

No:RES/2021/026

**Council's Resolution on Approval of International Financial Reporting Standards (IFRS) in the Maldives, Passed on 23<sup>rd</sup> November 2021**

**WHEREAS**, under Section 2(b) of Maldives Chartered Accountants Act (No: 13/2020), Institute of Chartered Accountants of the Maldives was established as a separate legal entity charged with the responsibility of determining rules and processes required to create and develop the accountancy profession and regulate all matters pertaining to the profession;

**WHEREAS**, under section 6(e) of the Maldives Chartered Accountants Act, Institute of Chartered Accountants of the Maldives has the power to determine and enforce the financial accounting and auditing standards to be adopted by the private sector;

**RESOLVED**, to endorse the International Financial Reporting Standards (IFRS) for the private sector in the Maldives.

We, the undersigned, hereby certify that the Institute of Chartered Accountants of the Maldives is comprised of nine members, of whom nine, were present at a meeting duly and regularly called, noticed, convened and held this 23<sup>rd</sup> Day of November 2021, and that the foregoing Resolution was duly adopted at said meeting by the affirmative vote of nine members and that said Resolution has been duly recorded in the Minute Book and is in full force and effective.

**SIGNED BY:**

|  |   |   |
|--|---|---|
| <br>Hussain Niyazy<br>President | <br>Hassan Mohamed<br>Vice President | <br>Fathuhulla Jameel<br>Member |
| <br>Fathimath Razeena<br>Member | <br>Ahmed Salih<br>Member            | <br>Fareeha Shareef<br>Member  |
| <br>Ibrahim Fazeel<br>Member    | <br>Mohamed Haleem<br>Member         | <br>Rifaath Jaleel<br>Member   |

**Attachment:** IFRS Adoption Project

# APPROVAL OF PROJECT

## ENDORISING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN THE MALDIVES

September 2021

Technical and Standards Committee  
Institute of Chartered Accountants of the Maldives

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## 1. SUBJECT

This project addresses the endorsement of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) (hereinafter together to be referred to as IFRS) for the purpose of financial reporting in the Maldives.

As stated in the IFRS Conceptual Framework, IFRS is designed for general purpose financial statements and other financial reporting of all profit-oriented entities. They can also be useful for non-profit-oriented entities. The IFRS for SMEs standard is a separate standard that can be applied to the general purpose financial statements and other financial reporting of small and medium-sized entities, which are defined as entities that: (1) do not have public accountability; and (2) publish general purpose financial statements for external users.

## 2. BACKGROUND

Maldives has adopted the IFRS as the financial reporting framework the generally. According to Jurisdictional Profile of the Maldives in the IFAC website (last updated 13 December 2017), the Maldives has adopted the IFRS and the IFRS for SMEs; domestic and foreign companies whose debt or equity securities trade in a public market in the jurisdiction have opted to adopt IFRS. This is stated as required through the following Acts, Regulations and Circular.

### 1. Companies Act

Companies registered under the Companies Act No 10 of 1996 are required to follow international standards in preparation and presentation of their statutory financial statements. In practice this is interpreted to include both full IFRS Standards and the IFRS for SMEs Standard.

### 2. Maldives Banking Act

Maldives Banking Act No. 24 of 2010 requires all banks and financial institutions to comply with International Accounting Standards.

### 3. Auditor General's Office (AGO)

All State Owned Enterprises (SOEs), Public Companies, State Owned Financial Institutions and Insurance Companies were advised to follow International Financial Reporting Standards in preparation of their Financial Statements in Auditor General's Office Circular 7-AUDT/CIR/2017/1.

#### 4. Maldives Inland Revenue Authority (MIRA)

Under the Income Tax Regulation 2020/R-21 Clause 122, the accounting standards accepted by MIRA are as follows:

- International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS);
- International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs);
- Accounting and Auditing Organization for Islamic Financial Institutions Standards (AAOIFI)

#### 5. Capital Market Development Authority (CMDA)

The corporate governance code issued by the Capital Market Development Authority requires that all listed companies on the Maldives stock exchange must ensure that their financial statements are prepared based on IFRS Standards.

The IFRS Jurisdictional Profile for Maldives states the relevant jurisdictional authority as the Capital Market Development Authority (CMDA). However, it is noted that upon inception of the Institute of Chartered Accountants of the Maldives (CA Maldives) as the Professional Accounting Organization (PAO) of the Maldives on 8<sup>th</sup> September 2020, the relevant jurisdictional authority shall be CA Maldives.

In addition, the Technical and Standards Committee of the CA Maldives is charged with the responsibility to consider, review and recommend if the Council deems fit, the endorsement of International Financial Reporting Standards (IFRS) and IFRS for SMEs

Therefore, as part its mandate, it is incumbent upon the Committee to consider, review and recommend to formally endorse the IFRS as the financial reporting framework applicable in the Maldives.

### 3. PROJECT OBJECTIVES

The project objective is to endorse the IFRS in the Maldives after carrying out the required due process. In accordance with Paragraph 1.13 of the IASB's Conceptual Framework for Financial Reporting, the IFRS apply automatically in some jurisdictions; but in many jurisdictions they need to go through an endorsement process before they are brought into effect. Under the Maldives Chartered Accountants Act ratified on 8 September 2020, the CA Maldives has the power to prescribe private sector financial accounting standards as well as auditing standards and thus, the official endorsement of standards that have already been adopted is required.



## 4. SCOPE

The complete list of IFRS that are endorsed through this project are set out in Annex.

## 5. MAJOR ISSUES THAT WILL BE ADDRESSED

As noted in Section 2 (Background), there are various laws and regulations which stipulate financial reporting frameworks to be followed by entities that are within the purview of such laws and regulations. However, as it is the responsibility of CA Maldives to formalize and inform stakeholders of the financial reporting standards that should be followed in the Maldives, completion of this project would harmonize the reporting requirements for general purpose financial statements and other financial reporting of all profit-oriented entities. They can also be useful for non-profit-oriented entities.

## 6. IMPACT ANALYSIS CONSIDERATIONS

Adopting financial reporting standards that are already in force can alleviate the concerns of stakeholders as these standards have already been tried and tested by preparers and users of Financial Statements. Furthermore, developing domestic standards will require significant effort, time and resources. The world is moving towards convergence and many countries having national standards are converging with International Financial Reporting Standards (IFRS). To date 166 countries across the globe have converged their national standards with IFRS. As Maldives has already IFRS as the financial reporting framework, any attempts to discontinue its application would be a step backwards. There are several countries which have national accounting standards but without significant variance from IFRS; many such countries retain national standards merely to fulfill purposes such as delaying the implementation of new IFRS in their jurisdiction though such practices are likely to result in duplication of effort.

### Benefits of adopting IFRS in Maldives

There are many benefits of implementing IFRS in the Maldives. These can be summarized under three headings as follows:

- 1) **Economy:** As the market expands globally, the need for a global standard also increases. Continued implementation of IFRS will benefit the economy by increasing the growth of its international business. It facilitates the maintenance of orderly and efficient capital markets and also helps in increasing the capital growth and thereby economic growth.
- 2) **Investors:** Investors from abroad who are willing to invest in the Maldives require information which is more relevant, timely, reliable and comparable across different jurisdictions. Financial statements prepared using a common set of accounting standards help investors in better understanding the investment opportunities as opposed to financial statements prepared using a different set of national



accounting standards. For better understanding of financial statements, global investors have to incur additional costs in terms of time, effort and money to convert the financial statements prepared following national accounting standards to IFRS. Investor's confidence would be stronger if accounting standards used are globally accepted.

- 3) **Industry:** Continued implementation of IFRS is at the greater interest of the industry. The reason being that the industry would be able to raise capital from foreign markets at a lower cost if it can create confidence in the minds of foreign investors that its financial statements comply with globally accepted accounting standards. Moreover, with diversity in accounting standards from one country to another, enterprises which operate in different countries face a multitude of accounting requirements in different countries. The burden of financial reporting is lessened with convergence of accounting standards because it simplifies the process of preparing the individual and group financial statements and thereby reduces the cost of financial reporting.

Hence, adopting IFRS helps acceptance of financial statements across borders. Furthermore, banks and financial institutions operating in the Maldives prefer financial statements to be prepared in accordance with IFRS for their credit appraisal process.

On the other hand, in case of small and medium scale owner-managed businesses in the Maldives with limited resources, applying complex standards is not only challenging but also not cost effective. In addition to this, not all provisions stipulated by IFRSs are readily adoptable which may lead to modification of auditor's opinion. However, these difficulties could be overcome by adopting IFRS for SMEs.

## 7. PROJECT TIMELINE

| Timing            | Action   |
|-------------------|--|
| 01 April 2021     | Approval of project proposal and consultation paper by the Committee   |
| 06 April 2021     | Presentation of project proposal to Council of CA Maldives   |
| 06 April 2021     | Council approval of project proposal and consideration of specific issues                                    |
| 12 April 2021     | Circulation of consultation paper among key stakeholders and obtaining comments, for a 30 day comment period |
| 27 May 2021       | Review and consideration of comments received from stakeholders  |
| 6 June 2021       | Circulation of consultation paper among key stakeholders and obtaining comments, for 5 days                  |
| 30 September 2021 | Draft a circular for the decision taken and present to council for approval                                  |
| 12 October 2021   | Approval by the Council  |



## 8. CONSULTATION OF STAKEHOLDER

The consultation paper was brought to the notice of the stakeholders by placing it on the Institute's website and emailing it to some of the institutional stakeholders such as; MIRA, CMDA, MMA, Banks, listed companies, State Owned entities on 12 April 2021 giving a period of 30 days to comment. Further the consultation paper was recirculated on 6 June 2021 giving a 5 days period to comment.

## 9. REVIEW AND CONSIDERATION OF COMMENTS RECEIVED FROM STAKEHOLDERS

Comments were received from six stakeholders in response to circulation of consultation paper issued in April 2021 to endorse IFRSs.

The comments received from five stakeholders were structured in accordance with the set of questions circulated by CA Maldives together with the consultation paper. Although they have highlighted various problems encountered while implementing certain IFRSs in response to the first question, they have set out ways how the challenges faced have been managed, in a positive tone. Further they have also concluded that, given the resource requirements, and the level of expertise required in developing and more importantly the volume of the current economic activities, going for own or modified standards, it is not advisable without a detail assessment. Therefore, it can be concluded that they have not raised any objection in endorsing the IFRSs. Only one stakeholder has suggested for adopting IFRS for SMEs for listed Companies, which is not in compliance with IFRS for SMEs. Five of the commentators have suggested for conducting training and holding awareness programs.

The challenges faced as mentioned in the comments are getting resolved as the time passes, new guidance are available, alternative ways of compliance are adopted when the most desirable information are not available with reasonable cost.

Considering the fact that IFRS and IFRS for SMEs (herein after termed as 'IFRS') have been practiced in the Maldives for long period and reflect the prevailing accepted practice and it is highly unlikely that any other stakeholder (e.g., practitioner, reporting entity, or user) would object and therefore the Committee proceeded with the approval of endorsement.

## 10. APPROVAL BY THE TECHNICAL AND STANDARDS COMMITTEE

The Technical and Standards Committee recorded the responses to the common difficulties cited in stakeholders' comments in detail for record. However, it was felt by the Committee none of these were serious enough warranting any modification to the respective standards. Accordingly, the Technical committee approved the endorsement of International Financial Reporting Standards (IFRSs),



International Financial Reporting Standards for Small and Medium-Sized Entities (IFRSs for SME) on 30<sup>th</sup> September 2021 and decided to forward to the Council for approval.



Rabeea Ibrahim  
Secretary



Ibrahim Fazeel  
Chairperson

## ANNEX

### SCOPE – LIST OF STANDARDS TO BE ENDORSED

#### 1. International Financial Reporting Standards (IFRS);

- 1.1 IFRS 1 First-time Adoption of International Financial Reporting Standards
- 1.2 IFRS 2 Share-based Payment
- 1.3 IFRS 3 Business Combinations
- 1.4 IFRS 4 Insurance Contracts
- 1.5 IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- 1.6 IFRS 6 Exploration for and Evaluation of Mineral Resources
- 1.7 IFRS 7 Financial Instruments: Disclosures
- 1.8 IFRS 8 Operating Segments
- 1.9 IFRS 9 Financial Instruments
- 1.10 IFRS 10 Consolidated Financial Statements
- 1.11 IFRS 11 Joint Arrangements
- 1.12 IFRS 12 Disclosure of Interests in Other Entities
- 1.13 IFRS 13 Fair Value Measurement
- 1.14 IFRS 14 Regulatory Deferral Accounts
- 1.15 IFRS 15 Revenue from Contracts with Customers
- 1.16 IFRS 16 Leases
- 1.17 IFRS 17 Insurance Contracts
- 1.18 IAS 1 Presentation of Financial Statements
- 1.19 IAS 2 Inventories
- 1.20 IAS 7 Statement of Cash Flows
- 1.21 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- 1.22 IAS 10 Events after the Reporting Period
- 1.23 IAS 11 Construction Contracts
- 1.24 IAS 12 Income Taxes
- 1.25 IAS 16 Property, Plant and Equipment
- 1.26 IAS 17 Leases
- 1.27 IAS 18 Revenue
- 1.28 IAS 19 Employee Benefits
- 1.29 IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- 1.30 IAS 21 The Effects of Changes in Foreign Exchange Rates
- 1.31 IAS 23 Borrowing Costs
- 1.32 IAS 24 Related Party Disclosures
- 1.33 IAS 26 Accounting and Reporting by Retirement Benefit Plans
- 1.34 IAS 27 Separate Financial Statements



- 1.35IAS 28 Investments in Associates and Joint Ventures
- 1.36IAS 29 Financial Reporting in Hyperinflationary Economies
- 1.37IAS 32 Financial Instruments: Presentation
- 1.38IAS 33 Earnings per Share
- 1.39IAS 34 Interim Financial Reporting
- 1.40IAS 36 Impairment of Assets
- 1.41IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- 1.42IAS 38 Intangible Assets
- 1.43IAS 39 Financial Instruments: Recognition and Measurement
- 1.44IAS 40 Investment Property
- 1.45IAS 41 Agriculture

## **2. IFRS for Small and Medium-Sized Entities (IFRS for SMEs)**