



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

Circular No. 1/2023

January 02, 2023

ALL MEMBERS OF THE INSTITUTE

Dear Member

**Request for comments on Exposure Draft
Accounting Standard '*Financial Statements Disclosures of Zakat Received by an Entity*'**

The Accounting Standards Board (ASB) has issued the Exposure Draft (ED) of Accounting Standard "*Financial Statements Disclosures of Zakat Received by an Entity*", along with its Basis for Conclusions, for your comments and feedback.

ASB, in consideration of the following aspects, noted the need for developing an Accounting Standard outlining specific disclosures in the financial statements to improve the transparency and accountability of the entity's receipt and utilization of zakat:

- Significant amounts of zakat are received and utilized by Not-for-Profit Organizations in Pakistan;
- The contribution of zakat includes many contributors/donors;
- The utilization of zakat involves various activities and beneficiaries; and
- The financial reporting standards as applicable in Pakistan (including Accounting Standard for Not-for-Profit Organizations) do not provide specific disclosures for zakat received and utilized by an entity.

Key aspects of the draft Accounting Standard

The objective of the draft Accounting Standard is to require an entity to provide disclosures in the financial statements that enable users to evaluate the significance, nature, and the financial effects of zakat received and utilized during the period. The draft Accounting Standard sets out following specific disclosures for the zakat received and utilized by an entity:

- (a) The accounting policy adopted for the utilization of zakat, stating the basis on which zakat utilized by the entity is recognized in the financial statements.
- (b) The disclosures in the notes to the financial statements about:
 - i. Movement in the zakat fund/balance during the reporting period - Reconciling the opening and closing balances of zakat.
 - ii. Zakat utilized during the period – Disclosure of amounts and nature of costs/expenditures on which zakat is utilized during the year.
 - iii. Closing zakat balance - Disclosure of the amount of closing balance of zakat fund and its representation by the net assets.

(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)

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The effective date of the Accounting Standard is proposed to be for the financial statements for the periods ending on or after June 30, 2023.

The ED is enclosed to this Circular, and you can also access it at:

<http://www.icap.net.pk/downloads/open-for-comment>

Stakeholders' comments and feedback

ASB places great importance on the members' and stakeholders' input and comments on an Accounting Standard and pronouncement. It requests you to become a part of the consultation and looks forward to your views and input on the ED of Accounting Standard "*Financial Statements Disclosures of Zakat Received by an Entity*".

The comments can be shared by February 15, 2023, by emailing them to dtscomments@icap.org.pk

Yours truly

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Encs: as above