



## FINANCIAL TABLES REPORTS GAPS IN JORDANIAN ISLAMIC BANKS

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### ABSTRACT

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#### Keywords

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This study is one of very few studies which have investigated financial table's reports gaps in Jordanian Islamic banks. There must be way to face ten gaps by unit efforts between Supervisory Sharia Board report, External Auditor report and Islamic Managing Announcing Disclosure. There work must be unit as integration to give one result. Jordanian Islamic banks case study shows this cooperation to get fair result for major accounting data in financial tables. The searcher recommended to apply model as work paper to study strength or weakness of gaps which impact the financial analysis success in Islamic banks.

**Contribution/Originality:** This study is one of very few studies which have investigated practically impact of corporation between Supervisory Sharia board external auditor and internal auditor on Income statement fairly in Jordanian Islamic banks.

## 1. INTRODUCTION

There is a need to get fair finance analysis in suitable time with suitable work papers as result to ignorance impact. Justin *et al.* (2014) explained importance of companies evaluations in crises because there is possibility of loss in spite of its good reputation also it found that any company which faces crises can reestablish trust by announcing an independent investigation by third party.

Supervisory Sharia Board, External Accountant, and Journalist announcing are ways to give independence investigation. They give fair data and add details. They give the aim just when the unit there efforts to gather but there is problem of unit these efforts.

### 1.1. The Problem

Is to analysis the gaps of Islamic bank financial tables reports based on the Governance rules practically in Jordanian Islamic Banks. This gaps will impact the accounting data fairly. The challenge is to get a unit financial table report fairly from Supervisory Sharia Board report, External Auditor report and Islamic Managing Announcing Disclosure. The gaps difficulty increases as result to get agree between the three sides based on ten elements which is not fixed. The problem questions are as follow:

- 1- Why there is financial analysis gaps based on Islamic banks financial tables reports?
- 2- Why changing of environment factors cause financial analysis gaps based on Islamic banks financial tables?
- 3- What is the relationship between Supervisory Sharia Board report, External Auditor report and Islamic Managing Announcing Disclosure?
- 3- How can the three sides unit their agreements based on the gaps of ten elements changing?
- 4- What is the suggestion to get Islamic bank financial tables fairly for analysis?

### 1.2. The Importance

The importance comes as result to give practically analysis of Islamic banks financial tables concentrating on the Jordan environment which explains the affection of apply specialized Islamic bank law affection. It shows the financial analysis difficulty to get fairly result because of gaps as result to ten factors changing. It gives suggestion model to unit Supervisory Sharia Board report, External Auditor report and Islamic Managing Announcing Disclosure to unit result fairly. It helps controller and finance analyst to adjusted their work paper up to expected gaps to avoid problems and give right solves practically.

### 1.3. The Objectives

The aims of the search will concentrate on analysis gaps of financial analysis based on Islamic banks financial tables as follow:

- 1- To find and analysis causes the gaps of 10 gaps.
- 2- To analysis unit between Supervisory Sharia Board report, External Auditor report and Islamic Managing Announcing Disclosure.
- 3- To suggest model in order to get Islamic bank financial tables fairly for analysis

### 1.4. The Studies

The traditional studies concentrate on the external effort to solve problem of accounting data size, time and place also it asked for voluntary disclosure. [Muhanad and Ziad \(2014\)](#) said that there is problem of discloser because standards of international financial reports follow Principles – based more than rules- based which leads to apply the manager rules on accounting data. [Pierre \(2013\)](#) suggested model of recalculates certain financial statement figures based to its future value. He aims to make comparing between current statements and expect statement in future. [Rajan and Nasib \(2012\)](#) explained solving problem of many auditing accounting data with short time can done by computer analysis but this way discovers some frauds and has limits to give success. [Seal and Amanda \(2011\)](#) concentrated on general budget management strategy, structural changing in the public sector and time of needs. He suggested a dynamic dialectic of control framework to follow changing affections. [Benjamin et al. \(2011\)](#) concentrated on studying relationship between acceptability and reconcilability with information to give idea about the importance of assets recognizes value. [Ayman et al. \(2009\)](#) said that ask-bid spread will be reduce by voluntary disclosure information.

In Islamic banks accounting studies there is Supervisory Sharia board who gives report beside the external accountant. He is responsible about sharia rules applied in all operations to accept account data. [Read and Abdullah \(2016\)](#) said there is need to arrange steps of investigating start by supervisory Sharia board then external accountant. Their reports must be done by collecting their investigations to gather.

## 2. THE TEN GAPS OF FINANCIAL ANALYSIS EVALUATION

Changing of factors will cause gaps gaps. There is question: Is accounting data explanations and work papers are enough to find gaps which cause financial analysis weakness?. Expect gaps as follow:

### 2.1. Accounting Data Gap

Scott *et al.* (2010) examined depreciation method choices affection on asset value. Manager purposes may use choice to increase or decrease the value which may give unfair price. Muhannad and Jamal (2012) explained the Ijarah accounting must be different accounting than Ijarah Montahia Bettamleek. Searcher suggests this model.

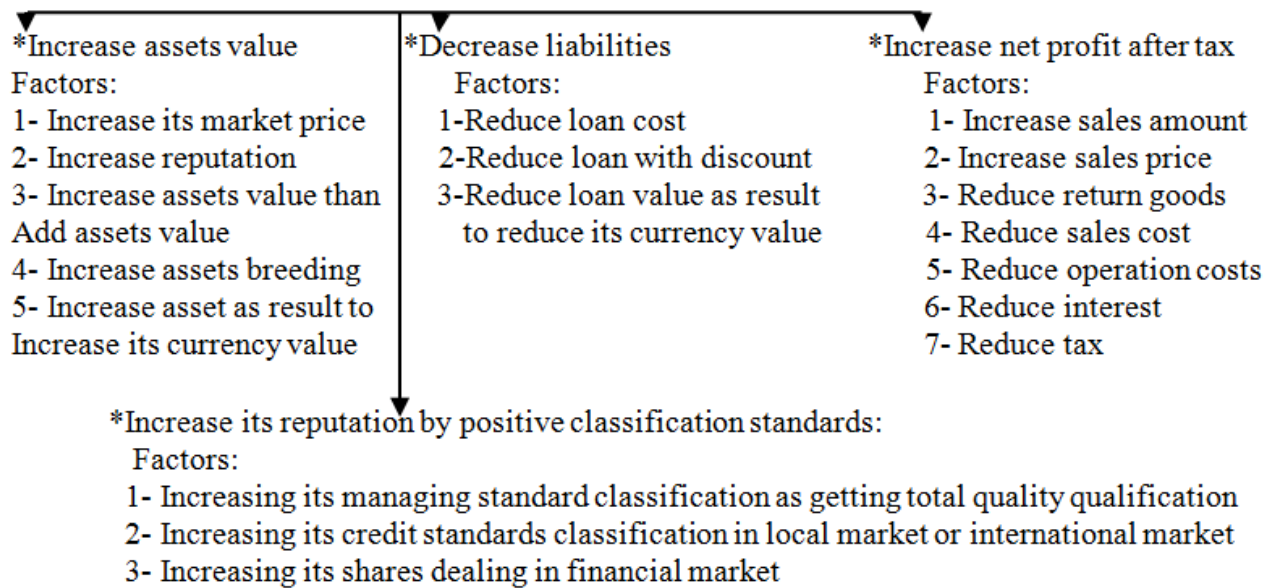


Figure-1. Account data model of Success Company

### 2.2. Managing Risks Gap

Managing risk causes avoid of expect loss affection or transfer loss affection or reduce loss affection partly. The problem of managing risk comes as result to expecting, speculation on future and promising which expect to deal or not deal. There is need to understand managing risk affection currently to evaluate financial tables.

### 2.3. Restructure Financial Managing Gap

Restructure financial tools and investing tools can be developed by changing contract conditions as adjusted or as added or as canceled to reach company welfare. Wilson (2014) explained that experts are led by courts to follow expect steps of any operation to found fraud steps before cheater complete frauds operation.

### 2.4. Human Resource Gap

Suresh (2011) studied human resources accounting model in Indian industries. He found that human resources must be evaluated as wealth. Alaziz (2000) said to cancel the contract even the employee said he did not know the *Fiqh* principles'. It will be canceled and loss returns. Maria and Kel-Ann (2010) explained that the strong growth of international financial reporting standards based on the environment of human resources accounting. Employees can give information and details fairly

### 2.5. Restructure Managing Gap

Managing structure shows ways of producing, responsibilities and system. Companies have many choices to produce products directly or indirectly also it can produce by local workers or international workers as producing clothes in china to reduce local cost of workers. It may cause increase of risks or increase profit. The net profit after tax is affected by currency price changing from country to other country.

Managing structure shows the division of responsibility within the company. It explains rights and duties also explain managing system to do the job well as expected. The way of restructure producing will give value to company as success factor because of increasing net profit after tax.

## 2.6. Added Value Gap

Company has supporters to get help as result to cover their needs. Ex: creditors need interest from giving company loan. Human resource needs reputation, return and training. Producers need return from selling the company their product. Government need to cover the citizens need from company products in suitable cost and get tax and share in economic growth. Shareholders need return and reputation from sharing in company capital as result to share in direct investing or in speculation in indirect investing to get unusual returns. Customers need to cover need in any time or in any place with suitable cost.

If dealer get the added value he will support the company but if dealer lose the added value he will give the negative reputation. Jayaraman *et al.* (2010) explained difficult understanding customer satisfied which cause difficult to evaluate the added value.

## 2.7. Government Ownership Adjusted Gap

Government ownership adjusted ownership law which affects companies positively to increase profit or it effects negatively as buy private company to be a government company with 10% of its real value. It is important to study affection of adjusted when there is evaluation of financial studying. ex: France makes cooperative banking groups as sharing between government and private sector to limit speculation crises and to build suitable producing sector (Glles *et al.*, 2016).

## 2.8. International Rule Gap

By time, financial report affected by international standards which may increase financial report evaluation value or reduce it up to international needs.

Changing of international rules will limit financial report evaluation. Some companies make financial labels as balance sheet with local rules and other balance sheet with adjusted for international use. This means there are two balance sheets for one company in the limit time as result to deferent standards.

## 2.9. Theoretically Studies Gap

Companies understand problems practically and depend on its experiences to solve the problems but theoretically study depend on history studies and new ideas which transfer traditional company to creative company also it discusses and analysis solutions in theoretically methods. Coenraad (1997) explained that Theoretically study showed that monetary policy can effect derivatives trading speeds to financial assets price but in empirically study there was no affection on derivatives in UK.

## 2.10. Relation between External Auditor Report and Islamic Supervisory Board Gap

Specialized Islamic organization has to deal with Islamic law. The gap come when there is no relationship between external auditor report and Islamic supervisory board.

## 3. GAPS OF FINANCIAL ANALYSIS IN JORDANIAN ISLAMIC BANKS

Accounting data explanations and work papers must be enough to find gaps which cause financial analysis weakness. Gaps are problems to find fair evaluation. Finance analyst must get enough data and integration data from three sides to give fair valuation. Account data in size, time and place must be accepted and update must be unit from annual external auditor report, Annual Supervisory Sharia Board report and daily Managing announcing reports.

Supervisory Sharia Board are responsible to accept operation contracts to accept account data based on Islamic rules which explain Islamic accounting standards, procedures and governance. External auditor must make revision

to accounting data auditing to accept it after the Supervisory Sharia Board acceptance. This can be done by corporate between them to gather within the year.

Daily Managing announcing report is way to build reputation. It shows expect company success for the future. Cooperation between Supervisory Sharia Board and external auditor must give suitable report show the currently success or weakness and show expect future success or weakness up to daily Managing announcing reports. The study model of gaps of financial analysis in Jordanian Islamic Banks is show in the next figure:

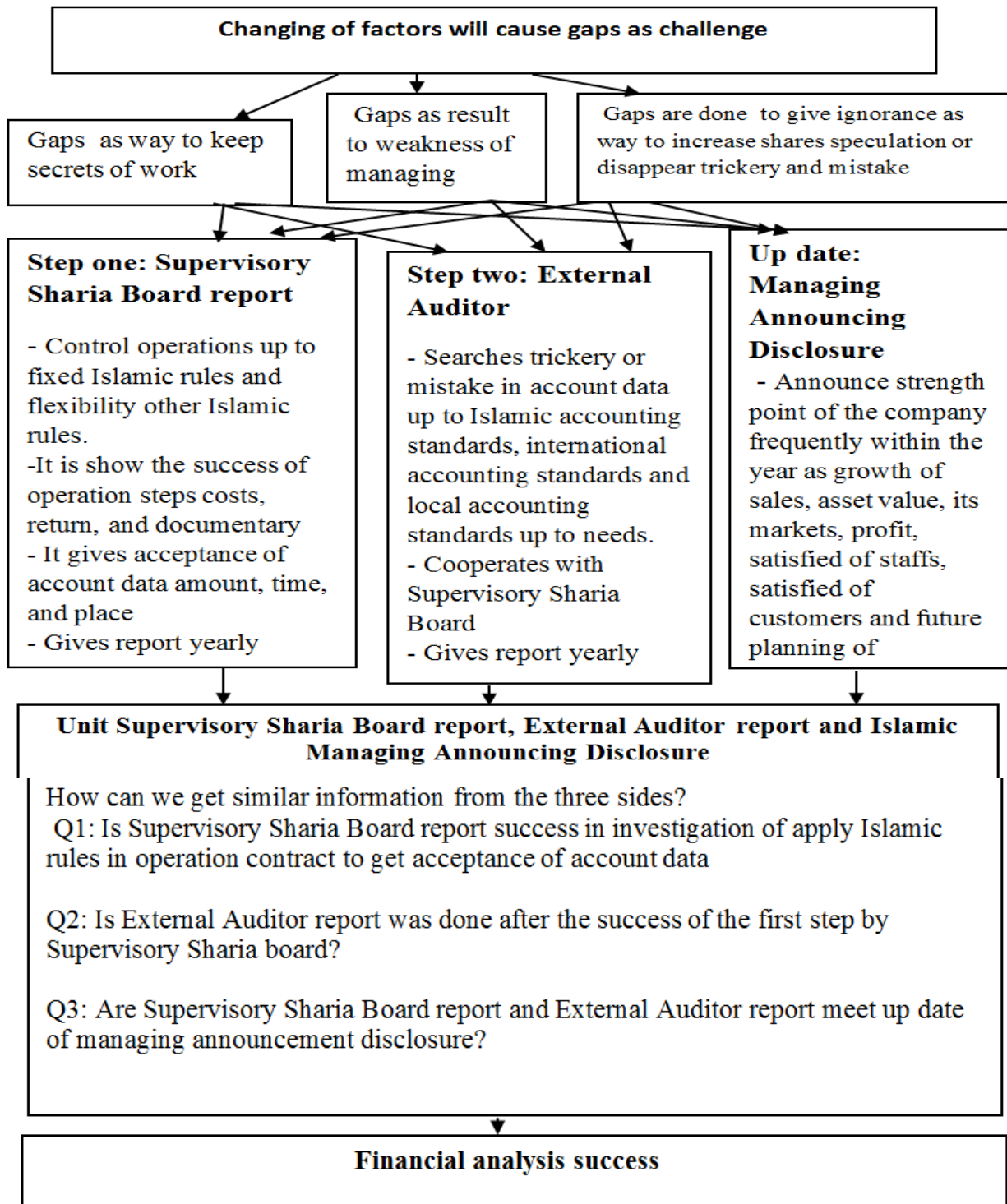


Figure-2. Study model of Gaps of financial analysis in Jordanian Islamic Banks

This figure is done by the searcher

Practically, Islamic banks in Jordan as Jordan Dubai Islamic Bank, Jordanian Islamic bank and Islamic international Arab Bank are apply governance. It has to apply Jordanian Islamic banks law which just classification the Islamic banks which just deal with Islamic operation. Rajhi Bank branch in Jordan is not accepted as Islamic bank because he produces traditional operations.

Every Islamic bank has his operations. It may be similar or different than other bank this means: there is no unit model of finance accounting data or investing accounting data. Annual report of these banks explained in 2015 the relation between Supervisory Sharia Board and External Auditor in each bank. Start by the Supervisory Sharia Board acceptance then the acceptance of the external auditor acceptance therefore there will be cooperation between them within the year. The report of Supervisory Sharia Board will be given first then the External Auditor report. All reports gave fair accept for the major accounting data [Jordan Dubai Islamic Bank Annual Report \(2015\)](#); [Jordanian Islamic Bank Annual Report \(2015\)](#) and [Islamic International Arab Bank Annual Report \(2015\)](#). Success of reports will reduce finance analysis gaps as accounting data but there is need to understand the difference between the banks operations and managing law. Ex: Jordanian Islamic Bank reduces part of earning from earning after tax equal 10% for account facing sharing invest risk box which is not apply in Islamic Arab international Bank ([The Jordanian Islamic Bank, 2005](#)).

#### 4. CONCLUSIONS

As result to investigated gaps of Islamic banks financial analysis there are ten gaps affect on the account data in the financial tables. It increases up to changing in environments. Changing will increase gaps of analysis. Jordanian Islamic banks apply specialized Islamic bank law. It needs adjusted of financial analysis work papers. There must be way to face these gaps by unit efforts between Supervisory Sharia Board report, External Auditor report and Islamic Managing Announcing Disclosure. There work must be unit as integration to give one result. Jordanian Islamic banks case study shows this cooperation to get fair result for major accounting data in financial tables.

#### 5. RECOMMENDATION

The searcher recommended applying model as work paper to study strength or weakness of gaps which impact the financial analysis success in Islamic banks. The model will help to analysis gaps and unit efforts.

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