

**PERCEPTIONS OF ACCOUNTING ACADEMICIANS  
IN UNIVERSITI TEKNOLOGI MARA  
ON THE USEFULNESS OF  
ACCOUNTING INFORMATION FROM AN ISLAMIC  
PERSPECTIVE**

**NORLIZA OMAR**

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## ABSTRACT

The current conventional reporting is claimed not to satisfy the needs of Muslim users of financial statements in making economic decisions. Therefore the existence of Islamic accounting, which complies with Shari'ah law, is expected to fill this gap. This study examines the perceptions of Universiti Teknologi Mara (UiTM) accounting academicians on the usefulness of Islamic accounting information. The difference in perceptions between Muslim and non-Muslim academicians on the usefulness of Islamic accounting is also identified. Questionnaires were distributed to 327 accounting academicians from 11 UiTM branches in Malaysia and 119 responded to the questionnaires. In testing the usefulness of Islamic accounting, respondents were asked to evaluate on the usefulness of Islamic Corporate Reports (ICRs) developed by Baydoun and Willett (2000) and also indicate their perceptions on the relevancy and reliability of current cost and historical cost data. Twelve hypotheses are tested and the results show that Islamic accounting information is perceived as useful by both Muslim and non-Muslim accounting academicians in helping investors to make economic decisions. In addition, non-Muslim accounting academicians perceived Islamic accounting information to be able to provide adequate disclosures than Muslim accounting academicians. Overall, UiTM accounting academicians perceived current cost accounting to be relevant and reliable. However, some of the results are contradicting. For future research, the current study can be expanded to accounting academicians from other local universities in Malaysia.

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# CHAPTER 1

## INTRODUCTION

### 1.1 OVERVIEW

Corporate financial reporting is regarded as an important tool in providing information to users of financial statements to make accurate economic decisions. There are many groups who use external accounting information for making such decisions such as financial analysts, investors, potential investors, bankers, bondholders, suppliers, employees, customers, tax authorities and regulatory bodies (Benjamin and Stanga, 1977). Thus, accounting information disclosed in financial statements is important to users.

As mentioned by Tan (2000), financial statements will reflect true and fair view only if the accounting information disclosed is sufficient in quantity and quality in order to satisfy the needs of various user groups. Malaysian Accounting Standards Board (MASB) DP1 (A Proposed Framework for Preparation and Presentation of Financial Statements) has specified that information must be relevant and reliable<sup>1</sup> to enhance the usefulness of accounting information.

Accounting information that is relevant and reliable enables users to make predictions and economic decisions. Question arises as to whether the financial statements under the conventional financial reporting is relevant and reliable and therefore useful to the users in making economic decisions. To be more specific, to what extent current conventional financial reporting can satisfy the informational needs of the user groups especially Muslim users.

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<sup>1</sup> For financial statements to be useful to users, MASB DP1 identifies four characteristics of financial statements; understandability, relevance, reliability and comparability.