An Islamic perspective on the true and fair view overtime principle

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Abstract

Purpose - This paper aims to determine whether the "true and fair view" (TFV) principle is relevant and applicable in Islamic accounting. In addition, the paper examines the role of TFV in Islamic accounting and auditing. Delphi methodology approach - a qualitative research method was used based on an introductory and textual analysis of the Shari'ah fundamental Islamic legal sources and relevant accounting standards and regulations. Findings - The paper found that TFV is relevant and applicable in Islamic accounting and auditing and not contradictory to the rules of the Shariah. Therefore, the concept is acceptable for use in Islamic accounting. However, based on the revised risk posed by the TFV, the study concludes that the practicality of this concept in Islamic accounting requires further clarification for its effective use. Practical implications - The findings of the paper provide a basis to support the inclusion of the TFV in Islamic accounting standards as well as possible adjustments in Islamic financial institutions (IFIs). Thus, regulations of IFIs and their accounting standards setting boards can consider it in the challenging task of reconciling accounting practices due to the different interpretations of transactions from the various Madhahis and multiple accounting concepts and practices. In addition, the discussion in the paper revolves around the accounting and auditing of Islamic financial institutions that provide a basis for the new TFV framework that an event of negligible accounting standards and regulations is allowed, but not Shariah. Thus, TFV can assist accountants in making transactions that reflect the economic reality of commercial IFIs, especially prior to accounting regulations being given by the Islamic business environment.

The paper highlights the important issue relating to the TFV from the Islamic perspective. The paper is considered the first paper that systematically addresses this issue based on Islamic legal sources using a qualitative approach. In addition, the paper has contributed to the literature in Islamic accounting and auditing (Charles, 2016) Emerald Group Publishing Limited.

Author keywords

Islamic accounting, accounting standards, Shari'ah principles, TFV, Islamic financial institutions.

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