



**FACULTY OF ECONOMICS
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Thesis

**A REVIEW OF THE FRAMEWORK FOR THE PREPARATION AND
PRESENTATION OF SHARIA FINANCIAL STATEMENTS
IN INDONESIA**

By:

RILLA MARTALETA

04153114

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ABSTRACT

A Review of The Framework for The Preparation and Presentation of Sharia Financial Statements in Indonesia

Rilla Martaleta

This study is a literature survey directed to review critically the framework for the preparation and presentation of sharia financial statements in Indonesia. This Focused on questioning the acceptability of the existing framework used by DSAK IAI to develop accounting standards for sharia enterprises. Therefore, throughout this study, the researcher will attempt to describe the existing framework and then to analyze it by using the sharia principles. The reviews are expected to enrich the current knowledge on Islamic accounting. Further this study concludes that there are three objectives of sharia financial statements : decision usefulness, stewardship and accountability. The sharia accounting also offers some alternative concepts in preparing and presenting financial statements replacing the conventional one, they are current value measurement and sharia entity theory. The conventional financial statements are also replaced by other reports which are compatible to those objectives and concepts, then I proposed the current value balance sheet and the value added statements. This paper is a normative study, explaining how sharia accounting should be based on Islamic values. It is about the theory and does not provide any practical support. There could be probabilities that practice and theory do not coincide.

Keyword : The Framework for The Preparation and Presentation of Sharia Financial Statements in Indonesia, Sharia Principles, Islamic Accounting, Conventional Accounting

CHAPTER I

INTRODUCTION

1.1 Background

Religion, particularly Islam, can exert a profound influence on individuals and societies. Throughout the muslim world, there has been a growing religious commitment during the past two decades to manage their economies in line with the precepts of Islam (Hassan, 1998 cited in Sulaiman, 2001). This phenomenon has generated considerable interest in the literature in examining the influence of Islam on accounting and financial reporting.

In respect of Islamic economic institutions, we need a set of accounting standard as a reference for those institutions to account sharia transactions. Now in Indonesia *Komite Akuntansi Syariah Dewan Standar Akuntansi Keuangan* (DSAK) has issued *The Framework for The Preparation and Presentation of Sharia Financial Statements* and accounting standards of *Pernyataan Standar Akuntansi Keuangan* (PSAK) 101-106 intended for all sharia financial institutions. Actually this is not the first time for DSAK issuing accounting standard for sharia institutions, the existence of sharia financial accounting standard began by PSAK 59 legitimated on May 2002. The basic difference between these two previous and latest standards is the area of implementation. PSAK 101-106 are implemented not only for the sharia bank but

also for all sharia financial institutions and conventional one which have sharia transactions. DSAK-IAI makes these standards by referring to *Pernyataan Akuntansi Perbankan Syariah Indonesia* (PAPSI) Bank of Indonesia and *fatwa akad keuangan syariah* released by *Dewan Syariah Nasional Majelis Ulama Indonesia* (DSN MUI).

The new standards can be summarized as follows:

1. Framework for Preparation and Presentation of Sharia Financial Statements
2. PSAK 101 : Presentation of Sharia Financial Statements
3. PSAK 102 : Accounting of *Murabahah*
4. PSAK 103 : Accounting of *Salam*
5. PSAK 104 : Accounting of *Istishna'*
6. PSAK 105 : Accounting of *Mudharabah*
7. PSAK 106 : Accounting of *Musyarakah*.

This study is directed to review critically the framework for the preparation and presentation of sharia financial statements. A framework provides the unity that is required, and with that, the direction and means to help in making decisions. Without a set of unified concepts, standard setters are like a ship in a storm without an anchor (Financial Accounting Standards Advisory Council, 2004). The framework describes the basic concepts by which financial statements are prepared (IAS,2008). The Framework serves as a guide to the Board (DSAK) in developing other sharia accounting standards (PSAK 101-106) and as a guide to resolve accounting issues

CHAPTER V

CONCLUSION

5.1 Conclusion

The framework for the preparation and presentation of sharia financial statements in Indonesia still adopt conventional accounting principle with some modification. While according to Carruthers and Espeland (1991) cited by Maurer (2002) accounting is not mere techniques, it has symbolic power. It could be argued that the conventional accounting reflects thought at the time of its creation. Conventional accounting reflects the philosophy of western worldview which is capitalistic, secular, liberals and dominated by profit orientation. (Gambling and Karim 1997 cited in Triyuwono, 2006). An examination of the worldviews, values and economic objectives of western society and the capitalist economic system which underlie conventional (Anglo-American) accounting shows them to be different from those of an Islamic society. It is not compatible for Islamic society because it embraces fundamental values and principles which are in conflict with its values.

The framework for the preparation and presentation of sharia financial statements can not fully adopt the framework of its conventional counterpart. There should be some framework for sharia accounting which is culled from Islamic values. The objectives of sharia financial statements need to be wider than stated in the

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