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Analysis on Determinants in Implementation of Accounting Standards for Islamic Financial Institutions; Narrative Study between United Kingdom and Indonesia"

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ABSTRACT

The main objective of this paper is to analyse determinants that influence implementation of accounting standards for Islamic financial institutions by examining the history of accounting standards and two different contexts as applied to Islamic financial institutions in the United Kingdom and Indonesia. The paper explores available texts and literature mainly from international journals and text books. Employing the Ibn Khaldun perspective, this study analyses two determinants i.e. institutional setting that may be suitable in the context of the United Kingdom, and accounting needs in the case of Indonesia. The research shows the determinants are well fitted with interdisciplinary characters of Ibn Khaldun model of civilization i.e. $G = f(S, N, W, j \text{ and } g)$. This explains a civilized society is led by the political authority (G) which is influenced concurrently by factors such as the direction of Shari'ah (S), the role of people (N), the use of wealth (W), the development of a country (g), and the promotion of justice (j). This paper has practical significance for accounting standard setters in the Islamic finance industry and policy makers, for understanding the environmental determinant perspective of the country and using this perspective for positioning important aspect in accounting standard setting, developing policies; and articulating procedures to maximize development of Islamic finance.

Keywords: The United Kingdom, Indonesia, Accounting Standards, Islamic Financial Institutions, Determinants

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