

Accounting and Auditing Standards Influence on Income Smoothing Perspective in Islamic Financial Institutions

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Abstract : We examine the impact of Islamic accounting and auditing standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) on the income smoothing perspective of Islamic financial institutions located in the Middle East and North Africa region between 2013 and 2018. Based on General Least square regression for panel data, we find a significant and positive relationship between intentional income smoothing and earning persistence and cash flow predictability in all models. However, we discovered that AAOIFI accounting standards (FAS) had a negative and significant effect on intentional income smoothing and earning persistence. As a result, the income smoothing efficiency is lower for IFIs that use FASs than IFIs that use IFRSs. Our findings emphasize the need for specific standards to enhance the relevance of financial reports disclosed by Islamic financial institutions.

Keywords : AAOIFI, financial reporting quality, income smoothing perspective, MENA countries

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