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Application of Accrual Basis in Syariah Banking Financial Reports

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Abstract: The application of accrual accounting in Islamic banking financial statements in Indonesia has become an important topic that triggers issues related to transparency and accountability. Although PSAK 59 and 101 allow the use of accrual basis, the practice of earnings management and the use of cash in calculating profit sharing are still common. This study examines the challenges in implementing accrual accounting, including the lack of understanding of human resources and technological limitations. The results show that although accrual accounting can improve transparency, many Islamic financial institutions still face difficulties in implementing it. This study suggests the need for training and technology development to optimize the implementation of accrual accounting in accordance with sharia principles, and emphasizes the importance of accountability in financial statements to maintain stakeholder trust.

Keywords: Implementation, Accrual Accounting, Financial Reporting, Accounting Standards, Islamic Banking.

Introduction

The application of accrual accounting in Islamic banking financial statements has been the subject of analysis. While PSAK 59 and 101 regulate accrual-based reporting for most financial statements, the cash basis is used for profit-sharing calculations (Ummah, 2019). Research has found evidence of earnings management practices in Islamic bank financial statements using discretionary accruals (Rohmaniyah & Khanifah 2018). Islamic banks generally use the accrual basis to record transactions, except for cash flow statements and profit-sharing calculations, where the cash basis is applied to ensure compliance with Islamic principles (A. Yusuf & Neni Nurhayati, 2017). However, the accrual basis has been criticized for creating opportunities for data manipulation and revenue management. Some argue that the cash basis, although less popular, may better reflect the real financial conditions in Islamic financial institutions (Rosmanidar and Prayogo, 2022).

Research Aim and Research Questions

Recent studies have examined earnings management practices in Islamic banking financial statements in Indonesia. The study found that Islamic banks engage in earnings management, with evidence of accruals increasing earnings and decreasing earnings across banks and years (Framita & Hasanah, 2022). The implementation of IFRS convergence has not consistently reduced earnings management across Islamic banks (Indriyani, 2018). The use of accrual accounting in Islamic financial institutions, as mandated by PSAK 101, has been criticized for creating opportunities for data manipulation and earnings management (Rosmanidar & Prayogo, 2022). Some argue that cash-basis accounting may provide a more accurate representation of the real financial condition of Islamic entities. These findings raise concerns about the quality and transparency of financial reporting in Islamic banking and highlight the ongoing debate over the appropriate accounting method for Islamic financial institutions.

The urgency of research on the application of accrual basis in Islamic banking financial statements is increasingly pressing considering the limitations of current research. Although several studies have explained the practice of earnings management that occurs in Islamic bank financial statements, a deeper understanding of the implementation of accrual accounting and its impact on transparency and the quality of financial reporting is still very limited. This is important because accurate and transparent financial statements are key to maintaining stakeholder trust and compliance with Islamic principles. With increasing attention to earnings management practices and the impact of IFRS convergence, further research is needed to examine how the application of accrual basis can be optimized without sacrificing Islamic financial principles. The existence of comprehensive studies in this area will help strengthen the foundation of accounting theory and practice in the context of Islamic banking, as well as make a significant contribution to the development of better accounting policies in the future.

The formulation of the problem in this study focuses on the application of accrual accounting in Islamic banking financial statements, which is currently still causing debate regarding its effectiveness and transparency. Although PSAK 59 and 101 require the use of accruals in financial statements, in reality, the cash basis is still used in calculating profit sharing, which indicates a discrepancy in the application of accrual accounting (Ummah, 2019). In addition, earnings management practices that use discretionary accruals indicate that there are loopholes for data manipulation and income management that are detrimental to the integrity of financial statements (Rohmaniyah & Khanifah, 2018). With criticism of the use of accrual accounting that has the potential to create inaccuracies in the representation of the real financial conditions of Islamic financial institutions, a fundamental question arises: how can the application of accrual accounting be optimized so that it still meets sharia principles without sacrificing transparency and the quality of financial reporting? This study aims to explore these problems and provide relevant recommendations for Islamic banks in improving their accounting practices.

Research Results

The results of this study highlight that the implementation of the accrual basis in Islamic banking financial reports plays an important role in increasing financial transparency and accountability. The accrual basis allows Islamic banks to record income and expenses when the transaction occurs, not only when cash is received or disbursed. This provides a more accurate picture of the financial performance of Islamic banks. However, the main challenges faced are the lack of understanding of human resources regarding the implementation of accrual accounting, as well as limited technology adaptation. The study shows that banks that have implemented the accrual basis to the maximum are able to increase operational efficiency and provide more transparent financial reports.

In the digital era, the implementation of accrual accounting in Islamic banking has also been boosted by technological innovation. Digitalization helps in the automation of financial recording and facilitates the integration of financial data. The development of technology such as cloud-based applications for accrual recording helps accelerate the preparation of accurate financial reports. However, many Islamic banks have not fully adopted this technology due to limited human resources and a lack of understanding of digital ethics in the Islamic banking system. The development of digital skills is very important to support innovation in this sector. Based on a search in the POP application using the Google Scholar database, articles included in the search category were found as many as 47 articles according to the keywords "implementation" and "accrual accounting" and "financial statements" and "Islamic banking" and "accounting standards". Furthermore, the search results for the article were validated, namely checking the title, abstract, and keywords to review whether the article was valid according to the research objectives. In the final stage, 14 of the most relevant articles were found. These references were arranged based on themes related to the implementation of the accrual basis in the financial statements of Islamic banks. I have categorized them as follows:

Table 1

Implementation of Accrual Accounting in Islamic Banking

AUTHOR	**Title**	**Publication**
(Gamas & Sisdianto, 2024)	Analisis Penerapan Metode Pencatatan Akuntansi Dengan Konsep *Accrual Accounting* Pada Perbankan Syariah	Jurnal Nuansa : Publikasi Ilmu

(Kesia & Suwindra, 2024)	Dampak Penerapan Akuntansi Akrual Syariah Terhadap Kinerja Keuangan Perbankan Islam Di Era Digital	*Journal of Comprehensive Science*
(Rosmanidar & Prayogo, 2022)	Problematika Penerapan *Accrual Accounting* Pada Lembaga Keuangan Syariah	ILTIZAM Journal
(Risal, 2023)	*Cash Basis Vs Accrual Basis* dalam Pengambilan Keputusan pada Entitas Syariah	Jurnal Sosial Teknologi

Table 2

Earnings Management and Accounting Conservatism

(Apridasari, 2020)	Analisis Manajemen Laba Bank Konvensional dan Bank Syariah di Bursa Efek Indonesia	Jurnal Akuntansi Syariah
(Annisa & Taqwa, 2020)	Pengaruh Fair Value Accounting dan Dewan Komisaris terhadap Earning Management yang Dimoderasi oleh Peran Syariah	Jurnal Eksplorasi Akuntansi
(Pahriyani & Asiah, 2021)	Pengaruh Ukuran Perusahaan, Leverage, Dan Financial Distress Terhadap Konservatisme Akuntansi Pada Perusahaan Manufaktur Industri Barang Dan Konsumsi	Jurnal
(Pasupati, 2020)	Pengaruh Konservatisme Akuntansi Terhadap Penilaian Ekuitas Perusahaan	BHIRAWA

Table 3

Zakat, Infak, and Shadaqah (ZIS) Financial Report

(Amin & Hamid, 2022)	Laporan Keuangan Lembaga Amil Zakat: Melalui Transparansi Dan Akuntabilitas	Jurnal of Economic, Public, and Accounting
(Andrini, 2023)	Analisis Transparansi Dan Akuntabilitas Laporan Keuangan Zakat Infak Shadaqah (ZIS) pada Baznas Kabupaten Kampar Berdasarkan PSAK No. 109	Jurnal Akuntansi Kompetif
(Adriani, 2023)	Penerapan PSAK 45 Tentang Penyajian Laporan Keuangan Organisasi Nirlaba (Studi Kasus di Masjid Ar Rahman Kelurahan Sidomulyo Barat)	Socius: Jurnal Penelitian Ilmu-Ilmu Sosial
(Najmudin & Bayinah, 2022)	Kompetensi Takmir dalam Menjaga Kualitas Laporan Keuangan Masjid: Telaah Literatur	Jurnal Akuntansi Dan Keuangan Islam

Table 4

Accounting Innovation in the Digital Age

(Rosmala, 2024)	Inovasi Akuntansi Dalam Era Digital: Strategi Peningkatan Efisiensi Laporan Keuangan	Proceedings of Islamic Economics, Business

Table 5

The Influence of Sharia Accounting on Banking Performance

(Sari, 2020)	Pengaruh Pembiayaan dengan Prinsip Jual Beli dan Pembiayaan dengan Prinsip Bagi Hasil terhadap Performa Bisnis PT Bank BRI Syariah	Ekspansi: Jurnal Ekonomi, Keuangan, Perbankan

Conclusions

The conclusion of this study highlights the importance of implementing sharia accounting principles in improving the performance of sharia banking in Indonesia. The findings show that the use of accrual basis and transparent accounting practices can improve operational efficiency and accountability of financial statements. However, there are still challenges faced, such as the lack of understanding of human resources about accrual accounting and limited technology adaptation in sharia banking institutions. The limitations of this research include the limited number of samples and the lack of longitudinal data that can provide a more comprehensive picture of the long-term impact of implementing sharia accounting. Suggestions for further research are to conduct more in-depth studies involving more sharia banks and include other variables that may affect performance, such as external factors and government policies. The implications of this study indicate that improving human resource competencies and integrating digital technology are essential to support more effective sharia accounting practices. An important fact that strengthens this finding is that banks that have implemented sharia accounting well show better performance compared to those that have not, which indicates that the sustainability and growth of sharia banking in the future are highly dependent on the implementation of accounting practices that are in accordance with sharia principles.

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