit restriction since the lessor recognizes the impairment loss.

The other problem that will face the lessor under AAOIFI is the recognized value of leased assets. This problem becomes critical if the second contract to transfer ownership is diminishing partnership. Accordingly, the lessor should divide the impairment loss with the lessee upon the value of the assets under the diminishing partnership contract.

Concentrating on the difficulty of accounting interest conflict; implementing the AAOIFI by the lessor and IFRS's by the lessee will cause both parties are recognizing the impairment losses in the financial statement, which means inflating losses.

Expected credit loss model: The leased revenue recognition will ultimately influence this item under the financial leasing agreement; therefore, determine the consequences on the financial statements of the Islamic bank (lessor) when apply and do not apply this model.

Under IFRS 16.

The lessor has to apply the expected credit loss model on the Ijara investment account. That is referred to the IFRS9.

Under FAS 32.

The lessor does not need to mention the expected loss provision.

Commentary:

The reason for non-application is caused by there is no investment in leasing account (receivables). Moreover, several criticizing using the expected credit loss model relating to the interest rate as an impairment factor.

Non-application of the expected credit loss model led to miss presentation of the accounting information. Moreover, avoiding the benefits of recognition the provision of losses mentioned in the model.

4.1.1.1 The method results summary

This theoretical comparative provides results that lead to conclude the following.

1. IFRS16 provide more details for the treatments of the leasing revenue, which be clear by providing specific treatment for both operational leas and financial leas.

2. The primary variant is related to the recognition of the tangible non-current assets under the AAOIFI since the financial reporter can only and has to recognize these assets when they own the asset.

3. The conflict in the recognition criteria of AAOIFI lead to an increase in the expenses of the lease; therefore, decreasing the net financial leasing profit. These expenses are related to maintenance, depreciation, and impairments losses.

4. The AAOIFI neglect the favourable effects of the expected credit loss model by rejecting applying the interest rate as an impairment factor.

5. Accounting interest conflict: implementing the AAOIFI by the lessor and IFRS's by the lessee, since almost the lessees are commercial sector and apply the IFRS's, will cause both parties are recognizing the leased assets, maintenance expenses, depreciation expenses and the impairment losses in the financial statement, which means inflating in assets, losses, and expenses.

4.1.2 Physical review and comparison of the Islamic banks' financial reporting

In this part, a physical review was conducted among the financial reports of the Islamic bank, which apply the AAOIFI accounting standers in Jordan, Bahrain, and Qatar. The qualitative data was taken from the accounting policies which adapted as lessor to:

- Recognition of the leased assets.
- Recognition of investment in the lease.
- Depreciation and maintenance expenses.

The examination will show the results of each country alone regarding the elements as mentioned above following by a commentary. At the end of the examination, a method summary will be set.

The sample of the banks that their financial reports were examined as follow:

Table (3) Banks sample (own work)

Country	Bank
Jordan	Jordan Islamic Bank
	Islamic International Arab Bank
Qatar	Masraf Al Rayan
	Qatar Islamic Bank
Bahrain	Bahrain Islamic Bank
	Al baraka Bank – Bahrain

The physical examination process has done as:

Jordan

Recognition of the leased assets.

Banks recognize the leased assets in their statements of financial position, under non-current assets as Ijarah Muntahia Bittamleek assets.

Recognition of investment in the lease.

Banks recognize the Ijarah Muntahia Bittamleek revenue as a long-term investment. It is recognised on a time apportioned basis over the lease period. Income-related to non-performing accounts is excluded from the income statement.

Depreciation and maintenance expenses.

Banks recognize the depreciation expenses only. It is represented on the notes as a provision deducted from Ijarah Muntahia Bittamleek assets. There is no mention of the maintenance expenses.

Commentary.

The bright problem is recognizing both the assets and investment account, although this treatment leads to an increase in the value of Ijarah Muntahia Bittamleek assets by the amount of deferred Ijara profits, the bank should not show this value in its statement of financial position, and this is what appears in the bank's financial position. However, that leads to not wholly compliance with the AAOIFI.

Qatar

Recognition of the leased assets.

There is no assets recognition.

Recognition of investment in the lease.

Banks recognize the Ijarah Muntahia Bittamleek revenue as a long-term investment. It is recognised on a time apportioned basis over the lease period. Income-related to non-performing accounts is excluded from the income statement.

Depreciation and maintenance expenses.

There are no depreciation and maintenance expenses.

Commentary.

This examination provides an obvious conclusion that the Islamic banks in Qatar are not following the AAOIFI, FAS 32, for the treatments of the Ijarah Muntahia Bittamleek.

On the other hand, the Qatari Islamic banks use the methodology of IFRS's for the Ijarah Muntahia Bittamleek accounting treatment.

Bahrain

Recognition of the leased assets.

Banks recognize the leased assets in their statements of financial position, under non-current assets as Ijarah Muntahia Bittamleek assets.

Recognition of investment in the lease.

There is no recognition for the investment in leased assets (receivable).

Depreciation and maintenance expenses.

Banks recognize the depreciation expenses only. It is represented on the notes as a provision deducted from Ijarah Muntahia Bittamleek assets. There is no explicit mention of the maintenance expenses.

Commentary.

Regarding the examination of the financial reports of two Islamic bank in Bahrain, that these banks are fully compliant with AAOIFI.

4.1.2.1 The method results summary

The results provide an unfavourable image for the compliance of AAOIFI since only the Islamic bank in Bahrain applies the AAOIFI carefully. In this case, the question of ‘is there a need to particular accounting standard for the IFI? Moreover, the other question of ‘does the financial reporting process produce that volume of unfavourable effect on the validity of Islamic finance product? Additionally, these results affect the following method to make the T-test with financial statements of Islamic bank which apply the AAOIFI accounting standards and financial statements of which apply the AAOIFI accounting standards and financial statements of Islamic bank but apply the methodology of IFRS’s for Islamic financial leasing.

Moreover, focus on the effect of recognizing both the leased assets as a non-current asset and the investment account (receivable) by the Islamic banks in Jordan.

4.1.3 The T-test is to compare the effects of applying IFRS16 and FAS 32

That extracted ten years' financial reports of Islamic banks. The comparison will be between; financial statements of Islamic bank which apply the AAOIFI accounting standards and financial statements of which apply the AAOIFI accounting standards and financial statements of Islamic bank but apply the methodology of IFRS's for Islamic financial leasing. The data gathered by the banks are the lessor.

4.1.3.1 The T-test used the data of the result of the following percentage

The Islamic financial leasing revenue- expenses/ Assets used for Islamic financial leasing

Explaining the percentage; the interpretation of the elements, how the elements are selected. Islamic financial leasing (Ijarah Muntahia Bittamleek) revenue: it is the revenue recognized on the financial reports by the lessor. Event these revenues are recognized as a rent income (Ijara income) of the financial leasing or amortization of the Ijarah Muntahia Bittamleek revenue as a long-term investment. However, any default related to the Ijarah Muntahia Bittamleek revenue collection has been ignored. This criterion was applied for the reason that the research focuses on the accounting treatment effect, not on the credit risk mitigation efficiency. Moreover, for the AAOIFI compliant financial reports in Islamic financial leasing, this Ijara income has detected by the depreciation expense since these banks recognize the Ijara income as net after depreciation related to assets used for Ijarah Muntahia Bittamleek; additionally, the theoretical comparison has advised that the depreciation expenses constrain the Ijara revenue.

Expenses; these expenses are related to the Ijara revenue; however, according to the AAOIFI methodology of the Ijarah Muntahia Bittamleek. The most common of these expenses is depreciation and the maintenance expenses. The depreciation expenses have already deducted from the revenue, and as the physical examination, the informed that no Islamic bank recognize maintenance expenses related to Ijarah Muntahia Bittamleek.

Assets used for Islamic financial leasing: regarding the AAOIFI methodology of Islamic financial lease treatment these assets will be Ijarah Muntahia Bittamleek assets in the statement of financial position. The has taken amount is the Ijarah Muntahia Bittamleek asset before the depreciation, to measure the revenue against the actual amount paid for these assets. Under the IFRS's, these assets were mentioned as the Ijarah Muntahia Bittamleek revenue as a long-term investment. To increase the appropriateness, the value of this account was taken after deduction the profit (interest). Since this account is consists of the initial cost of the leased assets plus profit (interest). The profit was calculated regarding the ageing of the Ijarah Muntahia Bittamleek duration and the annual profit yield. Accordingly, the profit (interest) is 33% of this account.

According to the previous method results two banks were selected, Bahrain Islamic Bank which represent the treatment under AAOIFI since Bahrain's banks are fully complied to AAOIFI accounting standards. Qatar Islamic Bank is the second bank which represent the IFRS's since the Qatar's banks apply the IFRS's with the financial leasing despite they AAOIFI complied. However, no banks have been selected from Jordan.

The data was collected from the financial statements of the mentioned banks for ten years at their local currency (2011-2020).

Table (4) Banks's financial data (own work)

	Bahrain Islamic Bank		Qatar Islamic Bank	
Year	**Ijara assets (thousand)**	**Ijara revenue- expenses (thousand)**	**Ijara assets (thousand)**	**Ijara revenue- expenses (thousand)**
2011	113,044	7,468	5,180,925	321,935
2012	108,386	6,957	5,902,428	275,330
2013	106,981	7,721	5,663,900	317,017
2014	114,427	6,564	8,736,642	319,779
2015	113,034	7,250	12,332,885	415,105
2016	128,055	4,843	14,839,056	528,023
2017	157,958	6,721	18,984,693	666,745
2018	188,417	8,097	20,733,166	767,532
2019	211,603	9,351	19,765,231	810,386
2020	224,952	9,529	21,218,805	939,868

The percentage has been calculated as the following table.

Table (5) Percentages (own work)

	Bahrain Islamic Bank	Qatar Islamic Bank
Year	Revenue/ Ijara Assets	Revenue/ Ijara Assets
2011	0.066	0.062
2012	0.064	0.046
2013	0.072	0.056
2014	0.057	0.036
2015	0.064	0.033
2016	0.038	0.035
2017	0.043	0.035
2018	0.043	0.037
2019	0.044	0.041
2020	0.042	0.044

4.1.3.2 Results

Table (6) T-test results (own work)

T-test for Equality of Means				
Sig. (2-tailed)	Mean Difference	Std. Error Difference	Ninety-five percent Confidence Interval of the Difference	
			Lower	Upper
.023	17.090	6.858	2.682	31.498
.024	17.090	6.858	2.575	31.605

Commentary.

The result informs that, there are statistical variances confirm that are different effects are of adoption AAOIFI accounting standards on the Islamic financial leasing revenue. This result referred to the IFRS’s treatment since the Ijarah receivables arise from financing structures when the immediate purchase and lease of the asset is at cost plus profit so the value will be more than the assets itself. Despite the clear evidence from the theoretical analysis that the revenue will be lower under the AAOIFI accounting stander, the percentage gave higher values for AAOIFI accounting standards since the value of Ijara investment will be higher under the IFRS's

4.1.3.3 The method results summary

The statistical analysis techniques are not relevant to this research problem. This research adopted the comparative analysis of accounting under two different criteria. Moreover, the t-test for independent samples, which has been adopted to show statistical results and improve the multivariate, requires the same sample under distinct categories and that impracticable to be available since each bank use its adopted standard for a long time, and the two sets of standards are available simultaneously. Therefore, finding an Islamic bank has applied both IFRS's and AAOIFI in different periods is unbearable. These problems constrain the T-test to be only related to revenue over the assets used for Ijarah Muntahia Bittamleek after made some justified modifications to the accounts' amounts.

However, the research tried to conduct other percentages, yet facing the obstacles of control variables make the percentage impractical. These percentages as follow:

Assets using for financial leasing / total assets.

This percentage is aiming to measure the standards methodology of Ijarah Muntahia Bittamleek processes treatment. The problems that have been faced are related to domination, total assets, which are investment policy and accounting policies. These control variables must stable in each sample, but unfortunately, each bank applies a different policy.

The investment policy means; the bank desire to invest in non-current assets. On the other hand, the accounting policies mean; what are the criteria that the bank considers the assets as a material asset to recognize it as non-current assets; additionally, the depreciation policy; like how to determine the depreciation method, the residual value, and the assets live.

The variances that have been found in the Islamic bank's financial reports, therefore conducting this percentage will provide useless results.

Depreciation expenses/total operating expenses.

This percentage aims to measure the effect of adopting the AAOIFI on the total expenses. The problem of this percentage has corresponded with the previous discussion about the accounting policies. Fortunately, this effect was considered by the conducted test.

The impairment loss expense / total assets.

The aim is to measure the effects of recognizing the Ijarah Muntahia Bittamleek assets as non-current assets on the impairment's loss expenses. The same problems of Assets *using for financial leasing / total assets* have been faced, yet replacing the depreciation policy with the impairment policy, how the fair value determined, and how the impairment test is done.

4.1.4 Structured interviews

4.1.4.1 Introduction

This part of the methodology, on the one hand, discuss the results of the three previous methods in details to provide a comprehensive understanding of these results. On the other hand, this part continues inquiring about the other issues that have not mentioned by the other methods.

The interviews conducted by two segments of experts: the first is twelve Islamic banking financial managers and Islamic accounting academics. The second segment is the thirteen IFRS's experts.

The structured meetings were envisioned to capture the crucial evidence concerning the research purpose. Structured interviews were held within a reasonably organized context; hence, the questions asked were necessarily prepared in advance only some question for more explaining during the conversation will be asked.

Numerous questions were automatically asked through the interview, with the structured question to provide elasticity to both the interviewer and the participant to investigate and explain additional details or to consider other relevant points. The meetings were in the form of a conversation in addition to the question-and-answer method. All the interviews in Jordan were conducted face to face to consider the face expression and sound of the interviewed. The other interviews outside Jordan were conducted using Skype. The interviews were in Arabic and were translated into English. They were recorded and then transcribed and were then coded manually by the researcher.

The interviews began with the Islamic accounting experts in the purpose of discussing the need for particular accounting standard to the Islamic banking industry and the trend of the financial reporting process does not produce that volume of unfavourable effect on the validity of Islamic finance product. Additionally, finding what is acceptable by the Islamic finance rules in the IFRS 16 to be applied to the Islamic financial leasing.

The next stage was for discussing the result of the theoretical comparison analysis and T-test results with Islamic accounting and IFRS's experts in the purpose of providing more interpretation of the result and finding the solution for this dilemma. The researcher also authenticated that their interviews are strictly confidential, as no one identity will be published. Researchers ended the conversations by asking interviewees whether they had any problems for discussion. The process continued with the analysis of interview transcripts and documentary data using qualitative coding, and manual recoding researchers this technique depends on the researcher qualifications of the subject since the researcher has an eleven years' experience in Islamic finance and auditing; additionally, professional certificates in Islamic finance and IFRS's. following each hypothesis related answers, the commentary will be written, the method results, in summary, will end the method.

4.1.4.2 Analysis

Question 1

Could the AAOIFO accounting standard cover the entire accounting treatment in the bank?

[…] These days, the AAOIFI release accounting standards to cover the accounting treatments of all Islamic finance products.

[…] The AAOIFI accounting standards framework mention that any uncovered accounting treatment will be referred to the local GAAP or the IFRS's.

[…] Our bank implements the AAOIFI accounting standards and apply some IFRS's accounting treatment methodologies with some products, which will be by coordination with the jurisdiction committee.

[…] Islamic banks in our country imposed to apply the AAOIFI accounting standards, simultaneously, performing the central bank's instructions.

[…] AAOIFI accounting standards are designed to meet the Islamic finance products.

[…] some conflict appeared by implementing the AAOIFI accounting standards, and the central bank's instructions since of this instruction abstracted for IFRS.

Question 2

The IFRS's can provide accounting treatments for the Islamic financial products, are you agree?

[…] AAOIFI released the accounting standards to meet the Islamic banks' problem in financial reporting, so it cannot be.

[…] No, there are some products like Ijara and Murabaha can be covered by IFRS's but also with a treatment shortage.

[…] It can cover, but the jurisdictions committee have adopted the AAOIFI accounting standards.

[…] Since some of IFRS's accounting treatment implemented even this bank is AAOIFI compliant.

[…] The jurisdiction committee of our branch in the UK adapted the IFRS's supported with Islamic law instructions.

[…] Since dealing with the central bank's instructions and most of these are abstracted from IFRS's, is yes it can.

[…] AAOIFI released the accounting standards to meet the Islamic banks' problem in financial reporting, so it cannot be.

[…] Islamic banks in the UAE and Malaysia implement the IFRS’s, so it can be.

[…] Dubai Islamic bank, which is the first commercial Islamic bank, implement the IFRS’s, that give an indicator that can be.

Question 3

Do the AAOIFI accounting standards constrain the Islamic banking industry since it is not globally accepted?

[…] It is one of the unfavourable consequences of AAOIFI accounting standards.

[…] The AAOIFI try to do harmonization with IASB to increase the acceptability of its accounting standards.

[…] We always face problems with the external audit teams; they do not have that much experience in AAOIFI accounting standards.

[…] The Islamic finance market in Malaysia is almost global, and one of the reasons is implementing the IFR’s.

[…] If any company want to inter the global stock changes, it shall prepare its financial reporting according to the IFRS’s.

[…] The UK branch preparing the financial reports according to the IFRS’s; it is or of the conditions to work in the UK.

[…] IFRS’s in international financial reporting standards, which means it accepted globally; even some countries have not adopted it yet.

[…] AAOIFI accounting standards are being implemented in many Islamic countries, not the entire Islamic world.

Question 4

Do you support that the financial reporting does not produce a volume of unfavourable effect on the validity of Islamic finance product?

[…] That is the conflict issue, but yes, I do not feel it harms the validity of Islamic financial products contract.

[…] The financial reporting process does not produce that harm. I agree it is separated.

[…] Some Islamic countries adopted the IFRS's with some instructions to how to use.

[…] It represents the contract process, so it is related and will harm if not appropriate.

[…] AAOIFI adopted the methodology of possess the tittle but IFRS the control.

A sub-question was asked during the conversation" since the aim of Ijara is to provide financing and finally own the assets, which is preferable own or control?

[…] We buy the assets to provide finance no to use the assets or invest it.

[…] By financial leasing, the lessee uses and maintain the assets and he get the benefits,
The control methodology is more suitable than own.

[…] The reason this bank uses the methodology of control does not own is we found it more proper to the financial leasing.

Commentary.

The first four questions are covering the two issues have not been discussed by the previous methods of this study methodology. The results related to the following hypothesis: There is no need for specific accounting standards for the banking industry, and The IFRS's is essential to increase the global acceptability of it.

The codes answers provide a conclusion that supports these hypotheses and are accepted. Additionally, another theme has arisen that the control methodology by IFRS's is more suitable as an accounting treatment for the Islamic financial leasing.

Question 5

Qatari Islamic banks apply the AAOIFI, yet the IFRS's methodology for leasing has been using, does this case affect the compliance?

[…] The jurisdiction committee of these banks adopted this methodology treatment.

[…] Audit report mentioned that the bank is AAOIFI compliant, so it is referred to the misunderstanding of the audit team.

[…] This methodology was recommended by the central bank, and the compliance with the legal instructions is a priority.

[…] We can refer it to the last question, control or ownership, the central bank decided that the control methodology is more appropriate than ownership.

Question 6

Jordanian Islamic banks recognize both the leased assets and Ijara revenue (as a long-term investment) in the statement of financial position, what is your opinion?

[…] It inflates the value of assets; at least they should select one treatment do not mix both.

[…] Under AAOIFI, the reporter must recognize the leased assets only; this treatment is against the AAOIFI standards.

[…] Using the two methods together is harmful to financial information, recognize more assets and liabilities.

[…] Recognize depreciation, assets impairment expenses and credit impairment loss. They must study this situation; it is rejected.

[…] This situation comes from the compliance with both AAOIFI and central bank instructions since the central bank requires to apply the AAOIFI and recognize the Ijara long term profit (receivable).

Commentary.

This commentary is related to questions five and six. The answers to these questions evident that the result of the second method and the process of selecting the sample for the third method (t-test) are acceptable and done correctly. This conformation increases the reliability of the research methodology. On the other hand, a new theme affects the accounting treatment of Islamic financial leasing which is the compliance for the central banks' instructions.

Question 7

Theoretically and statistically, AAOIFI reduces the revenue of financial leasing, do you agree?

[…] Yes, I agree it increases the impairment expenses and the depreciation expense.

[…] Inevitably, it increases the depreciation expenses.

[…] It avoids the credit loss but increase impairment expenses and the depreciation expense.

Commentary.

The answers confirm the results of the T-test in the third method of the research methodology. Adding more, they give assurance for the process of the percentage building for the test.

Therefore, the hypotheses "Different effects are of adoption AAOIFI accounting standards on the Islamic financial leasing revenue" is acceptable since the adopting the AAOIFI increase the depreciation expenses and the impairment expenses which related to the leased asset.

Question 8

What are the effects when both leasing parties recognize the leased assets as noncurrent assets and do the depreciation and impairments?

[…] Recognize the leased assets as non-current assets in the financial statements of the two parties inflate the value of non-current assets in the financial markets.

[…] Recognize the depreciation and the maintenance expenses by the two parties make several to taxation problems.

[…] The taxation authority is planning to release a statement to avoid the twofold depreciation unfordable effects.

[…] The problems can be abroad since both parties are in different countries; these problems are related to depreciation impairment recognition and calculation methodology.

[…] The IABS issue the IFRS's to unify the accounting treatment internationally for the reason of accounting conflict problems. Many problems produce unfavourable consequences to the economy system in each country when applying two sets of accounting standards.

[…] There is another problem related to the consolidation of the group financial statements; different standards mean different accounting policies. The IFRS's require the subsidiaries to apply the same accounting policies.

Commentary.

According to the comparative theoretical analysis, predicted practical problem related to this question had been mentioned. These answers confirm that expectations; moreover, provide more explanations for these problems. The themes as inflation in the assets in the financial market, taxation problems and consolidation difficulties are considerable unfavourable consequences. Accordingly, the hypotheses that negative consequences of the accounting treatments differences are when the leasing parties apply adverse accounting standards, as the duplication of the non-current assets and depreciation recognition is accepted.

Additionally, the connection between the research methodology methods provide acceptance for the non-current asset's impairment loss part of the hypotheses that different effects are of adoption AAOIFI accounting standards on the leasing accounting treatments as ignoring the influence of the expected credit loss model and apply the impermeant loss of the non-current assets. The following questions will discuss the expected credit loss model part.

Question 8

How can the AAOIFI replace the expected credit loss model?

[…] The AAOIFI issued FAS 30, and it is related to the impairment of credit and assets.

[…] The FAS 30 was issued to resolve the impairment problems, but the problem FAS 32 recognize the leased assets as a non-current asset and do not recognize the long-term investment (Ijarah receivable).

[…] The AAOIFI replaced the expected credit loss model by FAS 30, but the problem still existed since the methodology of FAS 32.

[…] The problem that Islamic banks in Jordan of recognition both non-current assets and long-term investment (Ijarah receivable), exists since the central bank require to apply the expected credit loss model with all loan's accounts. Moreover, the central banks consider the Islamic financial leasing is a funding tool and any revenue related to it is loan receivable.

Commentary.

The AAOIFI has issued the FAS 30 Impairment loss to replace the expected credit loss model that accrued by the IFRS 9 and set the criteria of assets impairment. However, this action does not resolve the problem of burdening more expenses related to the impairment loss that arises from the recognition of the leased assets as non-current assets. Moreover, the benefit of the expected credit loss model is ignored since the FAS 32 does not recognize the Ijarah income from the Ijarah Muntahia Bittamleek as a long-term investment caused by the finance providing. Additionally, implementing the FAS 32 by Jordanian Islamic banks cause the problem of recognition both non-current assets and long-term investment (Ijarah receivable) exists since the central bank require to apply the expected credit loss model with all loan's accounts. Moreover, the central banks consider the Islamic financial leasing is a funding tool and any revenue related to it is loan receivable. Therefore, the hypotheses of different effects are of adoption AAOIFI accounting standards on the leasing accounting treatments as ignoring the influence of the expected credit loss model and apply the impermeant loss of the non-current assets is acceptable.

4.1.4.3 The method results summary

The interviews had been conducted to discuss the hypotheses that had not been tested by the other methods. Additionally, feeding confirmation of the results of the previous methods; therefore, the hypotheses had been tested by multivariate methodology. This method had tested the first hypothesis and accepted it. The other methods had tested the last three hypotheses, and the discussions confirmed them. The method discussed new themes as problems reasons and negative consequences.

Control or ownership; this theme is considered the vital reasons for the differences between FAS 32 and IFRS 16; moreover, considered a cause why Qatari Islamic banks implement the methodology of IFRS 16 of the Islamic financial leasing accounting treatment.

Compliance for the central banks' instructions; these instructions imposed the Islamic banks in Jordan, Qatar, and Bahrain to apply the AAOIFI accounting standards. Moreover, in Jordan and Qatar require applying the IFRS 16 methodology or part of it, that cause lack in the compliance to AAOIFI accounting standards and cause problems especially in Jordan of recognizing both non-current assets and long-term investment (Ijarah receivable).

Inflation of the assets in the financial market; this problem come from the conflict of interest when both leasing parties recognize the leased assets as a non-current asset in their financial statements.

Taxation problems: recognize the depreciation and impairment loss by both leasing parties cause problems to the taxation authorities since it decreases the total tax income available in the nation.

Consolidation difficulties: according to IFRS 3, business combination require the parent company and the subsidiaries to apply the same accounting policies. This clause is to facilitate the consolidation process.

4.2 Discussions and Implications

The research aims to improve the financial reporting of Islamic banks. Therefore, sub-aims have been set as follows,

1. Discuss the need for exceptional accounting standards for the Islamic banking industry.
2. Measure the commitment of Islamic banks to the specific accounting standards, which is AAOIFI accounting standards, in the financial reporting process.
3. Recognize and understand the negative consequences in the financial reporting process when adopting two different sets of accounting standards in the national financial market or between the same Islamic bank branches when the Islamic bank has global branches.
4. Focus on the negative consequences in the financial reporting process when adopting two different sets of accounting standard when these Islamic banks are utilizing the Islamic financial lease.
5. Discuss the suggested results that have been nominated by the previous studies for avoiding the mentioned negative financial reporting consequences.

After the literature review, the research approached the questions that achieved the research aims. The discussion will be for each question.

Question one: Dose the Islamic banking industry need private accounting standards, Do the IFRS's improve the Islamic banking accounting treatments and make it more universally acceptable?

This question had been answered focusing on the interviews because according to the literature review, these issues are only qualitative and need to experts' opinions (professional judgment). The interviews answers concentrated on the availability of applying the IFRS's by the Islamic banks. The situation that the Islamic banks in Qatar that they apply the IFRS 16 methodology; additionally, the adoption of IFRS's by the Islamic banks in Malaysia, the UAE and the UK afford an Image that the IFRS's could be suitable for the Islamic financial products. Moreover, the discussions needed that the Islamic bank which adopting the IFRS's are keen about international acceptance**.** Moreover, using the theoretical comparison method, IFRS16 adds further detail to the treatment of leasing revenue, making it clear that both operational and financial leases are treated differently. The physical examination for compliance showed that the Qatari Islamic banks apply the IFRS16 methodology for Islamic financial leasing accounting treatments. **The realized opinion is**: Private accounting standards are not required in the Islamic banking industry and the IFRS's will improve the IFI accounting treatments.

Question two: What are the differences between the IFRS's and AAOIFI of the financial leasing accounting treatment for the lessor?

This question had been answered by the methodology steps. The theoretical comparison: The principal difference is connected to the AAOIFI's recognition of tangible non-current assets, as the financial reporter can and must only recognize these assets when they own them. The contradiction between AAOIFI's recognition criteria resulted in an increase in lease expenses, lowering the net financial leasing profit. Maintenance, depreciation, and impairment losses are all included in these costs. The AAOIFI rejects using the interest rate as an impairment factor, ignoring the positive impacts of the projected credit loss model. The unambiguous evidence was the T-test since it provided a statistical assurance that the AAOIFI accounting standards increase the Islamic financial leasing profitability because it recognises the assets and do not recognise the credit. The interviews have confirmed these results and provided more clarification. **The realized opinion is:** There are differences in the financial leasing accounting treatment between IFRS and AAOIFI**.**

Question three: What are the consequences of the accounting treatments differences, if found, on the financial market?

This question has been answered by the methodology as follow. the first method theoretical comparison; accounting interest conflict because almost all lessees are in the commercial sector and use IFRS, implementing the AAOIFI by the lessor and IFRS by the lessee will result in both parties recognizing leased assets, maintenance expenses, depreciation expenses, and impairment losses in the financial statement, inflating assets, losses, and expenses. AAOIFI accounting standards on the leasing accounting treatments as ignoring the influence of the expected credit loss model and apply the impermeant loss of the non-current assets. The interviews discussions approached that the AAOIFI has issued the FAS 30 Impairment loss to replace the expected credit loss model that accrued by the IFRS 9 and set the criteria of assets impairment. However, this action does not resolve the problem of burdening more expenses related to the impairment loss that arises from the recognition of the leased assets as non-current assets. Additionally, the benefit of the expected credit loss model is ignored since the FAS 32 does not recognize the Ijarah income from the Ijarah Muntahia Bittamleek as a long-term investment caused by the finance providing. Implementing the FAS 32 by Jordanian Islamic banks cause the problem of recognition both non-current assets and long-term investment (Ijarah receivable) exists since the central bank require to apply the expected credit loss model with all loan's accounts. Moreover, the central banks consider the Islamic financial leasing is a funding tool and any revenue related to it is loan receivable. Additionally, provided more explanations for these problems. The themes as inflation in the assets in the financial market, taxation problems and consolidation difficulties are considerable unfavourable consequences. **The realized opinion is:** These differences cause many problems in the financial market that lead to apply the IFRS's**.**

Table (7) Questions summery (own work)

Question	Methods	Opinion
Dose the Islamic banking industry need private accounting standards, Do the IFRS's improve the Islamic banking accounting treatments and make it more universally acceptable?	- Theoretical comparison. - Physical review. - Interviews.	Private accounting standards are not required in the Islamic banking industry and the IFRS's will improve the IFI accounting treatments.
What are the differences between the IFRS's and AAOIFI of the financial leasing accounting treatment for the lessor?	- Theoretical comparison. - T-test. - Interviews.	There are differences in the financial leasing accounting treatment between IFRS and AAOIFI**.**
What are the consequences of the accounting treatments differences, if found, on the financial market?	- Theoretical comparison. - Interviews.	These differences cause many problems in the financial market that lead to apply the IFRS's**.**

The implication of this study, this dissertation discussed the differences between the AAOIFI and IABS accounting standards that treat Islamic financial leasing.

Providing information about the negative consequences when applying the AAOIFI accounting standards even it is more suitable to the Islamic financial products financial reporting as reducing the actual revenue. Some themes had also been discussed to provide more focusing on the practical issue on the accounting treatments of Islamic financial leasing. These themes as control or ownership the underlying assets, the rule of the central banks, inflation of the noncurrent assets, taxation problems and difficulties in consolidation. On the other hand, this paper discussed the Islamic banks' compliance with the AAOIFI and founded the adverse effect of the lack of compliance and the reasons for it. Moreover, the discussion about the negative consequences of the implementation of different sets of accounting standards by the financial leasing party. Finally, showing that even the AAOIFI issued the FAS 30 for the impairment loss they did not resolve the problems of impairment loss that related to FAS 32.

4.3 Conclusion

The dissertation focused on the problem in Islamic finance, which is financial reporting. Since the researcher expected some difficulties and problems in the accounting treatment of Islamic financial leasing. When the AAOIFI accounting standards were released, several problems occurred. The disparities between these standards and the International Financial Reporting Standards (IFRS), the uncertainties about the AAOIFI accounting standards' global acceptability, and the interest accounting conflict when the lease agreement parties use different standards. As a result, avoiding the anticipated obstacles and difficulties benefits Islamic banks' financial reporting. The researcher applied a multivariate methodology consist of four methods: theoretical comparison, physical examination, T-test and finally, the structured interviews. The research limitations are related to the methodology and the research sample. The difficulties of quantifying the data since the sample is not fit to implement the questionnaires since the number of experts in Islamic accounting is small. Moreover, in the research topic, there are no regression or correlation between two sets of numbers. Additionally, the constraints that have been met when applying the T-test.

On the other hand, according to the small sample size, the research turned to use the qualitative methods consisting of the semi-structure’s interviews. Despite the positive interview’s aspect, the challenges that encountered with the meeting comprised several limitations of the study. Setting up the meeting with the participators; most of the sample apologized in the first attempt, later many efforts the acceptance to conduct the meeting has been awarded. This situation has complicated the research timetable and imposed the researcher to extend the research time plan to keep the methodology flow. Some meetings were time-restricted; therefore, gaining information to suggest other research paths was not in a perfect manner.

Overcoming the mentioned limitations; the dissertation provided the scientific outcomes as follow:

1. Private accounting standards are not required in the Islamic banking industry. The International Financial Reporting Standards (IFRS) improve Islamic banking accounting methods and make them more widely accepted.
2. There are differences in the financial leasing accounting treatment between IFRS and AAOIFI.
3. When Islamic banks use a different accounting standard on the financial markets, there are problems in the provided information.
4. Demonstrated the impact of accounting treatment discrepancies on the financial accounts of Islamic banks.

Using the research effort and methodologies to express the researcher's opinion. Because there are differences in the accounting treatment of financial leasing between IFRS and AAOIFI, special accounting standards are not necessary in the Islamic banking business, and IFRS will improve the financial reporting of Islamic financial institutions. These disparities cause several drawbacks in the financial industry, financial reporting, and financial presentation which prompting the adoption of IFRS. Furthermore, IFRS’s are globally recognised standards that will help Islamic finance gain acceptance.

This study opens up new avenues for investigation, such as the impact of central banks on Islamic banks' financial reporting, the relationship between two sets of accounting standards and available income tax, and the procedures for financial reporting consolidation when subsidiaries use different accounting standards. Further research and discussion on the links of Islamic financial instruments to international accounting and reporting rules are needed, according to this study, in order to increase the spread of Islamic finance in the international financial markets.

It is hoped that the International Financial Reporting Standards (IFRS) will take into account the characteristics of Islamic financing. This will contribute to Islamic finance's goal of improving the global Islamic financial system as a whole by making it more appealing to international investors. One feasible solution to this conundrum is to provide guidelines or possibilities for Islamic financial institutions within the framework of the International Financial Reporting Standards (IFRS). An Islamic institution, such as AAOIFI, can collaborate closely with the International Accounting Standards Board (IASB)to implement these recommendations globally.

5. Summary

The study has discussed the problem of conflict financial reporting between the banks, Islamic banks, and conventional bank, within the same country that adopted the IFRS's as the formal accounting standards for the financial reporting. Moreover, between the Islamic banks' branches in other countries than the sovereign country of the same bank. This dilemma spreads to the utilization of the Islamic financial leasing "Ijarah Muntahia Bittamleek" by the Islamic banks. The problem started when the AAOIFI established in 1991 and then published particular accounting standards based on the Islamic rules. Therefore, some Islamic countries, like Jordan, Qatar and Bahrain, imposed the Islamic banks, which work within the country banking system, to adopt the AAOIFI accounting standards. The other counters which adopted the Islamic finance impose the Islamic financial institution to apply either the IFRS's or other national accounting standards like Indonesia. These differences belong to the asset's recognition under IAS16 and FAS 1 and the financial leasing treatment between IFRS 16 and FAS 32. Moreover, the consideration of other issues included in the IFRS's like IFRS 9 the expected credit loss model. Additionally, the impermeant loss of the non-current assets under the AAOIFI accounting standards.

The research aim is to improve the accounting treatment of the IFI. To approach this aim, the research emphasized on discussing the need for exceptional accounting standards for the Islamic banking industry. Measuring the commitment of Islamic banks to the specific accounting standards, which is AAOIFI accounting standards, in the financial reporting process. Recognizing and understand the negative consequences in the financial reporting process when adopting two different sets of accounting standards in the national financial market or between the same Islamic bank branches when the Islamic bank has global branches. Focusing on the negative consequences in the financial reporting process when adopting two different sets of accounting standard when these Islamic banks are utilizing the Islamic financial lease. Discussing the suggested results that have been nominated by the previous studies for avoiding the mentioned negative financial reporting consequences. The research methodology put together the four methods. The comparative theoretical analysis between IFRS16 and FAS 32 at the accounting treatment. Physical review and comparison for the Islamic banks' financial reports. Using the T-test to compare the effects of applying IFRS16 and FAS 32, that will be by extracting the available years' financial reports of Islamic and conventional banks. Structured interviews with the experts of Islamic accounting and IFRS's, the interviews designed according to the literature reviews influences on the research problem in addition to the results of the comparative theoretical analysis and the analysis of the annual reports. the dissertation approached that the expected problems have existed, Islamic bans are not entirely complying with the AAOIFI accounting standards, and the IFRS's could be suitable for the Islamic banking financial reporting. Moreover, the theses which are There is no need for specific accounting standards for the Islamic banking industry, and The IFRS's is essential to increase the global acceptability of it. Different effects are of adoption AAOIFI accounting standards on the Islamic financial leasing revenue. Negative consequences of the accounting treatments differences are when the leasing parties apply adverse accounting standards, as the duplication of the non-current assets and depreciation recognition. Different effects are of adoption AAOIFI accounting standards on the leasing accounting treatments as ignoring the influence of the expected credit loss model and apply the impermeant loss of the non-current assets, were accepted. This research opens new paths to study, like the effects of the central banks on the Islamic banks' financial reporting, the correlation between using two sets of accounting standards on the available income tax and explore the procedures of financial reporting consolidation when the subsidiaries apply different accounting standards.

This study indicates that there is a need for further studies and discussions on the linkages of Islamic financial instruments to international accounting and reporting requirements in the purpose of increasing the spreading of the Islamic finance in the international financial markets.

It is a hope that IFRS will take into account the features of Islamic finance. That will help meet the desire of Islamic finance to improve the global Islamic financial market as a whole by becoming attractive to international investors. A viable option to resolve this dilemma is to have guidance or opportunities for Islamic financial institutions within the framework of IFRS. To apply these guidelines globally, an Islamic organisation such as AAOIFI can work closely with the International Accounting Standards Board (IASB).

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7. Appendices

7.1 Interviews' Questions

1- Could the AAOIFO accounting standard cover the entire accounting treatment in the bank?

2- The IFRS's can provide accounting treatments for the Islamic financial products, are you agree?

3- Do the AAOIFI accounting standards constrain the Islamic banking industry since it is not globally accepted?

4- Do you support that the financial reporting does not produce a volume of unfavourable effect on the validity of Islamic finance product?

5- Qatari Islamic banks apply the AAOIFI, yet the IFRS's methodology for leasing has been using, does this case affect the compliance?

6- Jordanian Islamic banks recognize both the leased assets and Ijara revenue (as a long-term investment) in the statement of financial position, what is your opinion?

7- Theoretically and statistically, AAOIFI reduces the revenue of financial leasing, do you agree?

8- What are the effects when both leasing parties recognize the leased assets as noncurrent assets and do the depreciation and impairments?

9- How can the AAOIFI replace the expected credit loss model?

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8. Declaration of Academic Honesty

I hereby declare on my word of honour that I created the thesis at hand independently, that I did not use any material other than the cited resources and that I marked all results created by somebody else, be they overtaken into my thesis word for word or by a matter of meaning, accordingly.

I further declare that the thesis at hand was not submitted to any other institution (university, university of applied sciences, university of education, or other comparable institution) to obtain an academic degree.

Morshed, 2022

Signature Ph.D. candidate