

The implementation of IFRS in Indonesian Islamic accounting

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ABSTRACT

This research examines the IFRS implementation in Indonesian Islamic accounting. It employs a literature review method to systematically explain the accounting theory, the Islamic Financial Accounting Standards, and International Financial Reporting Standards (IFRS). This study concludes that there is a conflict between the International Financial Reporting Standards (IFRS) and some Islamic principles which has not been yet resolved. The Islamic accounting is also facing some complex issues related to the convergence of International Financial Reporting Standards in Indonesia due to incorrect implementation of IFRS in some countries related to the translation problems from English to local languages. The biggest problem in implementing IFRS convergence for business is dealing with the expenses spent for the development of knowledge, supports and trainings for consultants

ABSTRAK

Penelitian ini meneliti penerapan IFRS dalam akuntansi syariah di Indonesia. Penelitian ini menggunakan metode penelitian menggunakan pendekatan literatur dari beberapa referensi yang dibuat secara sistematis menjelaskan teori akuntansi, Standar Akuntansi Keuangan Syariah dan Standar Pelaporan Keuangan Internasional (IFRS). Makalah ini menyimpulkan bahwa ada konflik antara Standar Pelaporan Keuangan Internasional (IFRS) dan beberapa prinsip Islam yang belum terselesaikan. Akuntansi Islam juga menghadapi beberapa masalah kompleks terkait dengan konvergensi Standar Pelaporan Keuangan Internasional IFRS di Indonesia karena implementasi IFRS pada beberapa negara terkait dengan masalah penerjemahan dari bahasa Inggris ke bahasa lokal. Yang menjadi masalah terbesar dalam mengimplementasikan konvergensi IFRS dalam bisnis adalah berurusan dengan biaya yang dikeluarkan untuk pengembangan pengetahuan, dukungan dan pelatihan untuk konsultan.

1. INTRODUCTION

Accounting is powerful to maximize the undertaking efforts for the justification efficiency whether or not it is morally acceptable. Therefore, it is proven that accounting has a strategic and great role. The recent development of accounting is greatly influenced by capitalism which is not in line with the Islamic values. Thus, many Islamic values are not well conceived. In the contrary, the values contained in conventional accounting are still arguable yet in line with the Islamic values (Hopper, Lassou, & Soobaroyen, 2017).

Before the existence of Islamic business institu-

tions related to the market demands, the accounting academicians have considered that accounting is an art of non value recording. It means that accounting has the function as a tool, i.e. a logging tool. Now, accounting looks like a knife which function depends on the users' desired values, whether "used to cook in the kitchen" or to "injure a family member". However, the values of the other objects which are not free, such as cross, Hajj cap, hijab fashion, clergy, monk and others., The users' objects will be identical to the nuances of any purpose that the objects are not free since the value may change the users' aura.

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The recent development of science considers accounting as a dynamic discipline over time. In evolution, the developing theory does not always establish a structure as it originally evolves. Kun has introduced the term "paradigm" which creates a revolution in the perspective of dynamic science (Muslih, M., Zahri, M., 2004). Dynamic science does not linearly move, but shift the paradigm as humans' perspective in understanding reality has shifted in viewing the accounting disciplines as a reality. Ironically, when the accounting discipline has become the product of history, it acts as an ancilia power (slave of power) in oppressive power perpetuated by its own position as "steward" of a particular class i.e. the ruling class in economic development. On the structure of feudal society (pre capitalism), non accounting is considered as a tool of feudal to calculate the interests made by the land owners. Capitalism era turns the accounting role not to change, as the doctrine of hegemony in power which perpetuates the capitalists (bourgeoisie).

Along the history, accounting has evolved over time. One view says that accounting in modern century has actually developed in one environment within the social, cultural, and religious context, as well as laws, norms, and other variables that accounting is said to be influenced by the established (socially constructed) environment (Arwani, 2016b). Capitalism doctrine in modern accounting practices where the power of great good capitalism is realized or implied, have systematically assimilated with and exploited the human life and universe that accounting is no longer considered as a dead instrument to strengthen the power of capitalism (Triyuwono, 2006).

There was a remarkable change in accounting several decades ago. Before 1970s-80s, accounting was considered a science and practice whose existence was free from value mostly dominated by accountants and researchers. This condition got stronger due to the tendency of people's behaviors to go with the flow of the recent information and globalization. In the recent information period and globalization the accounting harmonization efforts have turned up the accounting practices. It means that there is an effort to impose the relatively uniform accounting practices throughout the world. In other words, the values of local accounting practices may become so much different from those in international level due to its accounting practical diversity in each country which financial reports are not easy to interpret in the other word, diverse accounting practices are incomparable (Triyuwono,

2006).

Consequently, the implementation of modern accounting shows less satisfactory impact. The facts show that the accounting multiple scandals and financial statement manipulations experienced by the companies that they are lack of social and environmental responsibility implied with the enormous changes happen to the accounting perpetrators (Lehman, 1999). This condition proves that the accounting has failed to simultaneously reflect the business reality. Triyuwono states that modern accounting is unable to reflect the non-created companies' economic realities, yet only acknowledge and reflect the economic events. Triyuwono also systematically explains some appearing weaknesses related to the conventional accounting practices (modern) (Triyuwono, 2006).

Modern accounting ignores two important aspects consisting of social environment which has failed to describe the reality of the increasingly complex businesses and natural selfishness related to modern accounting reflected in the form of private costs/benefits and profit-oriented reporting for the capital owners'/shareholders' benefits. Thus, accounting information is selfish and ignores others (Adnan, Sulaiman, & Nor, 2007).

It is understood that when modern accounting may bring the social reality in the spirit of capitalism, what will happen is the accounting practices which are free of values (value-free) local community that social reality becomes partial (not intact). This condition also implies the implementation of universal law in mainstream economics (including accounting) has a strong potential to suppress the local values (local wisdom) implemented in community (Triyuwono, 2006). On the other hand, the existence of this partial nature may result in a popular culture which ignores the diversity of ethical, morality, social and religious values. Triyuwono asserts that modern accounting only concerns on the material world and ignore the non-material world (spiritual) (Triyuwono, 2006). Thus, it is believed that from the perspective of its historical need to enter socio aspect of values to create the accounting face the developed accounting reviewed is contained with values.

The accounting value is expected to make its practices drive the human behaviors are contained with more religion, spiritual and ethical values in both social and environmental life. The implementation of Islamic accounting system is an integrated part and may not be separated from the servants' devotion to the Lord. Islamic accounting is an Islamic economy and financial system used as a

means to support the Islamic values in the accounting domain serving as a management tool which provides financial information to both external and internal parties.

Basically, the Islamic principles focused on a mindset which embraces the whole dimensions of human life are closely related to micro and macro dimension. First, micro dimension deals with the basic Islamic principles as individuals believe in the Almighty God (Tauhid) and obey all the rules and restrictions mentioned in Al-Qur'an, Al-Hadith, Fiqh, and the results of Ijtihad. The importance of unity is as foundation to achieve the Islamic goals in creating a social justice (al a'dl and al Ihsan) as well as happiness in the world and hereafter. The Islamic goals may be achieved when individuals use their ethics and morals based on faith, piety, kindness (birr/righteous), and worship. Responsibility (fardh), attempts (ikhtiyar), close relationship with God and men (Habluminallah and Habluminnannas), as well as the blessing (Barakah). Second, the Islamic principle is a macro dimension covering political, economic and social dimension. The political dimension upholds deliberation and cooperation. The economic dimension deals with halal (allowed) business in compliance with the usury prohibition and should fulfill the zakat obligation. The social dimension is related to general interests and mandatory orders. (Arwani, 2016b)

The implementation of Islamic accounting aims at achieving the socio-economic justice, as a worship form in completing the obligations to the Almighty God, and as a form of individuals' accountability in reporting any duty related to the financial statements. The final result of Islamic accounting techniques is in the form of accurate accounting information to calculate alms (zakat) and horizontal responsibility to the Almighty God based on morality, faith, piety (taqwa) and vertically to the shareholders (Stakeholders).

Islamic accounting is an accountability which represents Islamic accounting information in the form of financial statements in accordance with Syariah, such as complying the principles of full disclosure. The Islamic financial accounting reports is no longer oriented on the maximum profits, yet bringing a capital message to apply the ethical behaviors and fairness to all parties. The Muslims' Islamic values and ethics are considered as the best alternative effort for the development of Islamic accounting by using Islamic thoughts. To understand the notion of Islamic accounting, the accounting is defined based on Islam. Islamic accounting is a process, method, and technique of recording,

classification, interpretations and events in the form of a money unit, to identify, measure, convey the economic information through the Islamic-based entity business management used as the material to make the economic decisions and alternative actions for the users (Triyuwono, 2006).

Umar Abdullah, Ziad states that Islamic accounting is derived from the clarity of faith to ignite senses. The collaboration between the heart's conscience and the eye of the heart acuity is completely invisible neglected by selling the Almighty God then he found prayers as the tired and restless backrest, then zakat has no escape ended as a form of worship to purify the tree of life with the elegant and fostering social ties. Islamic accounting does not merely include the issues on trading, industry, finance, management, agriculture and governance (world problems). However, most reflect the human roles in the previous Caliphates that this earth has the values, like Ihsan, Amanah, Siddiq, fatholah, and Tabligh.

The goals of Islamic financial report are as follows: (1) Improving the adherence to Islamic principles in every transaction and business activity; (2) complying the Islamic information entity in accordance with the Islamic principles and information assets, liabilities, revenues, and contents in accordance with Islamic principles when there is no acquisition and utilization; (3) information to help evaluate the fulfillment of the entity's and Islamic responsibilities to the Trustees in securing funds and then investing them in the proper profit level; (4) information regarding to the investment made and earned by the investors and owners in the form of temporary syirkah funds and information about the fulfillment of obligations. Islamic entities' (obligation) is related to social functions, including the management and distribution of zakat, infak, alms and endowments (Arwani, 2016a).

Financial statements for the financial reports' general purposes are presented in the other public documents, such as annual reports. This statement is also applicable to consolidate the financial statements (IAI, 2017).

Islamic accounting purposes according to Tanjungpura is the realization of love to the Almighty God, by implementing the accountability compliance and creativity in the transactions, events and production processes in the Organization, as well as the information material, spiritual, and inner delivery in accordance with the Islamic values and goals (Mulawarman, 2009).

The basic assumptions to achieve the goal of Islamic accounting in the form of accrual basic

preparation may influence the transactions and other events: when the reported incidents and disclosures are questioned. Based on the provided information the involved future cash payment obligation acceptance and the present cash resources may be received in the future. Thus, the financial report provides information in the past and other events mostly useful for users in the economic decisions. The income calculation intended for the Division of business results uses the cash basis. In term of principle, the Division of business is based on its results. Incomes or profits refer to the gross profit (Napier, C., & Haniffa, 2011).

The above explanations show that Islamic accounting system is the right alternative accounting system for Muslims in Indonesia. However, there are pros and cons related to its implementation in Indonesia. How IFRS as the Islamic accounting system is implemented in Indonesia?

2. THEORETICAL FRAMEWORK

It is explained that International Financial Reporting Standards (IFRS) are used by more than 100 countries for various types of organizations. The purpose of this paper is to examine the opinion of practitioners of Islamic financial institutions (IFIs) on Sharia issues when adopting IFRS and International Accounting Standards (IAS) to report the Islamic financial transactions (Shafii & Zakaria, 2013).

Aprilia Beta Suandi (2013) explains that despite the existence of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to provide the accounting standards for Islamic Financial Institutions (IFIs), there is still no standardized accounting for Islamic financial transactions. This study aims at identifying the current development of Islamic accounting in Indonesia in comparison with the global situation of accounting for Islamic financial transactions. The Asian-Oceanic Standard-Setters Group (AOSSG) has conducted a survey in 2011 to figure out the current global situation of Islamic accounting and when compared to the current policies of Islamic accounting in Indonesia. The AOSSG survey shows that there are diverse opinions on how Islamic accounting should move towards the International Financial Reporting Standards (IFRS) by only two jurisdictions, including Indonesia, emphasizing the current intention to retain the Islamic accounting standards.

It is found that although Indonesia refers to AAOIFI accounting standards to develop its Islamic accounting standards to a certain extent, it is as-

sumed that its Islamic accounting standards are not based on AAOIFI accounting standards due to its different directions in developing the Islamic accounting since there are different understanding and interpretation on Islamic or sharia law related to certain issues. It implies that Indonesia disclaims the idea on a common set of Islamic accounting standards. However, Indonesia is currently in the converging process with IFRS which may influence the Islamic accounting. The future research on policies to develop the Islamic accounting seems to be an interesting topic to explore deeper. (Suandi, 2013)

Saito investigates the effect of accounting education on the implementation of International Financial Reporting Standards (IFRS) in some undergraduate and graduate schools in Indonesia. First, we focus on how the accounting curricula and textbooks for IFRS education prepared at various universities in Indonesia. Secondly, we investigate the efforts made by Indonesia to teach IFRS. Further, we examine the plans to incorporate IFRS with the accounting education (Saito, Hiramatsu, & Mayangsari, 2012)

The AAOIFI accounting standards serve as a guideline which may reflect the unique characteristics of IFIs and become a powerful device to meet the IFIs' various needs. One major challenge faced by IFIs lies in the preparation of financial statements under different accounting standards which may lead to various problems of comparability, reliability and compliance measurement level. The debates among scholars have resulted that the evolving literature exists in the surrounding may interpret the compliance level to the Islamic accounting standards. This paper has drawn conclusions with various recommendations for the future research. The most important one is how the AAOIFI accounting standards can be made as a mandatory in all Muslim countries. (Sarea, Adel Mohammed, 2013).

3. RESEARCH METHOD

Each research has a specific purpose and benefit. In general, this research has three purposes consisting of the nature of discovery, proof, and development. The discovery is due to the data obtained from the research in the form of data which are completely new and have never existed before. The proof means that the obtained data are used to prove the existence of any doubt related to certain information or knowledge. The development is the research result to deepen and extend the existing

knowledge (Sugiyono, 2016). The research literature (library research) data or materials needed to complete this study from the library include books, encyclopedia, dictionaries, journals, ProQuest, Emerald, ScienceDirect documents, magazines and etc. The criteria used to select the reading materials: (a) recency and (b) relevance (Komidar, 1995). The literature review in a scientific study is one important part of the overall steps in the research method. Cooper in Creswell suggests that literature review has several objectives: informing the readers related to the other research results to current research, linking studies with existing literature, and filling the gaps in the previous studies (Creswell, 2014). Meanwhile, Sugiyono states that Literature is a record of events passed in the form of someone's writings, drawings, or monumental works (Sugiyono, 2016). The qualitative research method or literature is in fact rarely noticed, yet today it has become an important and integrated part due to the researchers' developing awareness and new understanding, that numerous data are stored in the forms of literatures and artifacts. Thus, extracting the data sources through literature study has become a complementary to a qualitative research process. The author employs the prescriptive qualitative method to comprehensively explain the implementation of the IFRS Islamic accounting and systematic accounting theory related to PSAK and PSAK with IFRS guidelines.

4. RESULT AND DISCUSSION

Accounting basically has many notions and definitions which may be presented as follows; (1) in Accounting Principle Board, it is defined as the size of decision making. (2) In accounting, it is defined as record keeping, classification, and adjusted in a certain way and size, monetary transactions, and the common financial events. (3) in economy, it is conveyed as the material information considered in the users' decision-making.

The understanding on Islamic accounting is theoretically explained that it has no difference with the conventional or Western accounting. The Islamic accounting only emphasizes on Islamic values set in mu'amalah and conceptual section mentioned in Al-Qur'an as its main source. Meanwhile the conventional accounting is based on the capitalist and Socialist values adopted from Western countries.

The Islamic accounting's concepts and rules are mentioned in Al-Qur'an surah Al-Baqarah verse 282, in which there are three general accepted Islamic accounting principles: accountability, justice,

and truth. Those three principles underlie the implementation of Islamic Accounting. The meaning of those three principles are as follows: (a) Accountability which is familiarly known as mandate; (b) Justice, which is based on Al-Qur'an Al-Baqarah; 282 justice is one important value in social, business, and human life ethics as asserted in Surat Al-Baqarah verse 282, that the company should correctly record. For example, if the transaction value is IDR265 million, then the accountant (company) should factually record in accordance with the nominal transactions. In simple term, it means that there is no window for any transactions in the company's accounting practices. (c) Actual report principle. The value of Justice means recognizing, measuring, and reporting the dealers' economic transactions. Thus, the development of Islamic accounting based on the values of truth, honesty, and justice should be actualized in the accounting practices. In Broader sense, how values shape the truth of Islamic accounting may be explained (Arwani, 2016a).

From the description above, the word justice in the accounting implementation context has two meanings: (i) related to morality, such as honesty, which is considered as one dominant factor. Without honesty, the information generated by an accountant would be fatal for the users of financial statements. So, making a wrong decision may indirectly impact the society. (ii) the word justice is a fundamental catalyst to make various deconstruction efforts related to the state's modern accounting for better accounting and modernization in accordance with the Islamic values (Harahap, 2001).

In some disciplines of accounting information, the science attempts to convert the data into information and proof by conducting measurements on various transactions and result in the financial estimation as mentioned in Al-Qur'an

Al-Qur'an Surat Al-Baqarah: 282 saying: "o believers, when ye she should deal not in cash for the specified time, you should write it down. And let an author among you write it correctly. And let not the author of the reluctant to write it as Allah has taught him, then let him write, and let the person who owes it dictate (what will be written), and let him cautious to God, his God, and he shall not reduce debt rather than at all ... "

Al-Qur'an has also explained that we should measure anything fairly, without preference or giving special treatments and decreasing the amount contained in the scales mentioned in Al-Qur'an Surat Al-Syu'ara verse 181-184:

"Perform a measure and do not include those who harm and weigh with scales that are straight. And do not harm human rights-the rights and you shall not run rampant on Earth by creating damage and transgress Allah who has created you and elect the first. "

Truth and justice are measured. According to Umer Chapra, those also concern on the measurements of company's expenses and profits as well as the compulsory, true, and fair measure on the accountants' wealth (Chapra, 2016). Thus, the measurement is correctly performed related to the need for auditing functions. In Islam, "tabayyun": "o ye believers, if it comes to you, the news brings a wicked, so please check carefully, so that you do not light up a disaster to a house without knowing its cause you sorry for may by it (QS Alhujuraat: 6). " Commandment God improve our posts (Surah Isra): "And when you have to perform by measure and weigh with a balance that is right. That's what's better (for you) and better as a result. "(Arwani, 2016a)

In General, the Islamic concept of accounting rules collects the basic law inferring Islamic rules by an accountant in his/her work, both in bookkeeping, analysis, measure, exposure, and annotation which become the bases in explaining event(s). Legal basis in Islamic accounting refers to Al Quran, and As-Sunnah, as well as the customs not in contradiction with Islamic Sharia. The Islamic accounting rules have special characteristics distinguishing from the conventional ones. Islamic accounting rules exist in the society, including the stewards serving the public where the Islamic accounting is implemented.

His thesis "On Islamic Accounting", with its capitalism philosophy has a rule "meta" derived beyond the accounting concept to follow, i.e. Islamic law comes from the Almighty God which is not the humans' Islamic accounting tendency on "hanief" ethics, yet there is an afterlife responsibility that everyone's actions are calculated before the Almighty God, in which the Accountants (Rakib and Atid) record people's based on Islamic law (Alim, 2011). So, the Islamic accounting concept is more advance than the experts' . The Almighty God has mentioned it in Surah An-Nahl: 89. (Arwani, 2016a).

The presence of Islamic economy may become any way to fight against capitalism and socialism as Dimiyati explains the two main sources of Islamic economic concepts based on Al-Quran and Al-Hadith. Ironically, both Islamic law sources have actually never been used as the foundation of epis-

temological concepts in formulating the Islamic economy, yet to nurture the scholars' "mere" creative rationalization as the main references. Therefore, many Islamic economic concepts adopt the commonly existing theories in the conventional economic adjustment which is forced to do by making a little adjustment or to adapt with a particular verse or Hadith. If there is a verse or Hadith serving as a foundation for the Islamic economic transaction model set based on a system and critics meeting the previously made principles of valid interpretation (Dimiyati, 2007). In facts, the impact of the implementation of Islamic Economy called Sharia is a set of conventional economic theory presented as if quoted from al-Qur'an and as-Sunnah. The recently developing Islamic accounting methodologies are divided into two with a different approach in formulating the Islamic-based accounting. Kubu was the one who first tried hard to implement the Islamic accounting jurisprudence as guidelines. The second stronghold is still heavily based on the pure principle which only serves as a supplement to the name "Islam" (Suwiknyo, 2007).

In fact, the conventional accounting aspects cannot be implemented to an institution using the Islamic principles from both accounting implications or economic consequences as explained by Muhammad .Judi and Karim also argue that in the Islamic economic perspective, the income concept is unbiased because it is not accepted as it is so fundamental to the deductive theory. When taken as an example, a model of economic rate related to the capital return forms for advance income calculation with the assumption that money has its time value (Time value for money) as explained by Judi and Karim in their opinion that it is not allowed in Islam for any reason. Thus, part of the accounting deductive theory greatly influence the conventional economic theory and extremely inappropriate when implemented as the foundation of thoughts to create the foundation of Islamic accounting theory (Arwani, 2016a).

The existence of an applied approach for the comparison to the existing contemporary accounting and Islamic Accounting compliance is not in line as contained in the Indonesian Accounting Magazine (2008) that according to AAOIFI Agency, the opinion is consistent with the Islamic principles that a view does not always require a concept taken from Islam. Thus, the concept of accounting information is used, such as relevance and reliability, which can simply be included in the Islamic accounting practice by AAOIFI. An alternative approach used by AAOIFI to face the occurring prob-

lems in the implementation of Islamic accounting in Indonesia, yet the occurring fact are considered as the extremely complex problems bringing together two different things with the conceptual framework and conflict. Thus, due to these problems, different Islamic accounting standards are greatly required. The existence of a rational conceptual framework may encourage the formation of Islamic accounting standards better. Six related Islamic accounting standards have been published by IAI (Bond Accountant Indonesia) PSAK No. 101 (presentation and disclosure of Islamic financial statements on entities), PSAK No. 102 (Murabaha), PSAK No. 103 (salam), PSAK No. 104 (istishna), PSAK No. 105 (mudharabah), PSAK No. 106 (musyarakah), PSAK No. 107 (ijarah), PSAK No. 108 (Islamic assurance), PSAK No. 109 (zakah and infaq/sedekah), PSAK No. 110 (sukuk), PSAK No. 111 (W'ad) and PSAK No. 112 (Waqf) (Dewan Standar Akuntansi Keuangan, 2019). It is basically assumed that the existence of Islamic accounting standards still cannot resolve the related parties' problems. Many doubts and fears reflect the implementation of Islamic accounting. The problem has not yet been resolved as the Islamic accounting also is still confronted with the complex problems surrounding the convergence of IFRS standards in Indonesia.

The International Financial Reporting Standards with its particular conclusion on the transactions (www.ifrs.org, 2017) related to the inter-State entities financial information is widely known in various parts of the world (Arias, Higuera, & Castrillón, 2010). Adopting IFRS means adopting the global financial reporting language to make the enterprise well recognized by the global market. However, the changing to IFRS is not only substituting the financial statement figures, but changing mindset and all the elements in the company reports. Implementing the same global accounting standards may also reduce the power related to the financial reporting issues. The most obvious benefit is related to the investors and creditors of the transnational and international bodies which may develop the markets (Dowa, Elgammi, Elhatab, & Mutat, 2017). Pros and cons related to the financial transactions seem to pose a dilemma for the standard makers not only in Indonesia but also in the other ASEAN countries. In response to the arising problems, the Asian-Oceanic Standard-Setters Group (AOSSG) in his Research Paper in 2010 states that many Islamic financial transactions have used contracts, arrangements, and in the form of law greatly different from the common transac-

tions. Thus, the question of whether the currently existing accounting standards may simply use for the deals and transactions that the forms are highly required to answer the question whether the IFRS international standards may resolve the problem or just increase the Islamic accounting problems recently implemented. The Islamic financial transactions in several countries including Indonesia is generally believed by AOSSG (2010, Para 14) to use IFRS on one side. In the other side, there are some people who believe that Islam should be separated (www.aossg.org, 2010). The convergence of the related IFRS is present to cover the standardization issues, including: the details of AOSG which have been considered important related to the issues on the convergence of IFRS, important issues classified into four groups covering the outperforming substantial topics on shape probability, size, time value of money, and the other issues. Those important issues will be presented based on the understanding scope, such as (1) the substance surpassing the form is the accounting principle reasonably presented in a transaction or the other events requiring registration in order to be served. The arising issue is when the makers of conventional standards assume that the outperforming substance form is separated by the financial statement. The doubts accepted from the Islamic perspective. Some believe that the substance will make the outperforming form of the Islamic financial transactions almost indistinguishable when compared with the conventional accounting. An example is Ijarah. During the ijarah period ijarah, the tenants only consider the renting. In addition, there is also a promise (wa'ad) made by the lessor to sell the items, and/or a promise of the (a) outperforming substance forms which Approach means that the financial statements may recognize the two separated transactions: the leasing recognized during the ijarah period and sales recognized during the aqad period to transfer ijarah to be incorporated into the financial statements. (b) the outperforming substance form approach on the financial report which means that it is only recognized by a single transaction of account for two transactions consisting of equal to deal 'hire purchase' contract by combining both into one. Another example is the use of Mudarabah contract in different scenarios (AOSSG, 2010).

Many institutions use the conventional contracts for their products and services while Mudarabah is a contract which results is generally used in banks, including the deposit products and managerial assets as the investment products. Despite having the same term, the IFRS product be-

havior is different. For banks, it is expected that the regulation should not lose the depositors' money (liability treatment) and managerial assets which usually have no liability for any loss (off balance sheet item treatment items). In IFRS, the approach used was only the substance form that the outperformed IFRS may see the decisive behaviors and economic accounting, not what legal form or product is called. Then, some problems are arising, especially related to Ijarah transactions. (2) Probability measure (Probability Criterion). "The probability concept used to refer the uncertainty level of the future economic benefits associated with the flowing items to or from the entity." (Paragraph 4.40). IFRS recognizes certain costs which are likely to be ensured (www.ifrs.org, 2017). For example, the value direct drop (impairment) is recognized when the downturn was expected to happen (Ibrahim, 2009).

The arising problem here is whether there is a Islamic ban against the recognition of assets, liabilities, income, and expenses based on the occurring possibilities, such as, Mudarabah. Mudarabah is a Profit-Sharing contract referring to an agreement between two or more individuals in which one provides the funding, while the other provides management. The goal is to trade or make some industrial businesses or services to earn profits which are divided between the funders and managers in accordance with the agreed proportion.

However, the losses are only incurred on the funders in accordance with their overall capital share. The Managers' loss is only related to not getting any advantage from their working performance. This contract is a form of investment mechanism in which banks manage the collection of funds (pool of funds). Capital is then invested by the bank in business activities. The clients' risk and the depositors' profit sharing are based on each investment proportion. In calculating the profit, the model proposed by IASB may recognize the expected decline in certain periods. According to the probability approach, the decrease may impact the profit but in fact the decline may only impact when the gains occur. (3) Prohibition due to the usury element. The stomach is the theories of interest against the capitalist economy of all time. In the most well known conventional theory of interest is that developed by Smith and Ricardo who argue that the interest rate is the compensation paid by the borrower to the lender as the retribution of the profits obtained from the money lent. In broader sense, IASB, one of which, is the implementation of IAS 39 related to the amortization cost of certain

assets and liabilities. "Loans and revenues ... should be measured by the amortized cost using the effective method for interest rate." (IAS 39, par. 46 in PWC, 2011) (Hopper et al., 2017).

The arising Problems are whether the transactions have no interest charged to or issued in the transactions? For some people, This question is to have the undesired impact because this arrangement is made for the revenue for the financing purposes (AOSSG, 2010). For example, the sales contract may earn interest. In sales contract, the payment is suspended for a certain period. Based on IAS 18 if the reasonable value of assets is transferred less than the cash to receive, then the difference is recorded as the financing revenue. However, the Islamic accounting ignores the approach that the sum of all cash received will be recorded as the sales revenue. In addition, the excessive received cash on the fair value will considerably be transferred and recorded as income and sales, not the financing income. (4) other issues. The other issues are also explained by AOSSG through his research paper in 2010. (a) Syirkah, etymologically means ikhthilath (blending), while terminologically means syirkah (sharing) is the cooperation of two or more people driven by their consciousness to earn profits. The frequently questioned problem is related to the numbers of transactions whether agency or ownership Syirkah (AAOIFI, 2017).

The existence of IFRS 9 results in a discussion whether the financial assets are based on the measured Syirkah cost of the amortized assets and terms or the arising contract assets in certain date for its value, in this case, in accordance with paragraph 4.2. The fully authorized Syirkah setting is associated with the investors' profits from a company. So, the flow may be represented. However, in various regulations set concerning on Syirkah indications refer to the related rules of investors' returns corresponding the indication level, covering profits generated by the investee. Therefore, we can conclude that the amortized measuring assets and costs are due to the cash flow similar to the payment in accordance with the just law required by IFRS. (i) the Special Purpose Entity (SPE) is an entity formed by the company for a specific purpose, for example, to divide or eliminate the financial risk (Cossio et al., 2012).

The purpose of SPE establishment is to fund specific assets or certain services and continuously increase the company's debt, certain financial asset changes, such as loans, or mortgages to reduce the tax amount. SPE is frequently used for unethical purposes, such as avoiding taxes and hiding debt

that its performance in the society is in contradiction because many positive things lead to the negative ones. (ii) Assessment definition based on Sukuk certificate is worth the same as the specific asset services by receiving the completely corresponding Sukuk purposes. Sukuk Trading has already had a counter either due to most Islamic products, especially the "debt-based" or "debt-likely" Sukuk.

The Islamic finance is ideally a "profit-loss sharing", when seen from the Sukuk coupon rate composition paid based on the particular interest rate (IFRS, 2017). Thus, it is not surprising that AAOIFI may provide an assessment which is about 85% of Sukuk is not in accordance with the Islamic principles. The amortized cost has already been implemented previously by the Sukuk in accordance with IAS 39, in which Sukuk is not commercialized, categorized, and amortized. In fact, ignoring the individual instrument for management instead of focus on the entity's business model may manage financial assets. The financial assets related to the contract term may specifically cause the cash flow payments are solely based on the values, found in subsection 4.2 of IFRS 9. (iii) The embedded Derivative is one banking natural characteristic, that is, speculation to changes in market value. The derivative transaction price is a particular commodity in the following date (price discovery) (Albassam & Ntim, 2017).

This statement may cause the Islamic decision contract should be reviewed (repaired). The effect is that the Islamic financial institutions may face risks when the funding is found imbalance with the interest rates. The customers who previously adjust to higher levels may experience loss when the market prices fall. Therefore, to improve the Islamic management of liquidity and resolve customer complaints, some people argue that the benefit level is closed on the variable-rate structure due to the influence of the embedded derivatives saying that the causes are in accordance with the variables (www.ifrs.org, 2017).

The rapid development of Islamic accounting concludes that along with the development of Syariah economy in Indonesia, especially in banking, the Islamic-based banking business is now becoming a trend to be proud of. The basic principle of Islamic paradigm is related to the multi-dimensional paradigm which includes the overall dimensions of micro and macro-region in the human life. The first basic principle of the microdimensional Islamic paradigm is related to individuals who believe in the Almighty God and

obey all the rules and restrictions stated in Al-Qur'an, Al-Hadith, Fiqh, and the resulted ijtihad. Second, Islamic principle is a macro dimension which covers the political, economic and social dimension. The political dimension, upholds deliberation and cooperation. The economic dimension focuses on doing halal business, complied with the interest banning, and fulfill the zakah obligation. The social dimension generally deals with interest and mandate. The Indonesian Bond Accountant has already published six Accounting standards based on Islamic principles, including PSAK No. 101 (presentation and disclosure of Islamic financial statements on entities), PSAK No. 102 (Murabaha), PSAK No. 103 (salam), PSAK No. 104 (istishna), PSAK No. 105 (mudharabah), PSAK No. 106 (musyarakah), PSAK No. 107 (ijarah), PSAK No. 108 (Islamic assurance), PSAK No. 109 (zakah and infaq/sedekah), PSAK No. 110 (sukuk), PSAK No. 111 (W'ad) and PSAK No. 112 (Waqf). However, the existence of Islamic accounting standards still cannot make the related parties feel that the issues are adequately resolved. Many doubts and fears still reflect the Islamic sharia-based accounting implementation. This problem has not yet been resolved that the Islamic accounting also face complex problems due to the convergence of the IFRS accounting standards in Indonesia.

5. CONCLUSION

The important issues discussed above show that the Islamic principles and conventional accounting is different in implementing the IFRS. (Dowa et al., 2017). There are some sections which are not in accordance with the Islamic accounting principles. Mohammed explains that on the practical level Islamic accounting is a social-oriented and accountable since Islamic accounting may present or uncover the appearing social impacts in the society that the companies should prepare accountable reports based on humanist, emancipatory, transcendental and theological bases (Muhamad, 2002).

Therefore, the basic concepts of Islamic accounting are zakah and mandatory oriented. Islamic accounting is a universal science and technology which grows and develops in accordance with the occurring changes in the environments where, the social, economic, political, regulatory, legal, cultural, perceptions, and values (public) implement the Islamic accounting system. Islamic accounting system is developed not only based on the conventional accounting's "patchwork" but also the philosophical development in accordance with the values of Al-Qur'an interpreted into the theoretical

and technical accounting concepts. Based on the research results, it can be concluded that the convergence of IFRS accounting standards and Islamic accounting system in Indonesia is not one hundred percent matched. The formulation of AAOIFI in IFRS states that when adopted by IFI, as IASB IFRS, it does not completely cover the whole implementation Islamic banking and financial practices. (Ibrahim, 2009)

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