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President's Message



It is with great pleasure that I welcome you to the second edition of the CA Maldives Journal. Following the publication of our inaugural issue, this edition marks another important step in the Institute's continued efforts to advance knowledge, professional development, and meaningful dialogue within the accountancy profession.

The accountancy profession continues to evolve in response to developments in technology, business practices, regulation, and the wider economic environment. These changes present both new challenges and opportunities for our profession, making it increasingly important for accountants to remain adaptable, informed, and prepared to contribute beyond traditional areas of practice. The Institute remains committed to supporting this progression through initiatives that strengthen professional engagement and create opportunities for our members. The introduction of the registration campaign for AIB (Accountants in Business) is one such initiative, reflecting our efforts to recognise and engage professionals contributing to the profession across diverse areas of business.

This edition of the Journal brings together perspectives and insights that contribute to our understanding of the changing professional and business landscape. I hope it serves not only as a source of knowledge, but also as a catalyst for continued discussion, reflection, and contribution among our members and stakeholders.

I would like to extend my sincere appreciation to the CA Research and Publication Committee for their continued dedication and hard work in bringing this edition to life. My gratitude also goes to our contributors and sponsors, whose valuable support and commitment have contributed to the continued development of this publication.

As we build on the foundation established through our first edition, I look forward to seeing the CA Maldives Journal continue to grow and evolve alongside the profession. I am confident that, through the collective efforts of the Institute, our members, and our stakeholders, we can continue to strengthen the accountancy profession and its contribution to the development of our society.

CA Maldives President
MOHAMED HALEEM ABDULLA

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EDITORIAL REMARKS
Research and Publications Committee

The Research and Publications Committee of CA Maldives is pleased to present the second issue of the CA Maldives Journal. This publication reaffirms the Committee's commitment to providing a credible and constructive platform for professional contributions in accounting, auditing, finance, and related fields in the Maldives.

The continued publication of the journal reflects the collective commitment of the profession to advancing knowledge, promoting informed discussion, and supporting the development of high standards of professional practice. The Committee has adhered to the established editorial framework of the journal, including the invitation submission of articles and review of contributions for relevance, clarity, ethical considerations, and technical accuracy.

The Committee upholds editorial independence, and the views expressed in the articles remain solely those of the respective authors.

The Committee extends its sincere appreciation to the authors, reviewers, and all individuals involved in the preparation and publication of this issue. Their contributions have been instrumental in maintaining the quality and relevance of the journal. We also express our appreciation to our readers for their continued interest and support.

As the CA Maldives Journal progresses with its second issue, the Committee looks forward to the journal's continued contribution as a valuable source of professional knowledge, insight, and engagement.



Transparency Builds Stronger Markets

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TRUST
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IFRS 18 – Presentation and Disclosure in Financial Statements: marking a new chapter in transparency and comparability



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1. Introduction and objective of IFRS 18

Financial statements serve as the cornerstone of economic decision-making, providing investors, creditors, and other stakeholders with insights into an entity's performance, position, and cash flows. However, inconsistencies in presentation have long hindered comparability (IFRS Foundation, 2024d), a core qualitative characteristic outlined in the IASB's Conceptual Framework for Financial Reporting (IFRS Foundation, 2018).

Although IAS 1, effective since 2001, laid the groundwork for fair presentation, its principles-based flexibility, particularly its failure to define commonly used metrics like operating profit, led to significant diversity in reporting practice (IFRS Foundation, 2001). This latitude, intended to accommodate various business models, inadvertently created inconsistencies that hindered users' ability to compare performance across entities effectively (IFRS Foundation, 2024d).

This open environment created opportunities for innovative reporting. Research, including work done by Helena Ana (2013), has shown that companies sometimes used the ambiguity in presenting non-GAAP metrics to highlight favorite, albeit potentially misleading depictions of their performance (Helena & Ana, 2013).

Investor feedback during the IASB's Primary Financial Statements project (initiated in 2016) emphasized three main points: inconsistent subtotals, insufficient disaggregation, and unregulated alternative performance measures (IFRS Foundation, 2024c). For instance, operating profit was widely reported but calculated differently across entities, undermining comparability (IFRS Foundation, 2024d).

IFRS 18 seeks to address these deficiencies by introducing a more prescriptive presentation framework while retaining principles-based judgement where necessary (IFRS Foundation, 2024b). The standard aims to enhance comparability, improve transparency, and ensure that financial statements communicate performance in a manner consistent with the way users analyze financial performance of an entity.

2. Key Features of IFRS 18

This section summarizes the core enhancements introduced by IFRS 18. Specifically, it delves into IFRS 18's response to users concerns about diversity in the structure and content of the statement of profit or loss, limited discipline over company-specific performance measures, and inconsistent levels of aggregation and disaggregation that can either obscure key drivers or overwhelm users.

The key features discussed below therefore focus on three pillars of IFRS 18: (i) a more structured statement of profit or loss with defined categories and required subtotals, (ii) a new disclosure regime for management-defined performance measures (MPMs) presented in a single note with explanations and reconciliations to IFRS totals/subtotals, and (iii) enhanced principles for grouping of information, clarifying the complementary roles of the primary financial statements and the notes.

2.1 Structured statement of profit or loss

At the heart of IFRS 18 lies a new, mandatory structure of income statement in accordance with para 47, compelling entities to sort all items of income and expenses into one of the five distinct categories: operating, investing, financing, income taxes, and discontinued operations (IFRS Foundation, 2024a).

This structure significantly constrains the presentation flexibility previously available under IAS 1 and is intended to ensure that similar items are presented consistently across entities and therefore information remains comparable (IFRS Foundation, 2024d).

Operating category

Designed to offer a holistic perspective on an entity's primary value creating activities, the operating category yields the "operating profit" subtotal – a figure investors rely on to gauge current business performance and as a foundation for estimating future cash flows (IFRS Foundation, 2024c). It includes all income and expenses that are not required to be presented in the investing, financing, income taxes or discontinued operations categories, because those categories typically contain items that investors prefer to evaluate separately (IFRS Foundation, 2024b). In effect, operating is the "residual" or "default" category.

In the operating category, paragraph 78 requires entities to present operating expenses on the face of the statement of profit or loss using an analysis that provides the most useful structured summary: by nature, by function, or using a mixed approach (IFRS Foundation, 2024a). Where one or more operating expense line items are presented by function in the operating category, IFRS 18 paragraphs 83 – 84 requires a single note disclosing, for each of five specified "nature" expenses: depreciation, amortization, employee benefits, impairment of non-financial assets (and reversals), and inventory write-downs (and reversals) – the total amount and the amount included in each relevant line item, noting that the amounts disclosed may include components that have been capitalized into carrying amounts of assets (IFRS Foundation, 2024a).

Investing category

The investing category is used for income and expenses from returns on assets whose performance is largely separate from the entity's core operations. It aggregates income and expenses derived from resources that generate value on their own, with minimal interdependence on the entity's other assets (IFRS Foundation, 2024c). The investing category specifically includes income and expenses from investments in associates and joint ventures and unconsolidated subsidiaries, cash and cash equivalents, and other assets if they generate a return individually and largely independently of the entity's other resources (IFRS Foundation, 2024a).

Typically, items falling into this category include rental income, depreciation, and gains or losses on the sale of investment properties, as well as dividends, interest from debt securities, and the entity's share of profits or losses from equity-accounted investments (ACCA, 2024a; IFRS Foundation, 2024c).

However, IFRS 18 para 55(a) provides specific classification requirements for entities whose main business activity includes investing in assets. For such entities, income and expenses from those assets are generally classified in the operating category, except that results from equity-accounted associates and joint ventures remain classified in the investing category (IFRS Foundation, 2024a). In addition, para 55(b) requires where investments in associates, joint ventures or unconsolidated subsidiaries are not accounted for using the equity method (for example, when measured at fair value through profit or loss), the related income and expenses are classified in operating category when investing in such assets is a specified main business activity (IFRS Foundation, 2024a).

Financing category

To determine which income and expenses are classified in the financing category, IFRS 18 para 59 requires an entity to distinguish between (i) liabilities arising from transactions that involve only the raising of finance ('pure financing' liabilities) and (ii) other liabilities, because different classification requirements apply to each group (IFRS Foundation, 2024a).

The first group comprises 'pure financing' liabilities, those incurred in transactions whose exclusive purpose is to obtain funds such as bank borrowings and the issuance of loan notes or debentures. In accordance with IFRS 18 para B51, all income and expenses stemming from the initial and subsequent measurement of these liabilities, including derecognition, are presented in the financing category (IFRS Foundation, 2024a). These typically include interest expenses, fair value gains and losses on liabilities designated at fair value through profit or loss, and dividends declared on instruments that are classified as liabilities (ACCA, 2025).

The second group, other liabilities arise from transactions that have purposes beyond solely raising finance (for example, trade payables, contract liabilities, lease liabilities, decommissioning provisions and defined pension benefit obligations). For these liabilities, interest income and interest expense (including unwinding of discount and, where relevant, interest-rate effects identified under other IFRS requirements) are presented in the financing category, whereas other components are generally classified in the operating category (for example, current and past service costs for defined benefit plans) (ACCA, 2025).

Again, different requirements apply where an entity provides financing to customers as a main business activity. In that case, income and expenses on pure financing liabilities incurred to provide financing to customers are classified in the operating category.

For other pure financing liabilities that do not relate to providing financing to customers, the entity applies a consistent accounting policy choice to classify the related income and expenses in either operating or financing, subject to restrictions, most notably, if the entity cannot distinguish liabilities that relate to providing financing to customers from those that do not, it classifies income and expenses from all such liabilities in operating, and the policy choice must be consistent with the entity's policy for classifying income and expenses from cash and cash equivalents that do not relate to providing financing to customers (Deloitte - IAS Plus, 2024).

Income tax category

As regards the income tax category, income taxes are presented as a distinct category, encompassing current and deferred tax expenses or income and any related foreign exchange differences in accordance with IAS 12 Income Taxes (IFRS Foundation, 2024a, p. 67). This standalone treatment underscores their pervasive nature across all activities, ensuring they are not embedded in other subtotals that might mislead users about pre-tax performance. IFRS 18 mandates allocation of tax effects in MPM reconciliations, enhancing transparency (IFRS Foundation, 2024a, p. 123(d)).

Discontinued operations category

The discontinued operations category includes post-tax profit or loss from components disposed of or held for sale, presented as a single line item. This category aligns with requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS Foundation, 2024a), focusing on non-recurring events to prevent dilution of ongoing performance metrics.

2.2 Main business activities

As discussed above, the classification of income and expenses into the five categories, namely, operating, investing, financing, income taxes, and discontinued operations categories is not purely mechanistic. IFRS 18 para 49 – 51 requires that it be conditioned on whether the entity invests in assets and/or provides financing to customers as a main business activity, noting that an entity may have one or more main business activities (IFRS Foundation, 2024a).

According to Deloitte, the IASB developed this "main business activity" lens to ensure that the operating subtotal captures the economics of the entity's core value creation, particularly where a general corporate model would otherwise push fundamental performance drivers into the investing or financing categories (Deloitte, 2025a). Accordingly, as PwC notes, entities with specified main business activities, i.e. those whose main business activities include investing in assets (including assets that generate returns individually and largely independently of the entity's other resources) and/or providing financing to customers, are required to classify in the operating category, some income and expenses that would otherwise be classified in the investing or financing categories, so that operating profit remains decision-useful for users (PwC, 2024a).

For example, for a retail or investment bank, interest income and related margin outcomes are typically integral to operating performance, hence items that might appear as investing for a manufacturer entity can be operating for a bank, whereas a manufacturer would ordinarily present interest income on debt investments as investing rather than operating because it is ancillary to its production and sale business model (Deloitte, 2025a). Similarly, an insurer, investment entity, or investment property entity, for whom deploying capital into return generating assets is a main business activity, will typically treat the resulting returns (e.g. investment income, rental income and fair value movements that are central to performance assessment) as part of operating results rather than as peripheral investing outcomes (PwC, 2024b).

IFRS 18 para 56 introduces a more structured approach to classifying income and expenses from cash and cash equivalents by treating them as investing by default – reflecting their nature as returns on liquid resources, rather than core operating performance, while allowing targeted exceptions for entities with specified main business activities (IFRS Foundation, 2024a). In this case para 56(a) requires that those same cash-and-cash- equivalent returns are classified in operating, on the basis that such returns form part of the entity's primary business model (IFRS Foundation, 2024a, p. 56(a)).

Where the entity instead provides financing to customers as a main business activity, but does not meet the "investing in financial assets" condition as discussed above, IFRS 18 requires a split: para 56(b)(i) requires the income and expenses from cash and cash equivalents related to providing financing to customers (for example, balances held to satisfy related regulatory requirements) are classified in operating (IFRS Foundation, 2024a); whereas para 56(b)(ii) requires that returns on cash and cash equivalents not related to providing financing to customers are subject to an accounting policy choice to classify them in either operating or investing, applied consistently and aligned with the entity's related policy choice for certain liability-related income and expenses (IFRS Foundation, 2024a).

The assessment of whether investing and/or customer financing constitutes a main business activity is grounded as a matter of fact at the reporting entity level, supported by observable indicators of operating performance and the way management communicates performance externally, rather than as an elective classification outcome (IFRS Foundation, 2024c).

2.3 Mandatory subtotals

To anchor the financial statements with consistent anchor points, IFRS 18 introduces three mandatory subtotals in the statement of profit or loss: operating profit or loss, profit or loss before financing and income taxes, and the final profit or loss (IFRS Foundation, 2024a). Deloitte notes that these anchor points are aimed at improving comparability between entities by providing a common structure for analyzing performance (Deloitte, 2024).

Importantly, while entities may continue to present additional subtotals, the composition of these two required subtotals is not a matter of policy choice, they must be calculated as defined in IFRS 18.

These subtotals are expressly defined: "operating profit or loss" is simply the net result of the operating category. "Profit or loss before financing and income taxes "builds on this by adding the net result of the investing category. Finally. the "profit or loss" represents the ultimate bottom line, encompassing all five categories (IFRS Foundation, 2024a).

On labelling, IFRS 18 generally allows entities to use different labels for totals/subtotals provided the label faithfully represents the characteristics of the items. However, the underlying meaning and calculation of the required subtotals must remain intact. For example, the label "profit or loss" can be changed to "net income" if that label is a more faithful representation of the characteristics (IFRS Foundation, 2024a).

2.4 Aggregation and disaggregation

IFRS 18 significantly strengthens the discipline around how entities group (aggregate) and split (disaggregate) information in both the primary financial statements and the notes, with the overarching aim of improving clarity and decision usefulness for users.

The standard establishes a clear principle for grouping information: aggregation should occur when items share similar characteristics, so that a single line item remains a faithful, meaningful summary rather than a "catch-all" bucket. Conversely, the presence of a single material dissimilar characteristic is grounds for disaggregation, because aggregation in such circumstances may obscure material information that is relevant to users' decisions.

IFRS 18 also delineates distinct functions of the primary financial statements and notes. The primary statements should provide a useful structured summary (typically more aggregated), of a reporting entity's recognized assets, liabilities, equity, income, expenses and cash flows, that are useful to users of financial statements (IFRS Foundation, 2024a, pp. 15-16). The notes to the primary financial statements provide additional material detail (typically more disaggregated) to explain what sits within each line item. In practice, this means entities must actively avoid presenting large, opaque balances that obscure material information, and instead disaggregate where necessary to reveal the nature, drivers, or risk profile of items, by, for example, splitting "other operating expenses" into meaningful components (IFRS Foundation, 2024a).

IFRS 18 requires entities to use labels that faithfully describe the underlying items and to avoid broad "other" categories except where a more precise label cannot be identified, reducing the likelihood that aggregation obscures relevant information (IFRS Foundation, 2024a).

2.5 Management-defined performance measures

Management-defined performance measures (MPMs) are subtotals of income and expenses that management uses in public communications to convey its view of financial performance that is not listed in IFRS 18 or specifically required to be presented or disclosed by any other IFRS Accounting Standards (IFRS Foundation, 2024a).

The predecessor to IFRS 18, IAS 1, did not explicitly address management-defined performance measures, leaving entities significant latitude to present alternative subtotals in external communications without a consistent framework for definition, explanation, or reconciliation. This gap contributed to diverse and sometimes opaque practices across entities and jurisdictions, reducing comparability and making it harder for users to understand what adjustments management had made and whether those adjustments were applied consistently over time (IFRS Foundation, 2024d).

In response to investor calls for more transparent and comparable reporting of performance, IFRS 18 brings these MPM disclosures with the financial statements by requiring entities to disclose MPMs in a single note. The requirement to present all MPM information in a single note is intended to prevent selective or scattered disclosure and to ensure users can readily evaluate each measure's purpose, composition and limitations. Most importantly, the mandated reconciliation to the most directly comparable IFRS sub total or total imposes discipline on how adjustments are portrayed, by showing precisely what has been added back or excluded (IFRS Foundation, 2024d).

In practice, this could include measures such as "adjusted EBITDA" or "adjusted operating profit" (for example, operating profit excluding certain non-recurring costs or other specified adjustments). IFRS 18 would require the entity to describe the adjustments, the computation methodology, and to reconcile the adjusted figure back to the relevant IFRS subtotal (e.g. IFRS 18 defined operating profit), along with explanations of any changes in the definition or calculation from prior periods.

3. Consequential amendments to other IFRS Accounting Standards

The issuance of IFRS 18 in April 2024 did not occur in isolation. While the standard primarily replaces IAS 1, its introduction necessitated a series of consequential amendments to several other IFRS Accounting Standards to ensure consistency across the broader reporting framework. The International Accounting Standards Board (IASB) recognized that the structural changes to the statement of profit or loss, particularly the introduction of new defined categories and mandatory subtotals, would require corresponding updates in standards that reference or interact with profit or loss presentation (IFRS Foundation, 2024c). The most important of these are discussed below.

3.1 Amendments to IAS Statement of cash flows

Among the most significant consequential amendments are those made to IAS 7 Statement of Cash Flows (IFRS Foundation, 2024c). A key cash-flow statement consequence is that the indirect method reconciliation is now anchored to operating profit subtotal, a newly defined subtotal under IFRS 18, rather than beginning from a less comparable profit figure, strengthening coherence between the statement of profit or loss and the statement of cash flows and improving comparability (ACCA, 2024b).

Consistent with the IASB's objective of reducing diversity in presentation, the amendments to IAS 7 also remove prior optionality that allowed entities to classify interest and dividends within operating cash flows; instead, as a general rule, it now requires dividends paid to be presented as financing cash flows (IFRS Foundation, 2024f). For most entities, interest paid is to be presented as financing cash flows, with classification depending on whether the entity has specified main business activities, (IFRS Foundation, 2024f).

An entity whose main business activities include investing in assets or providing financing to customers, assessed in accordance with IFRS 18.B30 – B41, must classify dividends received, interest received and interest paid in the statement of cash flows by aligning that classification with the way it classifies the related dividend income, interest income and interest expense in the statement of profit or loss under IFRS 18 (IFRS Foundation, 2024f).

3.2 Amendments to IAS 8 Basis of preparation of financial statements

The amendments to IAS 8 are notable not only for their content but also for the renaming of the title of the standard itself. Previously titled Accounting Policies, Changes in Accounting Estimates and Errors, IAS 8 has been renamed Basis of Preparation of Financial Statements to reflect the additional requirements that it has inherited from IAS 1. Specifically, the IASB moved the concepts of fair presentation, compliance with IFRS Accounting Standards, the going concern assumption, the accrual basis of accounting, and the disclosure of material accounting policy information from IAS 1 into IAS 8.

Similarly, certain disclosure requirements relating to financial instruments were relocated from IAS 1 to IFRS 7 Financial Instruments: Disclosures (IFRS Foundation, 2024e). Deloitte (2024) has observed that while these transfers do not introduce new conceptual requirements, they represent a restructuring of the architecture of IFRS standards that preparers need to reflect in their documentation and compliance mapping (Deloitte, 2025a).

3.3 Amendments to IAS 33 and IAS 34

IFRS 18 also introduced consequential amendments to IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting.

Under the amended IAS 33, paragraph 73B, where an entity chooses to disclose additional earnings per share amounts beyond basic and diluted earnings per share required by the standard, the numerator used must now be either a total or subtotal identified in IFRS 18, or a management-defined performance measure (MPM) as defined by IFRS 18 (IFRS Foundation, 2024g). This provision is designed to prevent the proliferation of arbitrary or misleading per-share metrics and to anchor any voluntary disclosures to a disciplined and transparent framework.

The amendments to IAS 34 require the condensed interim statement of profit or loss to present the defined subtotals introduced by IFRS 18 – operating profit and profit before financing and income taxes – together with each heading the entity expects to use in its annual financial statements under IFRS 18 (IFRS Foundation, 2024a, p. C4). In practice, presenting these subtotals and headings will inherently bring the three-category classification structure introduced by IFRS 18 – operating, investing, and financing – into the condensed interim income statement, even though IAS 34 as amended does not independently mandate the three categories in those terms.

Additionally, IAS 34 has been amended to require disclosure in the notes of information about management-defined performance measures (MPMs), mirroring the requirements of IFRS 18 paragraphs 117–125. Where an entity presents subtotals of income and expenses in public communications outside its financial statements that meet the IFRS 18 definition of an MPM during the interim period, the associated reconciliations and explanatory disclosures must be provided in the condensed interim financial statements for that period.

3.4 Implementation implications and transition considerations

These consequential amendments are effective for annual reporting periods beginning on or after 1 January 2027, concurrently with IFRS 18, with early application permitted, and entities will need to apply the requirements retrospectively in interim periods within the year of initial application, including restatement of comparative interim period information.

Organizations implementing IFRS 18 must therefore simultaneously consider the impact of all consequential amendments across their financial reporting processes. This requires a comprehensive assessment of existing accounting policies, systems, and controls to ensure compliance with both the primary requirements of IFRS 18 and the modified requirements of other affected standards.

4. Transition and effective date

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The standard must be applied retrospectively, including restatement of comparative information.

5. Preparatory actions for entities

Entities should begin preparations for IFRS 18 well in advance of the effective date, because the standard not only changes the structure and required subtotals in the statement of profit or loss, but also introduces new disclosure of management-defined performance measures and enhanced grouping requirements that can affect the full set of financial statements and the underlying data architecture.

Early scoping should therefore start with a gap assessment of current primary statement layouts and note disclosures, identifying where new defined subtotals, categories, or additional line items will alter reporting narratives and comparatives.

In parallel, entities should evaluate the existing "non-GAAP" measures used in external communications, determining which qualify as management-defined performance measures, and design the required single-note disclosures and reconciliations.

From an operational standpoint, timely preparation also requires evaluating whether the entity's ERP systems, chart of accounts, consolidation tools and reporting packs capture the granularity needed for revised classification and disaggregation decisions, and MPM reconciliations. Where gaps exist, system enhancements and internal control updates should be planned early to allow parallel runs during the comparative period and to avoid last-minute manual workarounds.

Equally important is capability building; finance teams should be trained in the new presentation principles, judgement frameworks (including categorization, aggregation/disaggregation and labelling), and documentation expectations.

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Beyond Growth Building Deeper Markets

ACCESS
OPPORTUNITY
CONFIDENCE

From Access to Depth: Five Years of Market Change



By Fathimath Naja Afeef

ASSISTANT MANAGER, BUSINESS DEVELOPMENT, MALDIVES STOCK EXCHANGE AND MALDIVES SECURITIES DEPOSITORY

What Does a Successful Stock Market Look Like?

When people hear that the stock market has performed well, they usually imagine rising share prices, busy trading screens and healthy investor returns. Yet headline performance does not always show whether an Exchange is truly healthy. Value can rise because one or two large companies gain in price, trading value can be lifted by a single block transaction, and an index can climb even when few investors trade regularly, or new companies enter the Exchange. This is particularly important in a thinly traded market such as the Maldives, where a movement in one listed company can have a noticeable effect on the overall performance.

Regional comparisons show why this matters. In December 2024, exchanges in Colombo, Dhaka, Pakistan and Mauritius had far larger listed-company bases than the Maldives. This highlights a key point: a developed exchange is not only about value, but also about investor choice, issuer diversity and structural depth.

This is also consistent with wider guidance on capital market development in small economies, where market development depends not only on headline market size, but also on identifying structural constraints, building suitable market conditions, and creating areas of genuine growth potential (World Bank, 2019).

The more useful question is therefore not simply, "Did the market go up?" It is: What changed beneath the headline numbers?

Viewed this way, the past five years tell a more interesting story: not simply one of growth, but of a securities market moving from access towards depth, measured by participation, investor choice and whether companies use the Exchange as a meaningful source of capital.

From a Quiet Market to a More Active One

Rewind to 2021. The picture looked very different.

In 2021, the economy was still dealing with the effects of the COVID-19 pandemic. Only 209 trades were recorded during the entire year. Market capitalization stood at approximately MVR 16.3 billion, and the Maldives Stock Exchange Index, or MASIX, had declined from the previous year (Maldives Stock Exchange, n.d.-a).

This makes 2021 a useful baseline: the Exchange was functioning, but activity remained limited. Investors could own shares in successful companies and still find few buyers or sellers, while most businesses did not yet view the capital market as a natural source of funding.
By the end of 2025, the situation had shifted noticeably. Market capitalization had reached MVR 33.99 billion, more than twice its 2021 level. The number of trades had increased to 3,618 (Maldives Stock Exchange, n.d.-a).

Market capitalization reflects size, while trading activity reflects participation, often the more telling measure because sustained transaction growth may show a deeper shift in how investors access and use the Exchange.

Table 1: Selected indicators of Maldives stock market performance, 2021 and 2025

Indicator	2021	2025
Number of Trades	209	3,618
Market Capitalization	MVR 16.32 billion	MVR 33.99 billion
MASIX	202.79	416.34

Source: Maldives Stock Exchange Insights.

The Real Shift wasn't the market price tag

The largest increase in valuation occurred in 2022, when market capitalization rose from approximately MVR 16.3 billion to MVR 26.6 billion, alongside a notable improvement in headline index performance. At first glance, this appeared to be an exceptional year. However, much of the increase reflected strong price movements in a relatively small number of listed companies, rather than a broad-based shift across the market (Maldives Stock Exchange, n.d.-a).

Trading value also increased significantly, partly due to one block transaction in Maldives Islamic Bank shares. This does not make the growth insignificant, but it shows how easily a compact exchange can be shaped by a few securities or transactions (Maldives Stock Exchange, n.d.-a).

This distinction matters because in a small market, appearances can be misleading.
A higher share price rewards existing investors and raises market capitalization, but depth requires regular trading, a wider investor base, more securities and less dependence on a single transaction. The years that followed were important not because they repeated 2022's exceptional rise, but because the infrastructure supporting the Exchange began to change.

The question, then, is not only how much the Exchange grew, but what kind of growth took place.

When Access Becomes Part of Performance

For many years, one of the less visible barriers to participation was the process of trading itself. Investors could hold securities digitally, but placing and processing orders still involved several manual steps.

That began to change with the Order Management System and Trade Connect through the Infinity investor portal, which allowed investors to submit orders online through registered brokers and gave brokers a more efficient way to manage them (Corporate Maldives, 2025). More than a technology upgrade, this reduced friction and made participation feel more accessible to ordinary investors.

However, access alone is not enough. Investor education and financial literacy are also important because they help retail investors better understand investment products, assess risks and opportunities, and participate in securities markets with greater confidence (International Organization of Securities Commissions [IOSCO], 2014).

The results became visible in 2025. The number of trades increased by approximately 360% in a single year, from 786 to 3,618. Yet this rise in participation was not matched by headline price performance, as the benchmark index declined slightly during the same period (Maldives Stock Exchange, n.d.-a).

The contrast is revealing. If performance were judged only by the index, 2025 might appear unremarkable. But if performance includes access and participation, it may have been one of the most important years in the period: more investors were engaging with the Exchange, suggesting it was becoming something people could use more regularly, rather than simply a place where shares were held for long periods.

Growth Beyond Publicly Listed Shares

Another important change took place beyond publicly listed shares. Capital markets are not limited to ordinary equity: businesses can also raise financing through bonds, sukuk and private securities.

The introduction of Viyana created a formal platform for private market issuances. It offered companies that may not yet be ready for public listing another way to connect with eligible investors (Corporate Maldives, 2022; Shahid, 2025). Over the period, businesses from different sectors entered the private market through bonds and sukuk (Shahid, 2025).

The number of listed debt instruments also expanded, including government Treasury bonds, corporate bonds and sukuk (Maldives Stock Exchange, n.d.-b).

This matters because Maldivian businesses have traditionally depended heavily on banks, which will remain central but should not have to meet the economy's entire financing needs (International Monetary Fund, 2023). A functioning capital market can provide long-term funding alternatives for businesses and broader investment choices for investors, especially where domestic bond markets develop (Asian Development Bank, 2017).

The capital market is therefore gradually becoming more than an equity trading platform. It is beginning to develop into a wider financing ecosystem.

Larger, but Still Too Narrow

The progress of the past five years is meaningful, but it should not obscure the Exchange's remaining structural limits.

The number of publicly listed equity securities remained at nine during the period. By comparison, WFE's December 2024 statistics showed that regional exchanges such as Colombo, Dhaka, Pakistan and Mauritius had far larger listed-company bases. (World Federation of Exchanges, 2024). The contrast highlights the Maldives' next major challenge: building a stronger pipeline of issuers.

It also means the Exchange remains concentrated: when only a few companies are listed, performance can be shaped significantly by movements in a single large company.

This leads to an uncomfortable but necessary question:

Can a stock market be considered genuinely deep if its value increases, but the number of publicly listed companies does not?

The answer is not straightforward. Higher valuations are an achievement and may reflect confidence, performance and value creation. But an exchange should also help new businesses access capital and give investors a broader range of opportunities.

This is where the difference between market growth and development becomes important. Growth can happen when existing securities rise in value. Development requires something broader: more issuers, a wider range of instruments, stronger disclosures, a larger investor base and more consistent liquidity.

Over the past five years, the Maldives securities market achieved significant growth and began laying the foundations for broader development. But the transition is not yet complete.

Why Issuers Matter More Than Technology

Digital platforms widen access, but issuers create depth.

Faster online orders mean little if investors still have few securities to choose from.

For many Maldivian companies, listing may still appear complicated, costly or unnecessary. Some may be reluctant to open ownership to outside investors, while others may view disclosure and governance obligations as burdens rather than tools for building credibility.

Yet those obligations can build investor confidence: transparent reporting, external scrutiny and stronger governance help companies improve credibility, decision-making and access to capital (Organization for Economic Co-operation and Development, 2023).

This is especially relevant to accountants, auditors and finance professionals. The decision to list or issue a bond does not begin with a trading screen. It begins with reliable financial statements, sound controls, realistic valuations, strong governance and information that investors can trust.

In that sense, the depth of the capital market will depend not only on trading systems, but also on the quality, transparency and credibility of the companies that choose to use it.

This is why the next phase of development cannot be measured only by new systems or higher valuations. It must be measured by whether more credible issuers enter the market and whether investors trust the information placed before them.

What Should the Next Five Years Achieve?

MSE has publicly stated that its approved Strategic Plan 2026–2030 focuses on market expansion, digital transformation, governance, stakeholder confidence and long-term institutional sustainability (Maldives Stock Exchange, 2026).

These priorities respond directly to the main gaps revealed over the past five years: limited investor choice, uneven participation, the need for stronger governance, and the expectation that services should be secure, simple and accessible.

The plan also looks towards greater participation from tourism businesses, infrastructure companies, small and medium-sized enterprises, institutional investors, foreign investors and the Maldivian diaspora (Invest Maldives, 2025; Shahid, 2025).

The real test will be whether the securities landscape looks meaningfully different by 2030: more companies using shares, bonds or sukuk to finance growth; investors choosing across a wider range of sectors; securities trading more regularly; and companies treating governance and disclosure as sources of value rather than mere obligations.

These are the measures that will determine whether the Exchange has moved from being larger to being deeper.

A Market in Transition

So, how has the Maldives stock market performed over the past five years?

It has grown substantially in value. It has become more accessible. More trades are taking place, digital systems have changed how investors interact with brokers, and debt and private market instruments have widened the market beyond publicly listed shares.

This is meaningful progress, but the market remains transitional. It remains concentrated, the number of public equity listings is limited, and liquidity is not yet consistent across the market (Maldives Stock Exchange, n.d.-a).

The most accurate conclusion is therefore neither that the market has fully transformed nor that very little has changed.

The foundations are stronger and the doors easier to open. The harder task now is giving more companies a reason to enter and more investors a reason to keep coming back. Success will not be measured only by size, but by whether businesses see the Exchange as a place to connect capital with opportunity, and ordinary people see it as a place to build their future.

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Moving Forward With Purpose

CLARITY
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Valuation in the Maldives



By Ibadha Ibrahim

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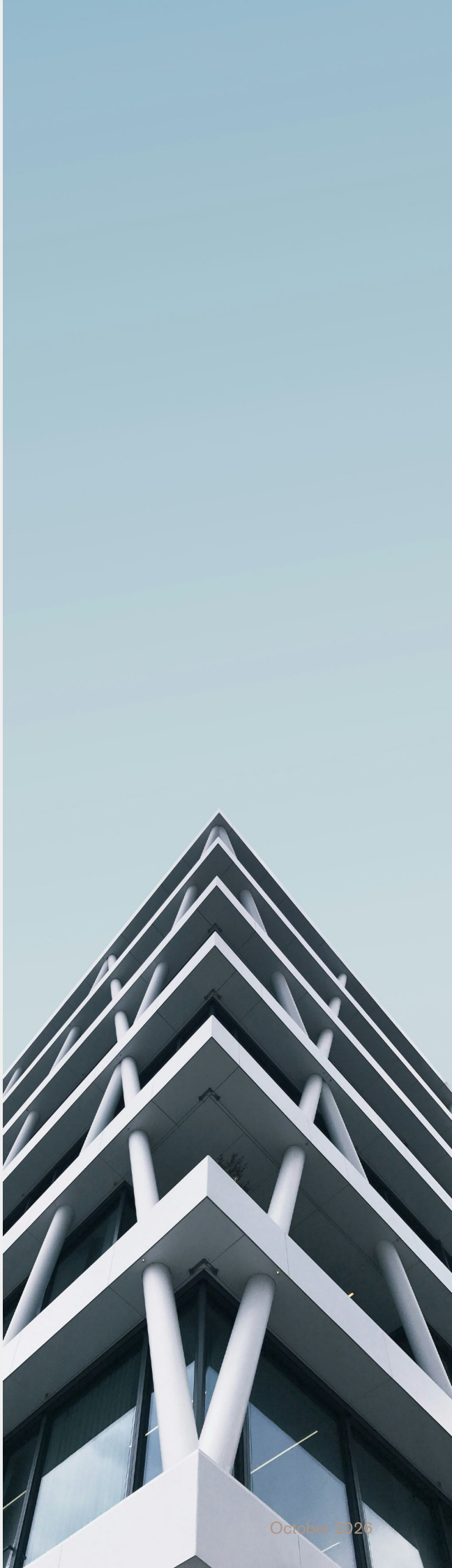
With the implementation of tax laws and regulations, growth in real estate and tourism sector and other factors, the need for valuation in Maldives has significantly increased over the past 2 decades. This article explores the current situation of Maldives valuation industry, with a particular focus on how the valuation framework of the Maldives can be strengthened and lessons from neighboring jurisdictions regarding their valuation industries.

The Maldives Valuation Industry

The valuation profession in the Maldives remains at an early stage of development. Historically, valuations were mainly prepared for bank lending and insurance purposes.

As the Maldivian economy and businesses are becoming more complex, requirement for valuation is progressively expanding. As opposed to before, valuation services are now required across a wide range of areas. This includes but is not limited to commercial, real estate of both residential and tourism, non-current assets, taxation and corporate restructuring.

However, despite these growing requirements and needs, the Valuation industry of the Maldives faces numerous challenges.



Maldives valuation profession has a limited pool of expertise, with very few professionals equipped with relevant knowledge, qualification and expertise. This is primarily due to lack of opportunities for professional development in valuation and limited recognition of the need for the valuation at a regulatory level. The valuation industry faces further challenges due to the scarcity of reliable market data. This places a huge burden on both valuers and respective businesses in ensuring the quality and comparability of the valuation outcomes.

Strengthening the Valuation Framework in the Maldives

The growing demand combined with the challenges in the valuation industry of the Maldives, creates a significant need for a structured, holistic and a coordinated valuation framework in the Maldives. The priority is not only to implement a valuation framework which creates opportunities for existing and new valuers, but also to guide the valuers to improve the quality, reliability and consistency of their valuation work. A strong valuation framework would support the valuers and other stakeholders by ensuring that valuation reports are standardized, supported by adequate supporting evidence and comprehended by the users who rely on them.

A foundational step in adopting such a framework would be implementation of a professional development route for valuers which is recognized at a national level. This may include establishing a minimum qualification requirement, oversight over practical experience and continuous professional development and implementing valuation and ethics standards. These steps would foster expertise and create a stronger foundation for determining competent professionals to perform valuation assignments in different contexts.

Regulatory recognition is a crucial stage in implementing a robust valuation framework. The Regulation for Registration of Valuers (2025/R-103), issued by Institute of Chartered Accountants of the Maldives (CA Maldives) under the Chartered Accountants Act (13/2020), introduces registration at both individual and firm levels. This initiative will create a platform for the valuation industry to have a recognized pool of valuation professionals.

However, registration alone will not be sufficient. The framework should also be supported by guidance on valuation methodology, reporting expectations, ethical conduct, documentation, and review procedures. CA Maldives' valuation-related guidelines are therefore important in moving the profession toward more consistent practice, particularly for property, plant and equipment and investment property valuations prepared for financial reporting purposes.

The broader development of the framework should also address market data, monitoring, enforcement, and stakeholder awareness. Reliable transactions and market information would improve the evidence base for valuations, while monitoring and enforcement would strengthen confidence in professional conduct.

Global Valuation Standards

The global valuation markets have established standards and professional guidance which are designed to foster consistency, transparency, ethical conduct and comparability among different markets. The emerging valuation industries such as the Maldives, can significantly benefit from these frameworks and guidance as they offer valuable benchmarks for such countries in developing their own national regulatory frameworks. The most relevant global frameworks include the following:

- International Valuation Standards (IVS): IVS act as the global benchmark for implementing valuation principles, valuation approaches, methods and reporting. They are issued by International Valuation Standards Council and are broadly used to promote best practices in valuation practice. The standards are also utilized for financial reporting.
- International Property Measurement Standards (IPMS): IPMS provide a common basis for measuring property across jurisdictions and asset types. The standards help to reduce ambiguity in property valuations, improve comparability, and support more reliable communication between valuers, regulators and other stakeholders.

- Royal Institution of Chartered Surveyors (RICS) Valuation Standards: RICS publishes the Valuation – Global Standards, commonly known as the Red Book (RICS, 2024). The Red Book incorporates IVS and provides professional insight and ethical guidance for valuers. It is internationally recognized and is often used as a practical reference by professional valuers for their reporting.

These standards collectively help strengthen confidence in valuation reports by promoting consistent methodology, assumptions, ethical conduct and concise reporting. For the Maldives, they provide practical reference points for shaping local valuation guidance and building a profession that is aligned with international expectations while remaining responsive to domestic market conditions.

Lessons from Neighboring Jurisdictions

India

Compared to Maldives, in India, valuations are mandated under multiple laws. India's valuation sector is primarily governed by the Insolvency and Bankruptcy Board of India (IBBI), along with Registered Valuer Organizations (RVOs) and professional institutes. The valuation is mandated by multiple key laws, such as:

- Company Act, 2013 – for share issuance, mergers, buybacks, and other corporate actions.
- SEBI Regulations - for publicly traded companies, asset restructuring, and disclosures.
- Income Tax Act, 1961 – fair value determination for tax purposes
- Insolvency and Bankruptcy Code (IBC), 2016 - valuation for insolvency resolution and liquidation.

IBBI is responsible for registering and regulating the valuers. The IBBI recognizes several Registered Valuer Organizations (RVOs) established by the country's professional institutes. The RVOs provide trainings, facilitate certifications and implement necessary oversight to maintain a pool of competent and independent valuers (Murli@Marcken2023, 2025)

Singapore

Singapore's valuation profession is well-regulated and mature. IVS are widely accepted and referenced, and local supplements adapt the international standards for Singapore's legal environment (FRICS, 2019; Allen & Gledhill LLP, 2021). Unlike the Maldives' emerging framework, the profession is overseen through a mix of professional organizations and regulators:

- Institute of Valuers and Appraisers, Singapore (IVAS): Established under Singapore Accountancy Commission (SAC) to develop, certify and administer business valuation standards and professional development. IVAS is also a member of IVS, the global standard setter (IVAS, n.d.)
- Singapore Institute of Surveyors and Valuers (SISV): directs standards and memberships for property valuers. Only experienced SISV members can value Singapore properties for listing companies (Lim, 2021)
- Accounting and Corporate Regulatory Authority (ACRA): Regulates professional accountants and auditors who perform valuation as part of financial reporting and statutory audits (Allen & Gledhill LLP, 2021)
- Monetary Authority of Singapore (MAS): Regulates the capital framework for financial institutions, including some asset valuation requirements

Australia

The valuation profession in Australia is recognized as a legally regulated profession for land and property and is subject to rigorous oversight for other classes. The valuers registration framework consists of the Valuers Registration Act 1992 and the regulation. The valuers Registration Board of Queensland administers the framework (Valuers Registration Act 1992, 2025).

The Land Acquisition Framework governs valuations related to compulsory land acquisitions, safeguarding public interests. The Australian Property Institute (API), together with RICS, set professional standards for valuation across all sectors. Australian valuers are supervised by State-and territory level regulatory bodies, API, RICS and the Australian Valuers Institute (AVI).

Compared to the Maldives, where valuation regulation is recent and still developing, Australia's system benefits from decades of regulatory experience, extensive market data, and specialised valuation legislation across asset classes.

Sri Lanka

Similar to Maldives, the valuation profession in Sri Lanka is growing and embracing international standards, including those published by RICS. The Institute of Valuers of Sri Lanka (IVSL) is the principal governing body overseeing the valuation profession. While the regulatory framework relating to valuation industry is still evolving, the demand and need for professional valuations is growing. The rise in valuation demand is mainly due to advancing real estate markets and corporate restricting needs.

Malaysia

The valuation industry of Malaysia is defined by a formal regulatory framework under the Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVAEP). The Royal Institution of Surveyors Malaysia (RISM) supports education, ethical conduct and professional standards of the surveyors. Malaysian valuations cover a wide range of asset types and they play a significant role in property transactions, taxation and financing. Compared to the Maldives, Malaysia has stronger institutional separation between regulation, professional development, and enforcement. The Maldives is moving toward a similar model, but current oversight and professional capacity remain more limited.

Conclusion

The Maldives valuation profession is entering an important stage of development. As the need for high-quality valuations continues to grow, a stronger framework supported by professional standards, technical capacity, ethical oversight, and reliable data will be critical. Guided by international experience while responding to local market needs, the Maldives can establish a valuation profession that strengthens the confidence in financial reporting, investment, lending, taxation and other areas which necessitate valuation.

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Fraud Risk Factors in Cash-Intensive Hospitality Operations: The Maldivian Context



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SENIOR LECTURER CUM FACULTY ADMINISTRATOR, QASIM IBRAHIM SCHOOL OF BUSINESS, VILLA COLLEGE

Introduction

Fraud in the hospitality industry doesn't just happen. It typically occurs in an environment where expedience outweighs the control system, cash is managed across multiple service points, and management is based on trust rather than on systems that can be verified. This makes one of the areas most vulnerable to occupational fraud to be the hospitality industry. Asset misappropriation is consistently reported as the most prevalent type of occupational fraud and weaknesses or circumvention of internal controls is among the most common underlying causes of frauds reported in the global anti-fraud literature. According to the Association of Certified Fraud Examiners' (ACFE) 2024 Global Fraud Study, which reviewed 1,921 cases in 138 countries and territories, 43% of frauds were reported via tip and more than half of frauds were attributed to lack of internal controls or lack of management override. (Association of Certified Fraud Examiners 2024)

The findings of these broad results are of special relevance for the Maldives. Tourism is a major contributor to Maldivian economy and in 2025, it recorded a record high of 2,246,516 tourist arrivals, witnessing a growth of 9.8% over 2024 (Maldives Bureau of Statistics, 2026). Many of these tourism transactions are routed through daily transactions of room revenue, food and beverage transactions, excursion, spa fees, transportation fees and other fees associated with guests for the hospitality business.

Cash Intensity and Fraud Exposure in Hospitality

Being cash intensive also carries a higher fraud risk, as cash is immediate, liquid and easier to divert than electronic transactions. This risk is compounded by the speed of business in the hospitality industry. Front office personnel collect deposits and settlement money, excursion desks book activities, restaurants and bars make a lot of small value transactions and transport or retail outlets may even take money away from the accounting office. In many instances, even if card and digital payments are on the rise, hospitality businesses may still have gaps in control as not all service points may be on the same recording and reconciliation platform.

This is beginning to shift with digital finance reform. This matters for fraud-controlling purposes because as more people switch to digital payments, it makes it harder to divert payments without a record of them, thereby enhancing audit trails.

Main Fraud Risk Factors in Maldivian Hospitality Operations

01. Weak segregation of duties

One of the strongest fraud predictors in hospitality is inadequate segregation of duties. Smaller guesthouses, restaurants, excursion operators, and even some resort departments may use the same staff member for cash collection, receipts, record keeping, cash reconciliation and bank deposit. This is a concentration of responsibility and is a violation of one of the fundamental principles of internal control. When custody, recording, and review are performed by the same individual, fraud becomes easier to commit and easier to conceal.

02. High transaction volume and dispersed revenue points

There are numerous ways that hospitality businesses can make money. A guest can pay a price for accommodation or meals, for transfers or excursions, for spa treatments, retail goods or for diving and water sports. The more revenue points there are, the more opportunity is available for manipulation. If many small, frequent transactions are involved, irregularities can be hidden among the regular transactions.

03. Revenue suppression and skimming

One of the most popular fraud schemes in cash intensive environments is revenue suppression. When cash is received from customers but the receipt is not recorded in the books. This may occur by not giving receipts, using handwritten bills outside the point-of-sale system, by providing unauthorised discounts, voiding bills or by not completing billing for ancillary services.

Revenue suppression is not just important from the Maldivian perspective because of the incidence of GST, but also because it is built on the value of goods that are sold and services that are provided within the Maldives and there is a clear requirement in the law to charge and account for GST. Tourism goods and services are separately identified and taxed at the specified tourism rates, which increased to 17% from 1 July 2025. Accordingly, unrecorded sales do not merely represent theft from the business; they can also amount to tax under-reporting. The accounting consequence is therefore dual: the business loses income and the state loses tax revenue.

04. Till theft, cash larceny, and delayed banking

Hospitality fraud doesn't have to be high-tech. Simple theft of till or "borrow" cash or "borrow" till are typical risks where cash handling is not well supervised. Employees can steal portions of the collections and use inadequate reconciliation procedures to cover up the theft. Sometimes, the shortage is hidden behind posting errors, customer dispute, and foreign-currencies exchange difference.

Cash Intensity and Fraud Exposure in Hospitality

Being cash intensive also carries a higher fraud risk, as cash is immediate, liquid and easier to divert than electronic transactions. This risk is compounded by the speed of business in the hospitality industry. Front office personnel collect deposits and settlement money, excursion desks book activities, restaurants and bars make a lot of small value transactions and transport or retail outlets may even take money away from the accounting office. In many instances, even if card and digital payments are on the rise, hospitality businesses may still have gaps in control as not all service points may be on the same recording and reconciliation platform.

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Main Fraud Risk Factors in Maldivian Hospitality Operations

At the end of the day, carrying a CA Maldives designation is about more than professional credibility. It is a statement that you take your work seriously enough to keep learning, keep improving, and keep showing up with integrity. The Institute provides the platform, the network, and the resources—but members have to bring the commitment.
Whether you are starting out as an Associate or taking that next step to Fellow, membership positions you to grow beyond just being technically proficient. It helps turn competent professionals into the kind of people others look to for guidance, insight, and leadership in the financial sector. And that, really, is what this profession ought to be about.

01. Weak segregation of duties

One of the strongest fraud predictors in hospitality is inadequate segregation of duties. Smaller guesthouses, restaurants, excursion operators, and even some resort departments may use the same staff member for cash collection, receipts, record keeping, cash reconciliation and bank deposit. This is a concentration of responsibility and is a violation of one of the fundamental principles of internal control. When custody, recording, and review are performed by the same individual, fraud becomes easier to commit and easier to conceal.

02. High transaction volume and dispersed revenue points

There are numerous ways that hospitality businesses can make money. A guest can pay a price for accommodation or meals, for transfers or excursions, for spa treatments, retail goods or for diving and water sports. The more revenue points there are, the more opportunity is available for manipulation. If many small, frequent transactions are involved, irregularities can be hidden among the regular transactions.

03. Revenue suppression and skimming

One of the most popular fraud schemes in cash intensive environments is revenue suppression. When cash is received from customers but the receipt is not recorded in the books. This may occur by not giving receipts, using handwritten bills outside the point-of-sale system, by providing unauthorised discounts, voiding bills or by not completing billing for ancillary services.

Revenue suppression is not just important from the Maldivian perspective because of the incidence of GST, but also because it is built on the value of goods that are sold and services that are provided within the Maldives and there is a clear requirement in the law to charge and account for GST. Tourism goods and services are separately identified and taxed at the specified tourism rates, which increased to 17% from 1 July 2025. Accordingly, unrecorded sales do not merely represent theft from the business; they can also amount to tax under-reporting. The accounting consequence is therefore dual: the business loses income and the state loses tax revenue.

04. Till theft, cash larceny, and delayed banking

Hospitality fraud doesn't have to be high-tech. Simple theft of till or "borrow" cash or "borrow" till are typical risks where cash handling is not well supervised. Employees can steal portions of the collections and use inadequate reconciliation procedures to cover up the theft. Sometimes, the shortage is hidden behind posting errors, customer dispute, and foreign-currencies exchange difference.

05. Payroll abuse and ghost employees

Another area of risk in hospitality is payroll, where labour scheduling is constantly changing and can depend on seasonality, occupancy, events and service levels. Possible fraud can be produced by ghost employees, overtime claims, unauthorized allowances, duplicate payments, or by distributing the service-charges in some other way. These schemes are more difficult to identify due to the high turnover in staff, which can lead to documentation pressure and a lack of visibility of anomalies.

06. Inventory theft and procurement collusion

In Maldives, the logistics of procurement may make it more difficult to verify. There are a number of products that require centralized procurement, imports, or long-distance transport. Because the delivery schedule is not regular and delivery depends upon the relationships between suppliers and managers, controls can be less formal. This allows an inflated invoice or quantity manipulation to go undetected, unless there is robust verification of purchase orders, goods received notes, and invoice approvals.

07. Foreign-currency handling risk

One unique fraud risk in the Maldivian hospitality industry is foreign currency exposure. Payments connected with foreign visitors, booking channels or settlements outside of rufiyaa are common features of tourism enterprises. Fraudwise, foreign-currency receipts provide additional opportunities for coverup. Staff may understate foreign cash received, delay deposit or divert portion of cash received before formal deposit.

08. Management override and excessive dependence on trust

Perhaps the most serious risk factor is not petty theft but management override. In some businesses, senior staff may have their own sources of providing unrecorded discount, condoning any form of informal collection or evading controls “to keep the show on the road.” This creates a culture in which internal controls exist on paper but not in practice.

In hospitality, management override is harmful as it becomes the norm for exceptions. The more that employees realise that they may be bent, the more that may be rationalised as a shortcut in their operation.

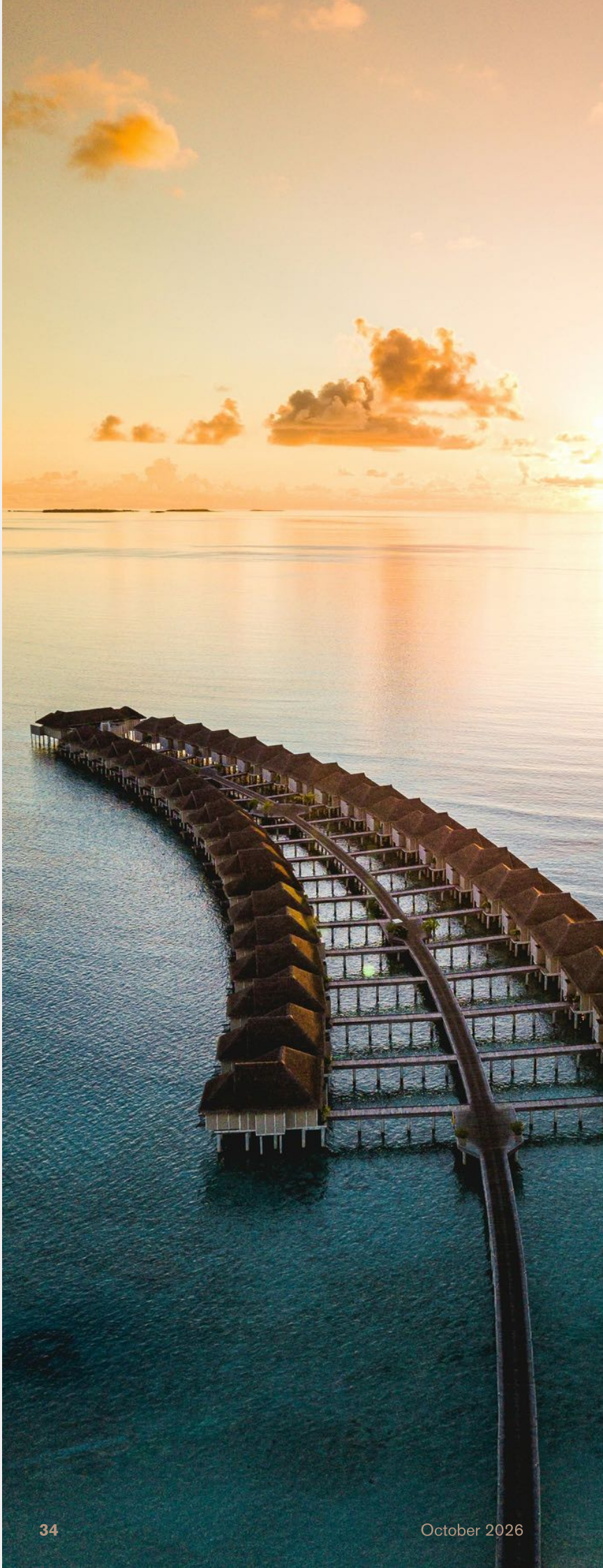
Conclusion

Due to the size of the tourism industry, the variety of income sources available to hoteliers, the geographic distribution of hotels, and the enduring presence of cash and hybrid payment models, fraud risk in the Maldives is a huge concern in the hotel sector. The opposite is true today with its growth; we need strong controls more than ever. In 2025, the tourist arrivals increased by 9.8 % compared to the previous year to approximately 2.2 million tourists (President's Office, 2026). As from 1st July 2025, tourism services are subject to 17% Tourism Goods and Services Tax (TGST), while the Foreign Currency Act 2024 has been enacted, which establishes the requirement for foreign currency earning tourism establishments to register and report (Maldives Inland Revenue Authority, 2024; Maldives Monetary Authority, 2024a; Maldives Monetary Authority, 2024b). These requirements help to improve accountability through improved documentation, reporting and reconciling of tourism receipts, tax liabilities and foreign currency receipts.

The main point is that fraud in the hospitality industry shouldn't be thought of just in the context of employee dishonesty. It is better thought of as a consequence of poor system design, poor segregation of duties, poor oversight and management tolerance for informal practices. In a Maldivian context, robust accounting systems, effective cash and foreign currency control, centralized digital records, frequent independent reviews, and a culture of good governance in which internal control is an integral part of functioning operations are essential for effective fraud prevention.

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Growing Beyond Basics

PEOPLE
PLANET
PROSPERITY

Signs Your Business Has Outgrown Basic Bookkeeping



By Moosa Nabeel
MANAGING PARTNER, AUDIT & ASSURANCE PARTNERS LLP



Basic bookkeeping is adequate when a business has a few transactions, one bank account and an owner who can remember every important commitment. It records sales, purchases, receipts and payments. At an early stage, that may be all the business needs.

As the business grows, its financial needs become more complex and management needs to know more than just what was recorded. They need to understand which activities are profitable, why cashflow might be tight, what payments are coming up and whether the financial records can withstand scrutiny from MIRA, a bank or an auditor. Thus, outgrowing basic bookkeeping is not a shortfall of the bookkeeper; rather, it is a sign that the business now needs a more structured finance function.

Bookkeeping versus financial management

Bookkeeping records a business's day to day transactions, while financial management uses that information to prepare reconciled accounts, cashflow forecasts, budgets, controls and reports that can support decision making.

The distinction matters because accounts should support decisions and not simply help with tax filing. The IFRS for SMEs Accounting Standard describes financial statements as information useful to investors, lenders and other creditors when deciding whether to provide resources to an entity (IFRS Foundation, 2025). MIRA recognises IFRS, IFRS for SMEs and AAOIFI Standards for income-tax purposes (MIRA, n.d.-b).

The following warning signs show when an SME's needs have moved beyond transaction entry.

01 You know your sales, but not your real profit

Revenue can consistently grow, while the owner is still unsure which products, projects, branches or customers are actually making money. This can happen when costs such as materials, delivery, commissions, payroll and overheads are not allocated consistently.

It can be particularly challenging for businesses in Maldives when they operate across several islands or work with tourist establishments. A contract might appear more profitable at first, but the whole picture can change once the costs such as speedboat transfers, accommodation, imported materials, subcontractors and foreign currency expenses are included.

As a business grows, it needs a clear chart of accounts and reporting structure that allows management to track gross margins across the categories that matter for its decisions.

02 The accounts show profit, but cash is always short

Profit and cash are not the same. A business can be profitable while customers take months to pay, stock absorbs cash flow, suppliers require deposits, or loan instalments fall due.
If cash decisions depend on checking today's bank balance, basic bookkeeping has reached its limit. Management needs aged receivables and payables, a rolling cash-flow forecast and clear visibility over GST, payroll, loan and supplier commitments. For many SMEs, a 12-week forecast is a practical starting point.

03 Closing figures arrive late or keep changing

If accounts are only prepared several months after the period has ended, they are mainly historical records rather than useful management tools. Constant changes to the figures are also a warning sign. This could mean that bank accounts have not been reconciled, expenses were recorded in the wrong month, supplier invoices were missed, or items such as inventory and depreciation were only accounted for at the end of the year.

A proper monthly close should have a deadline, assigned responsibilities and reconciliations for bank accounts, cash, customers, suppliers, inventory, payroll, taxes, loans and major balance-sheet accounts. Once reviewed, the period should be locked or otherwise controlled to prevent casual or unauthorized changes.

04 Your bank, POS, sales records and tax returns do not agree

Unexplained differences between POS reports, invoices, bank deposits, GST returns and the general ledger indicate that the systems are recording different versions of the business.

This is more than an internal reporting problem. In its September 2025 Circular No. 20-TD/CIR/2025/01, MIRA stated that its audits had identified accounting and POS systems that did not maintain the information required under tax law. MIRA reminded taxpayers that systems must be properly configured, returns must be supported by documentation, and records must generally be retained for at least five years (MIRA, 2025).

Regular reconciliations should identify timing differences, errors and missing transactions before a return is filed.

05 MVR and USD transactions are distorting the picture

Many companies in the Maldives bill customers, receive payments, or make payments in both Maldivian rufiyaa and US dollars. As transaction volumes increase, reliance on Excel may result in exchange rates being applied inconsistently, foreign-currency balances not being revalued, and exchange gains or losses being omitted or misclassified. This could lead to inaccurate financial statements and tax returns.

The finance process needs to be consistent when recording the transaction currency, exchange rate, and the MVR equivalent of the transactions. Foreign currency balances relating to bank accounts, customers and suppliers should be reconciled and remeasured, where required by the applicable financial reporting framework.

06 Inventory, work in progress or fixed assets are estimates

For retailers and importers, the accounts are unreliable if stock quantities and costs are not maintained. For contractors and service providers, the equivalent problem is unrecorded work in progress, customer deposits or incomplete project costs.

Besides simply keeping a list of purchases, fixed assets require more than a list of purchases. An asset register should show the location, cost, useful life, depreciation and disposal details of each asset. This is especially important for equipment, vessels or machinery that may be moved between islands or project sites.

The fact that large year-end adjustments to stock, work in progress or fixed assets are a clear indication that the monthly accounts are not yet complete or reliable.

07 Owner and related-party balances are unclear

Small businesses often start with the owner paying for business expenses personally, taking money out of the business, lending money to it, or using the same supplier across related companies. This can become difficult to keep track of as the business grows. A payment that started as a simple business expense may later be unclear as to whether it was a reimbursement, salary, loan, dividend, capital contribution or business expense.

Separate bank accounts and proper records can help prevent these balances from becoming difficult to explain. Director, shareholder and intercompany balances should also be reconciled regularly, with supporting documents kept for significant transactions. If the accountant cannot clearly explain what makes up a balance, it is a sign that the business's financial records need more structure.

08 A bank, tender, MIRA requirement or audit request triggers an emergency clean-up

If a financing application, tender, tax filing or audit requires weeks of reconstructing spreadsheets and locating documents, the business's accounting records are not being maintained at the level required. Banks and other parties may request up-to-date financial statements, management accounts, cash-flow projections and tax records, often within a limited timeframe.

This is also important for income-tax compliance. A company or other non-individual taxpayer is exempt from filing an income-tax return only if:

- its gross income does not exceed MVR 2 million in both the current and preceding tax years; and
- its taxable income does not exceed MVR 500,000 in both years.

If any of these limits is exceeded, the business will generally be required to file an income-tax return and submit the applicable financial statements with it (Income Tax Regulation 2020/R-21, as amended, ss. 101(b) and 102; MIRA, 2025). Where total income exceeds MVR 10 million, an independent auditor's report must also be submitted (MIRA, n.d.-a).

The MVR 10 million threshold is therefore an audit threshold, not the point at which a business should begin preparing financial statements. Waiting until a tax return, audit, tender or financing application is due can result in unsupported balances, missing documents and delays. Maintaining complete accounts throughout the year makes these requirements part of the normal reporting process rather than an emergency clean-up.

09 Financial processes depend on one person

When the same employee can create suppliers, enter invoices, approve payments and reconcile the bank, mistakes or irregularities can easily go unnoticed. Relying too heavily on one spreadsheet or one member of staff also creates a problem if the file is lost or corrupted, or if that employee leaves the business.

This does not mean an SME needs a large finance team. Simple controls can make a significant difference. For example, different people can be given responsibility for entering and approving transactions, bank accounts can be reviewed independently, and important files can be backed up. Clear procedures and appropriate access limits can also reduce the risk of errors and unauthorised changes.

What should replace basic bookkeeping?

The next stage is not necessarily a full-time chief financial officer. A proportionate upgrade normally includes:

- a chart of accounts designed around the business's sectors, projects, locations and currencies;
- a documented monthly close with complete balance-sheet reconciliations;
- a management pack covering profit and loss, financial position, cash flow, aged balances and key margins;
- a rolling cash-flow forecast and an annual budget compared with actual results;
- connected or reconciled invoicing, POS, inventory, payroll and accounting systems;
- approval controls, audit trails, secure document storage and reliable backups; and
- periodic review by a qualified accountant, finance manager or outsourced finance team.

The right time to upgrade is determined by complexity, risk and information needs, not turnover alone. If two or three of these warning signs recur each month, the business has probably already outgrown basic bookkeeping.

Stronger financial management gives the owner of the business something more valuable than tidy records: earlier warning of cash pressure, clearer commercial decisions and fewer surprises when MIRA, a lender or an auditor asks questions.

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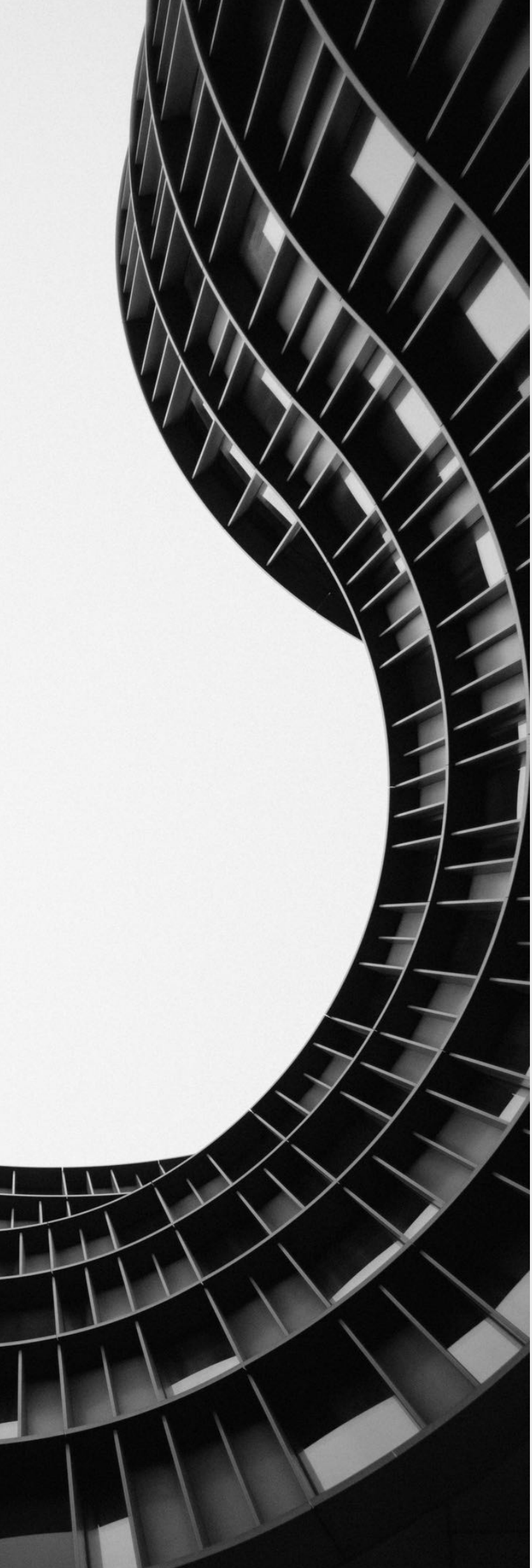
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A professional membership is more than a credential.

A Practical Guide to Applying for an Audit Licence in the Maldives







By Mahaa Adam

TREASURER AT STATE TRADING ORGANIZATION (STO),
MEMBER, ADMISSION & LICENSING COMMITTEE

A major milestone in your career for accounting professionals who want to offer statutory audit services in the Maldives, an Audit Licence is a major milestone.

The Institute of Chartered Accountants of the Maldives (CA Maldives) has a structured licensing regime to make sure only practitioners with the right mix of technical skill, ethical grounding and professional experience are authorized to undertake audit work.

Before you even begin your application, there are a few non-negotiables. You must be a registered member of CA Maldives. You also need to have completed an Advanced Audit and Assurance qualification that the Institute recognises, along with the Public Practice Training Programme they offer. A full list of accepted qualifications is available on their website—worth checking before you go any further.

Applications for both Individual and Firm Audit Licences are submitted through the CA Maldives online portal. It is a reasonably straightforward process: you upload your documents, and the system lets you track where things stand as your application moves through the review stages.

Building the Right Kind of Experience

The licensing framework is heavily weighted toward practical experience—and for good reason. Technical knowledge alone does not make a good auditor. You need judgement, exposure to real engagements, and the sort of insight that only comes with time in the field.

For an Individual Audit Licence, the bar is set at a minimum of seven years in the accounting profession. Of that, at least two years must have been spent working in an audit firm accepted by CA Maldives, and at least one of those years must have been at a supervisory level. You will also need to submit a fair bit of supporting paperwork: evidence of your professional experience, an up-to-date CV, police and court clearance certificates, and copies of your relevant qualifications.

Firms have a more extensive set of requirements. A firm must be a registered partnership, and at least one partner must possess a valid Audit Licence issued by CA Maldives. The range of services a firm can offer is also restricted – it is only allowed to provide audit and assurance, accountancy, financial consultancy and tax consultancy. Furthermore, the Institute will need to be satisfied that the firm has the necessary resources, infrastructure and governance structures to consistently perform quality audits.

Quality Is Not an Afterthought

One very noticeable aspect of CA Maldives' licensing approach is the importance attached to audit quality. It is not merely a case of ticking boxes – applicants are required to submit a Summary of Audit Process and a Quality Management Manual that is aligned with the International Standard on Quality Management (ISQM 1). These documents provide the Institute with a clear picture of how you intend to conduct audits in accordance with the international standards, and how you will keep quality under control across your practice.

All applications go to the Admission and Licensing Committee (ALC), which takes a close look at your professional readiness, your audit methodology, and your quality management setup. Once they have completed their review, they make a recommendation. You can expect to hear back within 45 working days—though it is always wise to plan for a little flexibility.

If Public Interest Entities Are on Your Radar

Firms that want to take on audits of Public Interest Entities (PIEs) will need to go one step further and register as PIE Auditors under the specific regulation governing this area. This additional layer of registration is there to give regulators, audit committees, and boards confidence that the auditor handling PIE work has the necessary competence and is fully compliant with the relevant standards and legal requirements.

The criteria for PIE Auditor registration are more demanding. The firm must have at least one licensed full-time Engagement Partner with a minimum of five years' experience in financial statement audits, including at least two years on audits conducted under International Standards on Auditing. You will also need to nominate an Engagement Quality Reviewer with relevant experience, appoint a person responsible for the firm's quality management system and retain a team of at least five full-time staff (including partners) directly involved in financial statement audits.

You submit the application for PIE registration to CA Maldives along with the prescribed forms and supporting documents. The application contains details of your proposed Engagement Partners, Quality Reviewers and quality management leads. The Admission and Licensing Committee reviews the application and forwards it to the Council for final approval. Once registered, firms are subject to ongoing quality reviews at the firm level—so this is not a one-and-done process.

Raising Confidence in the Profession

By maintaining these rigorous requirements, CA Maldives plays an important role in upholding public trust in the audit profession and ensuring that assurance services delivered in the Maldives meet a consistently high standard.

An Audit Licence is not merely a regulatory checkbox. It's a signal – to clients, to regulators and to the wider market – that you take your professional responsibilities seriously and that you are committed to audit work that is thorough, ethical and in the public interest.

“

Quality is not an afterthought.



Becoming a CA Maldives Member

A Career Move Worth Making

Getting Started

There comes a point in every accountant's career when formal recognition stops being just a nice-to-have and becomes a genuine necessity. For many professionals in the Maldives, that point arrives with membership in the Institute of Chartered Accountants of the Maldives. It is not merely about adding a few letters after your name—though that certainly helps.

The real value lies in what comes with it: access to serious learning opportunities, a network of people who actually understand what you do, and a clear sense of where your career can go next.

The Institute structures its membership around two main tiers, each aimed at a different stage of professional life:

01. **Associate Member** – This is the entry point for practitioners who are already active members of an IFAC-recognized body. Think of it as the Institute's way of saying your foundational training meets international standards—no shortcuts, no compromises.

02. **Fellow Member** – Reserved for those who have put in the years and can demonstrate the level of experience set out in the CA Maldives Membership Regulation. Making the jump to Fellowship is a clear signal that you have moved beyond technical competence into genuine professional leadership.



By Mahaa Adam

TREASURER AT STATE TRADING ORGANIZATION (STO),
MEMBER, ADMISSION & LICENSING COMMITTEE

Applying – Straightforward but Preparation Matters

Everything runs through the CA Maldives online portal these days. You set up your profile, upload your documents, and keep an eye on your application status as it moves through the system. It is designed to be painless, but only if you come prepared.

The documentation checklist is fairly standard, though you will want to double-check every item before hitting submit:

01 A clear copy of your National ID or passport.

02 Your academic and professional certificates—properly verified, with evidence that your current membership with an IFAC body is active and in good standing.

03 Reference letters from employers that actually speak to what you did on the job, not just a generic confirmation of employment dates.

04 Police and court clearance certificates. They take these seriously, so do not leave this to the last minute.

What Membership Actually Gets You

Let us be honest—clients and employers pay attention to credentials. Walking in with ACA or FCA after your name carries weight because it tells people you have been vetted by a professional body that does not hand out memberships lightly.

The designations break down like this:

- Associates get to use ACA – Associate Chartered Accountant.
- Fellows are entitled to FCA – Fellow Chartered Accountant.

But the real perks show up after you have joined. Members get early access to technical sessions, webinars, industry gatherings, and networking events that actually matter. The Institute also keeps close ties with international accountancy bodies and collaborates with other professional organizations to ensure members are not left behind as the profession evolves.

On CPD – It Is Not Optional

One thing the Institute makes very clear from day one: staying current is not a suggestion—it is a requirement. Standards shift, regulations change, and the business environment rarely stands still for long. Continuous Professional Development is how you keep up.

CA Maldives requires every member to log 40 hours of CPD annually, broken into two categories:

- **21 hours** of verifiable CPD – These are formal activities where attendance and participation can be documented. At least 6 of those hours must come from events organized or co-organized by CA Maldives itself.
- **19 hours** of unverifiable CPD – This covers the less formal side of things: technical reading, self-study, online courses, and other independent learning efforts.

Members are expected to keep their own records and update them regularly—renewal time comes around faster than you think.

What It All Comes Down To

At the end of the day, carrying a CA Maldives designation is about more than professional credibility. It is a statement that you take your work seriously enough to keep learning, keep improving, and keep showing up with integrity. The Institute provides the platform, the network, and the resources—but members have to bring the commitment.

Whether you are starting out as an Associate or taking that next step to Fellow, membership positions you to grow beyond just being technically proficient. It helps turn competent professionals into the kind of people others look to for guidance, insight, and leadership in the financial sector. And that, really, is what this profession ought to be about.

“

A professional membership is more than a credential.

CA Maldives' Key Highlights from 2026

Throughout 2026, CA Maldives continued to bring together members, professionals and students through forums, learning sessions and professional engagements.



Auditors Forum 2026

120 Participants



AGM 2026

41 Attended (Total 106 Votes)



IFRS Forum 2026

286 Participants



Women in Tax 2026

41 Participants



Members Forum 2026

34 Participants



CA Open Day

88 Participants

Strengthening Professional Partnerships



MoU between

CA Maldives and Maldives Stock Exchange



MoU between

CA Maldives and MTCC



MoU between

CA Maldives and Allied Insurance



MoU between

CA Maldives and Villa College

Strengthening Global Accounting Ties



Mr. Mohamed Haleem Abdulla with Council Members Mr. Ibrahim Fazeel and Mr. Ali Muaz, attended

SAFA Board Strategy Meeting



CA Maldives President, Mr. Mohamed Haleem Abdulla, shared insights

WOFA 2026 – Global Accountancy



Auditor General and Past President, Mr. Hussain Niyaz, shared insights

WOFA 2026 – Audit Quality & Ethics



Delegates of CA Maldives proudly represented the Institute at the

World Forum of Accountants (WOFA)



CEO of CA Maldives, Mr. Ilyas Haneef, represented the Institute

93rd SAFA Board Meeting

CA Maldives' Key Highlights from 2026

KEY FIGURES

239	16	34	10	08
Memberships	Sole Practitioner Licenses	Licensed Audit Firms	PIE Licenses	Registered Firm Valuers
Total to date 239	Total to date 16	Total to date 34	Total to date 10	Total to date 08
Issued in 2026 33	Issued in 2026 02	Issued in 2026 05	Issued in 2026 0	Issued in 2026 08

PROFESSIONAL DEVELOPMENT

06	19.5	550
Professional Development Sessions	CPD Hours Delivered	CPD Participants Engaged

Standalone CPD Sessions Conducted

- Going Concern & Fraud Risk in Audit.
- Quality Management at Firm Engagement Level.
- Capital Gains Tax & Offshore Indirect Transfer.
- Women in Tax 2026

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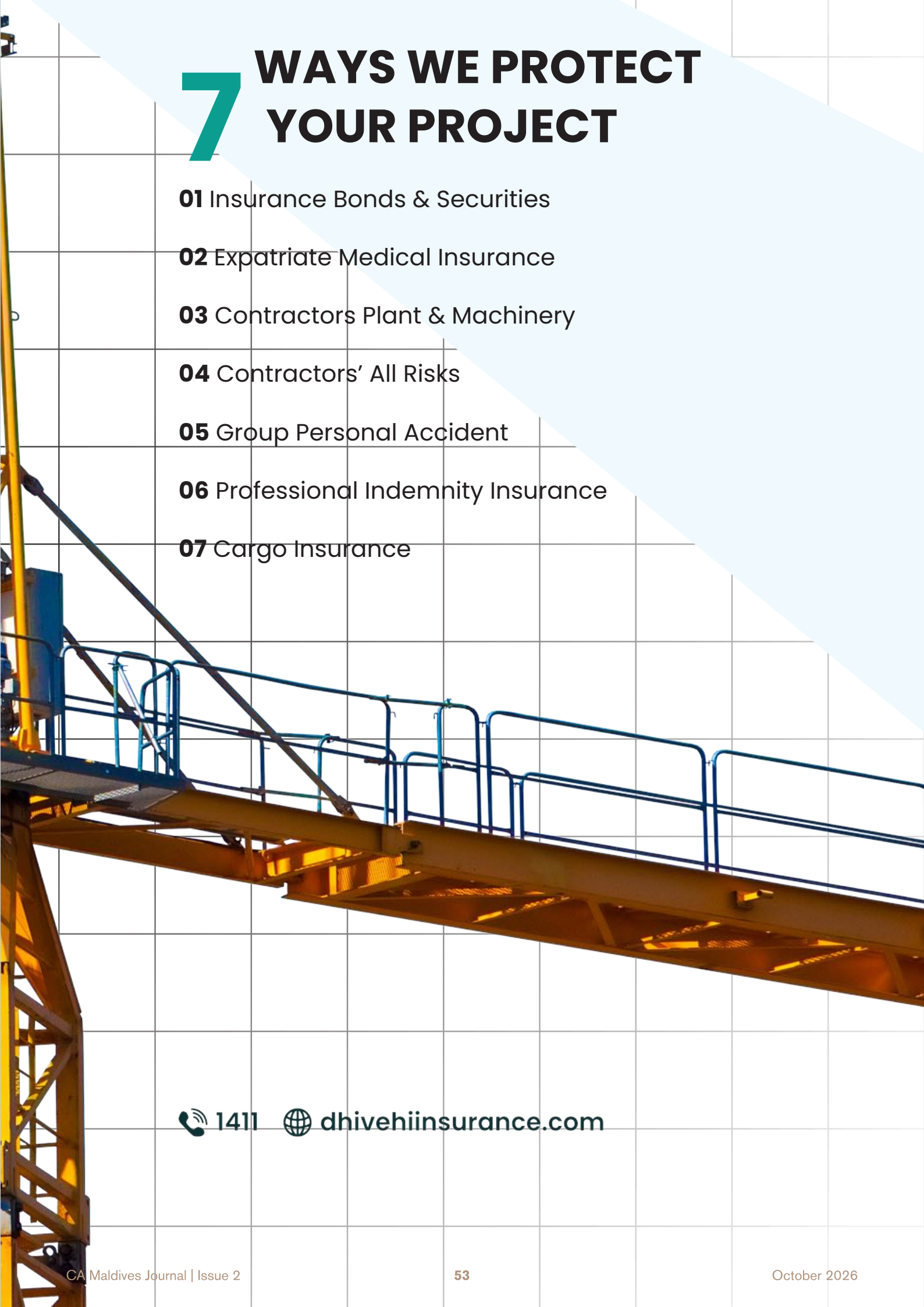
03 Contractors Plant & Machinery

04 Contractors' All Risks

05 Group Personal Accident

06 Professional Indemnity Insurance

07 Cargo Insurance



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