

# International Accounting Standards For Presentation And Disclosure And Their Consistency With Islamic Accounting Standards In Islamic Banks

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## **Abstract**

The aim of the research is to identify the international accounting standards and accounting standards for Islamic banks, and to analyze the most important problems in the application of Islamic accounting standards, as well as to analyze some of the principles and methods used in the application of accounting standards in Islamic banks. The research was built on three hypotheses, the first being (there is a tangible impact on the application of international accounting standards for banks' management of liquidity, achieving profits, maintaining property rights and fulfilling their obligations), and the second (the bank facing obstacles using Islamic accounting standards, as it is expected that when using Islamic accounting standards it will face a contradiction with the standards local or international accounting), and the third (the compatibility of Islamic accounting standards with international accounting standards to ensure the credibility and appropriateness of the presentation of financial instruments). The hypotheses were proven through the use of the questionnaire and the analysis of its results. A set of conclusions was reached, the most important of which: There is a perception among the research sample members of the compatibility of Islamic accounting standards with international accounting standards to ensure the credibility and appropriateness of the presentation of financial instruments, as the general arithmetic mean of the axis was positive (high) for all paragraphs.

**Keywords:** Islamic banks / international accounting standards / Islamic accounting standards.

## **Introduction**

Islamic banks have become a living reality in our economic structures and constitute a large part of them. The Islamic bank is distinguished from the traditional bank through the quality of its products, participation, profits, leasing and other investment methods pursued by the Islamic bank away from the usurious lending methods that constitute the main pillar of traditional banks. The Islamic banking sector witnessed a rapid spread, especially after the financial crisis that the banks witnessed in the United States of America, as studies that were conducted showed that there is great interest from investors in

major financial institutions such as the American City Club Bank, the German Deutsche Bank and the Watch Bank. S. And there are (430) financial institutions in more than (75) countries that deal in accordance with Islamic banking, and the capital is estimated at (840) billion dollars. The successive developments in the international financial markets have led to the widespread use of many financial instruments, whether in their basic traditional form such as bonds or in the form of their derivatives or interest rate swaps. The international accounting standards aim to strengthen the understanding of the users of financial statements regarding the importance of

financial instruments, whether they are visible in the financial statements or outside them, in relation to the financial position as well as their cash flows. and what these standards offer has become a challenge to the accounting of Islamic banks, especially since the accounting in the Islamic bank is regulated by the foundations of Islamic accounting thought deduced from the sources of Islamic Sharia. There are some similarities between these foundations and their counterparts in conventional banks. There are also clear fundamental differences in some of the foundations, especially those directly related to thought, values, ideals, ethics and behaviors. Therefore, it has become necessary to search for appropriate methods for preparing and applying accounting standards that are compatible with the thought and system of Islamic financial institutions.

### **The first topic: research methodology**

#### **First: the research problem**

The nature of banking work requires the presence of high confidence from the public, and one of the most important reasons that leads to an increase in confidence is the bank's commitment to Sharia and Islamic accounting standards in making it an understandable and unified language among all institutions, and without it, people who study financial reports will not be able to, accounting systems designed in accordance with the provisions of Islamic Sharia and their practical applications in business institutions meet the interest of many researchers and because of the spread of Islamic institutions and the urgent need among those dealing with them to know the ways in which economic goals are achieved and the foundations used in them. Hence, the research problem can be formulated through the following questions:

1. What is the extent of the commitment of Islamic banks in Iraq to the general provisions of local accounting standards,

- international accounting standards, and Islamic accounting standards?
2. Why did the idea of accounting standards for Islamic banks come about, and why do Islamic accounting standards need to harmonize and reconcile with international accounting standards?
3. What are the effects that Islamic banks may face as a result of their application of international accounting standards?

#### **Second: the importance of research**

The importance of the research comes with the increasing interest in Islamic banks in the recent period significantly. In view of the dependence of all parties on the financial reports of the banks to a large extent in order to compare them and take the decision to deal with them or invest in them through the financial instruments in those banks, as well as showing the extent of the impact of Islamic accounting standards in preparing financial reports and the extent to which they can be trusted and relied upon, on the basis that these tools show the reality of the bank's financial position and are an important source of information for users of financial statements. The study also provides advice to the administrations of Islamic banks to enhance commitment to the application of these standards, which enhances their activity, financial position and role in supporting the national economy and increasing the number of dealers with them.

#### **Third: Research objectives**

The research seeks several goals, which can be stated as follows:

1. Familiarity with international accounting standards and accounting standards for Islamic banks.
2. Analysis of the most important problems in the application of Islamic accounting standards.
3. Analysis of some principles and methods used in applying accounting standards in Islamic banks.
4. Study and analysis of the extent to which Iraqi Islamic banks comply with

the requirements of Islamic accounting standards.

#### **Fourth: Research hypotheses**

##### **The research is based on the following hypotheses:**

**The first hypothesis:** There is a tangible impact of the application of international accounting standards for banks' management of liquidity, achieving profits, preserving property rights and fulfilling their obligations.

**The second hypothesis:** There are obstacles for Islamic banks when using Islamic accounting standards in terms of contradiction with local and international accounting standards.

**The third hypothesis:** the compatibility of Islamic accounting standards with international accounting standards to ensure the credibility and appropriateness of the presentation of financial instruments

#### **The second topic: the theoretical side**

##### **First: the concept of international accounting standards**

There are several definitions of international standards in different fields of science that show different aspects according to the identifier's view of the standards, and we provide, for example, the following:

The criterion is generally defined as (It is scientific measurement tools that express the behaviors associated with a particular activity, which represent the best level of performance under normal conditions, and also represent levels of performance according to the objectives, and they differ according to their nature, quality or period of implementation. (Al-Jarat, 2015: 100), Al-Shirazi defined the accounting standard as a translation of the conceptual framework of accounting, whether in objectives and concepts or assumptions, principles and foundations. It also represents one of the tools of the realistic and practical side. Which necessitates

taking into account the surrounding environmental conditions in its construction (Al-Shirazi, 1990: 126), as for Al-Balkaoui, for his part, he defined accounting standards as being strict rules supported by penalties in the event of non-compliance by economic units (Belkaoui, 2009: 124), and in the field of distinguishing between standards and procedures, (Salloum and Nouri) defined the standards as having general guiding and guiding qualities, while the procedures are represented by the executive formula of standards on applied practices (Salloum and Nouri, 2009: 12).

Through the above definitions, the researcher believes that the accounting standard in general is a way to solve a problem through which description, measurement, comparison and accounting compatibility at the local and international levels are achieved in accounting practices and applications, that is, achieving similar levels of disclosure and measurement from one country to another. It should be agreed upon.

##### **Second: The advantages of applying international accounting standards**

Among the advantages of applying international accounting standards, we mention the following: (Hammad, 187: 2003)

1. Easy access to foreign capital markets.
2. Increasing the credibility of the local capital markets compared to the foreign capital markets, which gives a greater possibility of partnership and merger.
3. Reducing influence by political pressures
4. Increasing the credibility of the financial statements of companies in developing countries for potential creditors.
5. Ease of organizing stock markets.
6. Reducing the capital of companies.
7. Reducing the costs of issuing national accounting standards.

8. Comparability of financial statements between different countries.
9. Increase the understandability of financial reports (common financial language)
10. Increasing transparency and accountability within the scope of accounting judgment.

There are other advantages, which are as follows: (Abdul Halim 2007: 112)

1. Enhancing foreign financial aid by facilitating the task of understanding the financial statements.
2. The financial statements prepared in accordance with international accounting standards will be comparable at the international level, which encourages investment and borrowing decisions.
3. The developing countries will be able to solve a large part of their problems by using these criteria.

4. Reducing the difficulties that multinational companies face in unifying their operations.
5. Improving administrative decisions with regard to multinational companies.
6. Reducing the confusion resulting from the difference and diversity of generally accepted accounting principles and auditing standards that may face users of financial statements.

Third: The extent to which Islamic accounting is consistent with contemporary accounting assumptions and principles:

The benefit of Islamic accounting from the assumptions and accounting principles accepted in financial accounting as long as the assumptions and principles work to achieve justice, establish rights, and give information validity, in a manner that does not conflict with the provisions of Islamic Sharia.(Samhan, 2015: 69).

**Table (1) The extent of the agreement of Islamic accounting with contemporary accounting assumptions**

accounting assumptions	Its application in Islamic accounting
independent accounting unit	It does not conflict with the provisions of Islamic Sharia as long as the owners of the company bear the results of the business, for profit or for fine.
continuity	The provisions of Islamic Sharia recognize that imposition in a way that does not harm anyone, and the jurists have added to it the so-called judgmental quotation in some types of companies to deal with the continuity of the company.
periodical	Judgmental quotation: expressing the assets at the expected market value to determine the rights of each party fairly.
monetary unit of measure	It does not contradict the provisions of Islamic Sharia because it achieves the interests of the different parties, and it has flexibility in dealing

(Sakib, 2015: 33)

Fourth: The nature of the relationship between the standards issued by (AAIOFI) and international accounting standards

In view of the wide acceptance and spread of international accounting standards, as it became a reference for the formulation of many local standards in many countries, even when the Accounting and Auditing Organization AAIOFI issued accounting

standards that regulate the work of Islamic banks, the authority has resorted to taking advantage of international standards due to their acceptance and recognition internationally, and in light of this, the relationship between the Islamic accounting standards issued by the authority and international accounting standards can be seen within the following classification: (Rahahela, 2017: 120)

**Table (2) AAIOfI's relationship in dealing with international accounting standards**

No.	Statement	AAIOFI's approach to international accounting standards
1	International accounting standards that can be adopted by Islamic banks:	Approval of international accounting standards
2	Islamic accounting standards issued by the Commission due to the inability of Islamic banks to adopt international standards as they are without modification: -When there are issues related to compliance and full compliance with the provisions of Islamic Sharia. -When international standards do not include the aspects that are unique to Islamic banking.	Rejection of international standards and the issuance of alternative standards
3	Islamic accounting standards issued by the Commission for Islamic banking practices that are not covered by international standards: When there are financial transactions that are unique to Islamic banks	Issuance of new standards

#### **Fifth: The contentious relationship of Islamic financial transactions**

There are paragraphs that constitute areas of disagreement when reporting on Islamic financial transactions. As well as the basic

differences between international accounting standards and the standards of the Accounting and Auditing Organization for Islamic Financial Institutions, as in the following table: (Al-Kandari, 2016: 136)

**Table (3) The main differences between international accounting standards and those of the Accounting and Auditing Organization for Islamic Financial Institutions**

	Standards of the Accounting and Auditing Organization for Islamic Financial Institutions	International Accounting Standards
Differences in the contractual relationship	The interest element is dispensed with when borrowing or lending -Not relying on credit and indebtedness Relying on the relationship based on profit and loss sharing and risk bearing in accordance with Islamic law	The relationship between the bank and the dealers is based on the interest element when borrowing and lending, and it depends on credit and indebtedness.
Differences in the objectives of users of financial statements	- The attention of the users of the financial statements is focused on non-financial information, such as the bank's compliance with the principles of Sharia and pleasing God Almighty through investment and halal dealing and avoidance of usury Financial accounting aims to provide non-financial information, and it does not neglect the provision of financial	The ultimate purpose of users of financial statements is the efficient allocation of their resources to more profitable uses. Financial accounting is based on a useful framework for decisions: it focuses on identifying events for economic transactions to meet

	information that users need to develop their money.	the need for financial information
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(SFAS, 2010: 123)

Sixth: Uses (financial instruments) of funds in Islamic banks

Since the investment work of the Islamic bank is derived from the foundations and concepts of Islamic investment, therefore, the formulas and mechanisms for using funds are different from what is used in traditional banks in the investment banking process, operating from the perspective and framework of the legal and jurisprudential rules for financial transactions, which are as follows: (Homoud, 2012: 147)

- 1- speculation
- 2- Share
- 3- sale profits
- 4- Trades
- 5- Sell to order
- 6- Leasing or leasing
- 7- Selling the ladder
- 8- Farming and watering

From the foregoing, the researcher believes that there is a specificity and quality of the transactions that take place in the Islamic bank, which is completely different from the traditional commercial bank with the expansion of its business and the multiplicity of its risks and its difference from the traditional bank, and through the volume of participation and its distance from the concept of lending and borrowing. Adopting the principle focused on participating with the applicant for funding and proceeding with him in all the steps of the project, sharing the profits or bearing part of the losses.

### The third topic: the practical side

#### First, the analytical method used

**Table (4) How to interpret the values of arithmetic averages**

Arithmetic mean value	Interpretation
1-1.80	Totally agree
1.81-2.60	I agree
2.60-3.40	I agree to a point

The methods and tools were used in the measurement and analysis, which are:

#### 1- standard deviation ( $\sigma$ )

It is the square root of the variance, and it is measured from the following relationship:

$$S = \sqrt{\frac{\sum x_i^2 - \frac{(\sum x_i)^2}{n}}{n-1}}$$

(1)

#### 2- Five-point Likert scale

Likert scale is a technique for measuring behaviors and preferences used in psychological tests devised by psychologist Renes Likert. It is used in questionnaires, especially in the field of statistics. The scale depends on responses indicating the degree of approval or opposition to a formula.

The arithmetic mean value is interpreted after calculating it based on the number of options and categories in the scale, and the following is a description of the interpretation steps in the case of using the five-point Likert scale:

The range is calculated, as  $5-1=4$

- The category length is calculated by dividing the range by the number of categories (options), so  $4/5 = 0.80$

- So the first category of arithmetic average values is: from 1 to  $1 + 0.80$ , and so on for the rest of the arithmetic averages, the following table shows the way to interpret the values of arithmetic averages.

3.41-4.20	I do not agree
4.210-5.00	I don't totally agree

### 3 - Cronbach's Alpha test

Credibility and reliability are among the most important topics of interest to researchers in terms of their great impact on the importance of research results and its ability to generalize the results. Credibility and reliability are related to the tools used in the research, their ability to measure what is to be measured, and the accuracy of the readings taken from those tools. For the purpose of verifying the validity and reliability of the study measures on the other hand, the researcher used for this purpose the alpha correlation coefficient  $r$ , which is sometimes called the Cronbach Alfa coefficient, which is written as follows:

$$r = \left( \frac{k}{k-1} \right) \left[ 1 - \frac{\sum_{i=1}^k S_i^2}{S_T^2} \right] \quad (2)$$

$r$ : alpha correlation coefficient (Cronbach's alpha)

$k$ : the number of paragraphs of the scale

$\sum_{i=1}^k S_i^2$ : The sum of the variances of the scale items

$S_T^2$ = overall contrast

C - t - Test

The (t) test is used for the purpose of testing the hypothesis that claims that there is no statistically significant relationship at the (0.05) level. The mathematical formula for the test is:

$$t = \frac{\bar{x} - \mu}{s_{\bar{x}}} \quad \left. \begin{array}{l} \\ s_{\bar{x}} = \frac{s}{\sqrt{n}} \end{array} \right\} \quad (3)$$

Where  $(\bar{x})$  represents the arithmetic mean,  $(\mu)$  represents the hypothetical mean, and  $(s_{\bar{x}})$  represents the standard deviation of the arithmetic mean.

### 4-3-2 Analysis of the results of the questionnaire for Islamic banks, the research sample

The research used the questionnaire method as a tool for collecting data from the sample that was randomly selected to prove or deny the research hypotheses or deny them, and by (100) questionnaire forms distributed to bank managers, accountants and auditors, and completely recovered (100 forms).

The questionnaire was formulated according to the Likert scale in the answers of the research sample and was according to the following order (very important, important, medium importance, low importance, unimportant) and the questionnaire consists of three axes:

The questions of the first axis of the questionnaire consisted of (6 questions) focused on the adoption of international accounting standards in Islamic banks. As for the second axis of the questionnaire, it included (7 questions) that reflect the adoption of Islamic accounting standards in Iraqi Islamic banks. The third axis of the questionnaire included (6 questions) on the harmonization between international accounting standards and Islamic accounting standards related to financial instruments. The results were analyzed according to the questionnaire and according to the axes.

The demographic variables of the sample members can be summarized according to the following table.

**Table (5): Description of the demographic variables for the sample members**

No.	Variable	Category	Repetition	The ratio
1	the age	20 – 30	32	0.32
		31 – 40	43	0.43
		41-50	18	0.18

		51 and over	7	0.07
2	Gender	Mention	39	0.39
		feminine	61	0.61
3	Educational attainment	PhD	3	0.03
		Master's	5	0.05
		Higher Diploma	12	0.12
		BS	61	0.61
		Diploma	19	0.19
4	Scientific specialization	Accounting	40	0.40
		Business Administration	13	0.13
		and economy	8	0.08
		Finance and Banking	39	0.39
5	Length of service	3 – 5	6	0.06
		6- 10	27	0.27
		11 – 15	34	0.34
		16 – 20	20	0.20
		21 and over	13	0.13
6	training courses	International Accounting Standards	30	0.57
		Islamic accounting standards	23	0.43
7	Job position	bank manager	3	0.03
		Head of the Department	7	0.07
		Division Manager	23	0.23
		accountant	36	0.36
		Checker	31	0.31

### First: Cronbach's alpha scale

First, we explain the results of the Cronbach's Alpha Scale for validity and reliability of the resolution, as follows:

**Table (6): Cronbach's alpha values for study variables by axes**

The axis	the field	Cronbach	validity*
1	Adoption of international accounting standards in Islamic banks	0.926	0.962
2	Adoption of Islamic accounting standards in Iraqi Islamic banks.	0.943	0.971
3	Harmonization between international accounting standards and Islamic accounting standards related to financial instruments	0.972	0.986



From Table (6) it is clear that the results of Cronbach's alpha values were high, that is, much higher than the value of (0.7), and this indicates that the questionnaire items are very acceptable to achieve stability and coherence. The results of the Alpha Cronbach scale of validity and reliability of

❖ **Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.926	0.962	6

□ The axis of adopting Islamic accounting standards in Iraqi Islamic banks.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.943	0.971	7

□ Harmonization between international accounting standards and Islamic accounting standards related to financial instruments

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.972	0.986	6

**Table (7): The arithmetic mean for the interpretation of the results of the response of the study sample according to the five-point Likert scale**

The opinion	weight	Arithmetic average	level of perception	Theoretical average
Strongly Agree	5	4.20- 5	very high	3
agree	4	3.40- 4.19	High	
neutral	3	2.60- 3.39	Around the middle	
not agree	2	1.80- 2.59	Low	
Strongly Disagree	1	1.79-1	very low	

**Second: the respondents' perceptions**

The first axis: the adoption of international accounting standards in Islamic banks

**Table (8): Arithmetic mean, standard deviation, relative weight, and degree of approval of the variable of adopting international accounting standards in Islamic banks.**

the questionnaire when applying the (SPSS) program, according to the axes and items, were as follows:

□ The axis of adopting international accounting standards in Islamic banks

No.	Variable	Arithmetic mean	standard deviation	t	relative weight	degree of approval
1	The adoption of international accounting standards, especially Standard No. (1) Presentation of financial statements would facilitate the user's understanding of financial statements.	4.2	0.69	2.54	0.84	very high
2	International Accounting Standards facilitate the disclosure of financial instruments, International Standard No. (7), which results in the consolidation of business results with unified lists between various Islamic and non-Islamic banks.	4.43	0.58	2.55	0.89	very high
3	As a whole, international accounting standards improve administrative decisions. Consolidated statements are easy to understand for decision makers and do not require different interpretations according to the sources of their preparation.	4.75	0.41	2.70	0.95	very high
4	The adoption of international accounting standards would eliminate ambiguity, contradiction and confusion among users of financial statements through the existence of unified international standards with one concepts.	3.80	1.03	2.33	0.76	high
5	Items are presented in the statement of financial position on the basis of financial assets and financial liabilities in accordance with the requirements of International Accounting Standard (32) Financial Instruments.	4.41	0.94	2.51	0.88	very high
6	There is a commitment by Iraqi Islamic banks to international accounting	3.63	1.25	0.73	high	high

	standards, especially those related to financial instruments.					
	The general arithmetic mean of the axis	4.20	0.81	2.48	0.84	very high

Table (8) indicates the arithmetic means, standard deviations, t-test, relative weight and the degree of approval related to the viewpoint of the researched sample regarding (adopting international accounting standards in Islamic banks), as the mentioned table reflects a general arithmetic mean

It reached (4.20), and the dispersion was with good consistency in the answer confirmed by the general standard deviation of (0.81), and the (t) test on the scale for this variable from the researched sample reached (2.48), and the relative weight reached (0.84), and obtained a score of Agree (very high). As for the level of questions, this variable was measured through six questions, and the results about it were distributed among the highest level of answers and were achieved by the third paragraph, as the mean value was (4.75), and an average dispersion between the answers confirmed by the standard deviation (0.41) , The (t) test reached (2.70), with a relative weight of (0.95), and it obtained a degree of approval (very high). The sample members confirmed the improvement of international accounting standards as a whole for administrative decisions. Unified data is easy to understand for decision makers and does not require different interpretations according to The sources of its preparation, and as for the sixth paragraph, which states (there is a commitment by Iraqi Islamic banks to international accounting standards, especially those related to financial instruments), it achieved the lowest level of answer, as its mean value

reached (3.63), and a dispersion above the average between the answers, confirmed by the standard deviation ( 1.25) The (t) test reached (2.48) and obtained a degree of approval (high), as the sample members see that there is a relative weakness in the commitment of Islamic banks to international accounting standards. Through the foregoing, the analysis of the table can be explained in the light of the following :-

1. The arithmetic mean was more than (4.5) for the majority of the items, and this means that the trend was positive according to the Likert five-scale.
2. The standard deviation was within the range
3. The value of (t) was significant for all items and higher than the tabular value of (2.13) for a level of significance of 5% and a degree of freedom of 4.
4. The paragraphs that were less than (4.20) are two out of 6 paragraphs and to a degree of agreement (high), and the following table shows the paragraphs less than (4.5).
5. In light of the foregoing, the first hypothesis that claims the existence of a tangible impact on the application of international accounting standards for managing banks' liquidity, achieving profits, preserving property rights and fulfilling their obligations can be accepted.

**Table (9): Arithmetic mean, standard deviation, relative weight, and degree of approval for the axis of adopting international accounting standards in Islamic banks for items less than (4.20).**

Paragraph	Variable	Arithmetic mean	standard deviation	T	relative weight	degree of approval
1	The adoption of international accounting standards would eliminate ambiguity, contradiction and confusion among users of financial statements through the existence of unified international standards with one concepts.	3.80	1.03	2.33	0.76	high
2	There is a commitment by Iraqi Islamic banks to international accounting standards, especially those related to financial instruments.	3.63	1.25	2.25	0.73	high

The previous table refers to the paragraphs that achieved less than (4.20) than the rest of the axis paragraphs, as the first paragraph of the table, which had a mean value of (3.80), and an average dispersion between the answers confirmed by the standard deviation (1.03), and the t-test reached And with a relative weight of (0.95), it obtained a degree of approval (high), as some members of the sample question the paragraph (adopting international accounting standards would remove ambiguity, contradiction and confusion among users of financial statements through the existence of unified international standards with single concepts). This is due to the fact that Islamic banks are of a special nature and

consolidation with international accounting standards may affect the work of these banks. As for the second paragraph, it achieved the lowest level of answer, as its mean value reached (3.63), and a dispersion above the average between the answers, confirmed by the standard deviation (1.25), and the (t) test reached (2.48) and it obtained a degree of agreement (high), as it is seen The sample members indicated that there is a relative weakness in the commitment of Islamic banks to international accounting standards.

**The second axis: the adoption of Islamic accounting standards in Iraqi Islamic banks.**

Table (10): Arithmetic mean, standard deviation, relative weight, and degree of approval for the axis of adopting Islamic accounting standards in Iraqi Islamic banks.

Symbol	variable	Arithmetic mean	standard deviation	t	relative weight	degree of approval
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1	There are specialized accountants who hold professional and legal licenses that qualify them to work in accordance with Islamic accounting standards.	2.52	1.77	1.66	0.50	low
2	The application of Islamic accounting standards, especially standards related to financial instruments, helps the bank's ability to achieve profits.	3.75	0.96	2.29	0.75	high
3	The adoption of Islamic accounting standards would increase public confidence in the bank's commitment to Sharia standards, which would increase the bank's profitability.	4.79	0.42	3.2	0.96	very high
4	Do you agree with the establishment of a specialized body in Iraq to issue Islamic accounting standards and revise some Islamic accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.	4.28	0.55	2.66	0.87	very high
5	There is an awareness among Islamic bank employees of the importance of using Islamic accounting standards in their work, in order to produce useful information that enables the decision maker to maximize their benefits and rationalize their various decisions to achieve customer satisfaction.	4.47	0.49	2.76	0.89	very high
6	Islamic banks face obstacles using Islamic accounting standards, and this in turn negatively affects the returns of these banks.	1.81	1.92	1.17	0.36	low
7	Work should be done to prepare auditors specialized in auditing Islamic banks, and they should be familiar with everything related to Islamic accounting standards and financial instruments for Islamic banks.	4.33	0.71	2.45	0.87	very high
The general arithmetic mean of the axis		3.70	0.97	2.31	0.74	High

Table (10) refers to the arithmetic means, standard deviations, t-test, relative weight and degree of approval related to the viewpoint of the researched sample

regarding (adopting Islamic accounting standards in Iraqi Islamic banks), as the mentioned table reflects a general arithmetic mean, reaching (3.70), The

general standard deviation was (0.97), and the t-test on the scale for this variable of the sample studied reached (2.31), and the relative weight reached (0.74), and a degree of agreement was obtained (high). As for the level of questions, this variable was measured Through seven questions, and the results about it were distributed among the highest level of answers achieved by the third paragraph, as the mean value was (4.79), and an average dispersion between the answers confirmed by the standard deviation (0.42), and the (t) test reached (3.2), with a relative weight It reached (0.96), and it obtained a degree of approval (very high). The sample members confirmed (that the adoption of Islamic accounting standards would increase the public's confidence in the bank's commitment to Sharia standards, which would increase the bank's profitability). As for the first and sixth paragraphs He has achieved the lowest answer level, and the analysis of this will be shown We decrease in the following table, and through the

above, the analysis of the table can be explained in the light of the following :-

1. The general arithmetic mean of the axis was positive (high) for all paragraphs (3.70), with a standard deviation of (0.97), and the significance of (t-test) that was (2.31) higher than the tabular amount of (2.13) for a level of significance of 5% and a degree of freedom of 4.
2. The analysis of the seven items was fluctuating, as items (3, 4, and 5) were positive and with a very high degree of agreement, paragraph (2) was high, and paragraphs (1, 6) were low, and these results affected the values of (t) test as It was not significant for the aforementioned low vertebrae.
3. The standard deviation was within the range.
4. The items that were low are represented by the following table:-

**Table (11): arithmetic mean, standard deviation, relative weight, and degree of agreement for the low paragraphs of the second axis.**

Paragraph	variable	Arithmetic mean	standard deviation	t	relative weight	degree of approval
<b>1</b>	There are specialized accountants who hold professional and legal licenses that qualify them to work in accordance with Islamic accounting standards.	2.52	1.77	1.66	0.50	low
<b>2</b>	Islamic banks face obstacles using Islamic accounting standards, and this in turn negatively affects the returns of these banks.	1.81	1.92	1.17	0.36	low

The previous table refers to the paragraphs that achieved the lowest percentage of the answers of the members of the research sample. The first paragraph, which had a mean value of (2.52), and a dispersion above the average among the answers, confirmed by the standard deviation (1.77), and the (t) test reached (1.66), with a weight of Relative (0.50), and it obtained a degree of approval (low), as the sample members believe that the lack of specialized accountants holding professional and legal licenses that qualify them to work in accordance with Islamic accounting standards, and this is one of the weaknesses in local Islamic banks.

As for the sixth paragraph, which also achieved the lowest level of answer among the paragraphs of the axis, as its mean value reached (1.81), and a dispersion above the average among the answers, confirmed by the standard deviation (1.92), and the (t)

test reached (1.17), and with a relative weight (0.36). And he obtained a degree of approval (low), as the sample members see that there are no obstacles to using Islamic accounting standards, and this enhances the extent of the sample members' awareness of the importance of using Islamic accounting standards in Islamic banks.

In light of the foregoing, the second hypothesis that claims that the bank faces obstacles using Islamic accounting standards may not be accepted, as it is expected that when using Islamic accounting standards it will encounter a contradiction with local or international accounting standards.

**The third axis: harmonization between international accounting standards and Islamic accounting standards related to financial instruments**

**Table (12): Arithmetic mean, standard deviation, relative weight, and degree of approval of the axis of alignment between international accounting standards and Islamic accounting standards related to financial instruments in Iraqi Islamic banks**

NO.	Variable	Arithmetic mean	standard deviation	t	relative weight	degree of approval
1	The compatibility of Islamic accounting standards with international accounting standards helps to ensure the credibility and appropriateness of the presentation of financial instruments.	4.21	0.98	2.76	0.84	very high
2	The existence of various challenges facing both international and Islamic accounting standards, the most important of which are recognition, measurement, disclosure, and fair value.	3.23	1.06	2.28	0.65	about average
3	Islamic banks need an Islamic system based on accounting thought, as it is difficult to harmonize between international and Islamic in the current form.	2.23	1.42	1.26	0.45	low
4	International standards do not achieve sufficient and necessary disclosure for Islamic financial transactions.	4.40	0.53	2.69	0.88	very high

5	There is a complex nature by which some international accounting standards are formulated and related to financial instruments and bears a usurious nature, and this would lead to the non-acceptance of them by Islamic banks.	4.75	0.45	2.69	0.95	very high
6	The issuance of international accounting standards in English and their translation into Arabic made them lose their original content, and this would complicate the harmonization between them and Islamic accounting standards..	3.50	1.02	2.27	0.70	high
The general arithmetic mean of the axis		3.72	0.91	2.37	0.75	high

Table (12) refers to the arithmetic means, standard deviations, t-test, relative weight and degree of approval related to the surveyed sample's point of view regarding (the harmonization between international accounting standards and Islamic accounting standards related to financial instruments), as the mentioned table reflects a general arithmetic mean, as it reached ( 3.72), and the general standard deviation was (0.91), and the t-test on the scale for this variable from the researched sample amounted to (2.37), and the relative weight reached (0.75), and it obtained a degree of agreement (high). As for the questions, it was This variable was measured through six questions, and the results about it were distributed among the highest level of answers achieved by the fifth paragraph, as the mean value for it reached (4.75), and an average dispersion between the answers confirmed by the standard deviation (0.40), and the (t) test reached (2.69) , and with a relative weight of (0.95), and it obtained a degree of approval (very high), the sample members confirmed (that there is a complex nature in which some international accounting standards are formulated and related to financial instruments and bears an usurious nature, and this would lead to the banks not adopting them Islamic), as for the third paragraph It achieved the lowest level of answer among the paragraphs of the axis, as its mean value reached (2.23), and a

dispersion above the average among the answers, confirmed by the standard deviation (1.42), and the (t) test reached (26(1). , and with a relative weight of (0.45), and it obtained a degree of approval (low), as the sample members see that there are no difficulties in harmonizing between international accounting standards and Islamic accounting standards, and through the above, the analysis of the table can be shown in the light of the following:-

1. The general arithmetic mean of the axis was positive (high) for all paragraphs (3.72) with a standard deviation (0.9) and the significance of (t-test) was (2.37) higher than the tabular amount of (2.13) for a level of significance of 5% and a degree of freedom of 4.
2. The analysis of the seven items was fluctuating and all items were positive except for the third item, which was about the mean, and these results affected the values of the (t) test, if the third was not significant as well.
3. The standard deviation was within the range.
4. In light of the foregoing, the third hypothesis that claims the compatibility of Islamic accounting standards with international accounting standards can be accepted to ensure the



credibility and appropriateness of the presentation of financial instruments.

### Third: The use of non-scientific tests

Two tests will be used which are the chi-square test and the Kruskal-Wallis test, which is one of the statistical methods used as statistical inferences to find out whether the differences between samples represent the differences between the populations, and then the null hypothesis and the alternative hypothesis will be applied to the tests.

#### 1 - Chi-Square Test

The following equation is used in the test

#### Test Statistics<sup>a,b</sup>

	VAR00001
Chi-Square	18.72
df	5
Asymp. Sig.	.000

a. Kruskal Wallis Test

The axis of adopting Islamic accounting standards in Iraqi Islamic banks

#### Test Statistics<sup>a,b</sup>

	VAR00001
Chi-Square	16.21
df	6
Asymp. Sig.	.000

The axis of harmonization between international accounting standards and Islamic accounting standards related to financial instruments

#### Test Statistics<sup>a,b</sup>

	VAR00001
Chi-Square	17.25
df	5
Asymp. Sig.	.000

$$\chi^2 = \sum \frac{(O - E)^2}{E} \quad (3)$$

2 - Kruskal-Wallis Test

It is a non-parametric test and its mathematical relationship is:

$$K_W = \frac{12}{N(N+1)} \left[ \sum_{i=1}^k \frac{R_i^2}{n_i} \right] - 3(N+1) \quad (4)$$

For ease of application, the SPSS program will be used to analyze the results, which were:

The axis of adopting international accounting standards in Islamic banks

**Table (13): Chi-square and Kruskal-Wallis test values according to axes**

axis	the field	degree of freedom	chi square	Kruskal's test	tabular values
1	Adoption of international accounting standards in Islamic banks	20	51.26	18.72	10,851
2	Adoption of Islamic accounting standards	24	33.35	16.11	13,848

	in Iraqi Islamic banks.				
3	Harmonization between international accounting standards and Islamic accounting standards related to financial instruments	20	42.37	17.25	10,851

From the aforementioned table (13) and after looking at the tabular values of both tests, we find that all the extracted values are greater than the tabular values of the two tests., accordingly, the first hypothesis has been proven (there is a tangible impact of the application of international accounting standards for managing banks' liquidity, achieving profits, preserving property rights and fulfilling their obligations), the second hypothesis was also denied (the bank faces obstacles using Islamic accounting standards, as it is expected that when using Islamic accounting standards it will face a contradiction with local or international accounting standards), as well as the third hypothesis (the compatibility of Islamic accounting standards with international accounting standards to ensure the credibility and appropriateness of the presentation of financial instruments) was proven. This confirms that the sample members working in Islamic banks have the effect of Islamic accounting standards in ensuring the credibility and appropriateness of the presentation of financial instruments, enhancing customer confidence, as well as achieving profits.

#### **Fourth topic: conclusions and recommendations**

##### **First: the conclusions**

1. Islamic banks are economic units with an Islamic orientation that take into account in their transactions the principle of Islamic Sharia, which is the basis of their work to move away from usurious transactions and achieve social equality for their stakeholders.

2. There is a peculiarity and quality of the transactions that take place in the Islamic bank, which is completely different from the traditional commercial bank with the expansion of its business and the multiplicity of its risks and its difference from the traditional bank and through the volume of participation and its distance from the concept of lending and borrowing. Adopting the principle focused on participating with the applicant for funding and proceeding with him in all the steps of the project, sharing the profits or bearing part of the losses.

3. There is a clear discrepancy in international accounting standards and Islamic accounting standards. There are international accounting standards that can be adopted by Islamic banks, as a result, Islamic standards were not issued, and the Accounting and Auditing Organization for Islamic Financial Institutions was directed to adopt them because it does not oppose Islamic Sharia.

4. Analysis of the answers of the research sample members showed that adopting international accounting standards that do not contradict Islamic Sharia in Islamic banks would achieve liquidity, achieve profits, preserve property rights and fulfill their obligations.

5. The responses of the sample members varied to the research regarding the adoption of Islamic accounting standards in Iraqi Islamic banks. Since the sample members are employees of those banks, which showed that the data analysis of those banks did not adopt Islamic accounting standards, their answers came in this way..

6. There is awareness among the research sample members of the compatibility of Islamic accounting standards with international accounting standards to ensure the credibility and appropriateness of the presentation of financial instruments, as the general arithmetic mean of the axis was positive (high) for all paragraphs.

7. In light of the fluctuation in the answers of the sample members to some of the axes of the questionnaire, it can be said that there is a lack of understanding about the working mechanisms of Islamic accounting standards and international accounting standards among the members of the research sample, especially those working in those banks.

## **Second: Recommendations**

1. The necessity of establishing a specialized body in Iraq to issue Islamic accounting standards and revise some Islamic accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions.

2. The necessity of increasing interest in Islamic banks and spreading their importance and principles from Iraqi financial institutions as well as universities because of their great importance in the field of societal contributions and the dissemination of Islamic values based on the tolerant Sharia.

3. The necessity of a statement of privacy for the transactions that take place in the Islamic bank and their quality, which is completely different from the traditional commercial bank with the expansion of its business and the multiplicity of its risks and its difference from the traditional bank, among those working in the field of Islamic banking.

4. The necessity for Iraqi Islamic banks to comply with Islamic accounting standards, enhancing the principle of transparency in presenting the financial statements according to those standards, in order to gain the confidence of investors and customers and improve their financial situation.

5. Islamic banks (the research sample) must adhere to the specificity of following the provisions of Islamic Sharia, as they should follow investment methods based on profit and loss for that, and that the banks do not link their accounts with the accounts of the Central Bank, which follows the unified accounting system in preparing its accounts, and that it has its own ledger group.

6. Banks in the research sample should expand the scope of disclosure and in accordance with international accounting standards and Islamic accounting standards, that is, disclose the type of activities practiced by banks. Which should clarify the specificity of Islamic banks, as these activities should be arranged in groups according to the nature of the activity and on the basis of the degree of liquidity.

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