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Socialization of the Value Relevance of Sharia Financial Reports for Lecturers and Students of the Sharia Economics at STAINU Malang

Marhaendra Kusuma
[1]*Universitas Islam Kadiri*
Email: marhaenis@uniska-kediri.ac.id

ABSTRACT

Sharia entities in Indonesia have experienced rapid development, accompanied by the development of Sharia Financial Accounting Standards (SAK) in response to public demand for the presentation of Sharia entity financial reports. The most significant developments in SAK are the shift in asset valuation from historical cost to fair value and revenue recognition from net surplus income to all-inclusive income. Unfortunately, these developments in Sharia accounting have not been widely embraced by Sharia economics students, who are potential stakeholders in the financial reporting of Sharia entities. The purpose of this activity was to provide information to lecturers and students of the Sharia Economics study program at STAINU Malang about the theoretical basis of fair value and all-inclusive income in the financial reporting of Sharia entities. This activity was relatively effective, as evidenced by the significant difference in pre-test and post-test scores among participants, with the mean post-test score being greater than the pre-test score.

Keywords: Sharia financial accounting, fair value, all-inclusive income, Sharia economics study program.

INTRODUCTION

Sharia-compliant entities in Indonesia are experiencing relatively rapid growth. The number of publicly listed sharia-compliant entities in Indonesia is expected to reach 30 by December 2025, and the Indonesia Stock Exchange (IDX) even has a dedicated sharia capital market index, the Jakarta Islamic Index (JII). Public demand for sharia-compliant financial reporting is growing. Therefore, to improve the quality of relevant, reliable, and high-quality financial reporting, specific Financial Accounting Standards (SAK) are needed for sharia-compliant entities, in accordance with their inherent characteristics, including transaction types, terminology, and business processes. To address this, the Indonesian accounting professional organization, the Indonesian Institute of Accountants (IAI), through its sharia accounting division, established the Sharia Financial Accounting Standards Board (DSAK IAI), to issue Sharia-compliant Financial Accounting Standards (SAK) (Wahyudi et al., 2024).

Sharia Financial Accounting Standards (SAK) Effective as of January 1, 2018, a development of PSAK No. 59 Sharia Banking Accounting (since 2003) and is a disaggregation of general SAK. Sharia SAK regulates the accounting treatment (recognition, measurement, reporting, disclosure) of sharia transactions in sharia entities, such as the principles of mudharabah, musyarakah, murabahan, ijarah, qord and so on. In Sharia SAK also contains the Basic Framework for Preparation and Presentation of Sharia Financial Statements (KDPPLKS) which explains the relevance of sharia financial reporting values. Similar to the Conceptual Framework for the Preparation of Financial Statements (KKPLK) in the general SAK (IFRS convergence), in the Sharia SAK KDPPLKS there have also been significant developments related to the theoretical foundations they are based on, namely: 1) a shift from historical cost to fair value in asset valuation, 2) a shift from net surplus income to all-inclusive income in revenue recognition, and 3) a shift from parent theory to entity theory in the presentation of consolidated financial statements (Kusuma et al., 2022). These developments affect the appearance of the contents of the presentation of the financial statements of sharia entities.

Unfortunately, the development of this theoretical foundation (fair value, all-inclusive income, and entity theory) and the meaning of the value relevance of sharia entities are not widely understood by sharia economics students, who are in fact potential stakeholders in the financial reporting of sharia entities. It is important for sharia economics students to understand the value relevance of sharia financial reporting, including the development of the theoretical foundation used by Sharia Financial Accounting Standards (SAK Sharia), because it serves as a reference and foundation that underlies the preparation of sharia entity financial statements before finally understanding the practical application of preparation by sharia economics students. Furthermore, it is possible that sharia economics students in the future after graduating will work in sharia entities that are directly involved with sharia financial statements, either as supporting preparers or as users. Likewise, sharia economics lecturers with non-accounting educational backgrounds have not yet followed the detailed developments in sharia entity financial reporting. By understanding KDPPLKS, the quality of preparation and interpretation of sharia financial reporting will improve, impacting the quality of decision recommendations and knowledge transfer on the interpretation of sharia financial reporting.

The purpose of this seminar is to provide lecturers and students of Islamic economics with information about the concept of value relevance in the financial reporting of Islamic entities, and to provide students and lecturers with information about the theoretical foundations of fair value, all-inclusive income, and entity theory in the financial reporting of Islamic entities. The motivation for this seminar is to increase public understanding of accounting and its development (Kusuma et al., 2024).

LITERATURE REVIEW

The value relevance of financial reporting is how the information contained in financial statements influences user decisions (Kusuma et al., 2021). This is reflected in its usefulness for users in decision-making, as reflected in its ability to predict future information to assess cash flow prospects (Kusuma., 2020), future investment returns (Kusuma & Agustin., 2023), and market reactions or stock returns around the financial statement announcement date (Wahyudi et al., 2024). Efforts to improve the value relevance of financial reporting, including in Islamic entities, include shifting the theoretical basis from historical cost to fair value, from net surplus income to all-inclusive income, and from parent theory to entity theory (Kusuma & Agustin, 2023). This theoretical shift also aims to minimize agency problems between management and shareholders, between shareholders (majority vs. minority), and between management, shareholders, and creditors (Kusuma & Athori, 2023).

Fair value is the valuation and presentation of assets at fair value in financial statements. Fair value is the value that is equivalent to or appropriate to the current conditions at the time the financial statements are presented. Before being valued and presented at fair value, assets are valued and presented at historical value or book value (Kusuma et al., 2021). Historical value is the value at the time of initial acquisition, and book value is the value in the accounting records derived from the acquisition price minus

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accumulated depreciation. Presentation at historical value and book value does not reflect current conditions, while presentation at fair value is more representative, so it is expected to have greater value relevance for users (Kusuma & Marjukah, 2025). The difference between fair value and historical value is recognized as other comprehensive income or hereinafter abbreviated as OCI (Kusuma, 2023a). Because it is valued at a fair value that is representative of current conditions, OCI is very sensitive to macroeconomic conditions (Kusuma & Saputra, 2022). OCI itself consists of unrealized income from fair value adjustments to financial assets and fixed assets (Kusuma, 2023c), cash flow hedges, pension fund liabilities and financial statement translation (Athori & Kusuma, 2023).

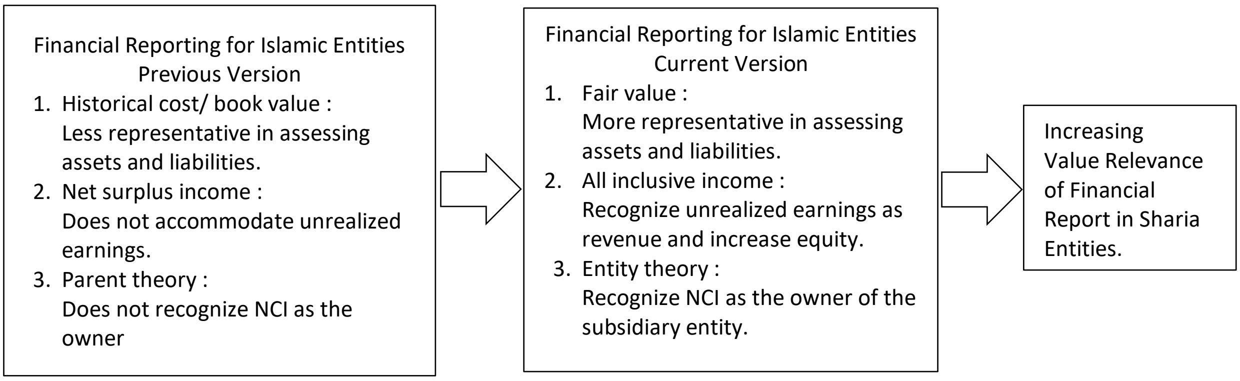

Figure 1. Paradigm Changes in the Theory of Financial Reporting of Sharia Entities
Source : Various sources processed by the author

All inclusive income is a more comprehensive income recognition concept based on changes in equity value, any income that causes an increase in equity, realized or unrealized, is recognized as income and must be presented in the income statement (Kusumaningarti et al., 2025a). This concept underlies why OCI is presented in the income statement combined with the presentation of net income components (Kusuma, 2021c). Empirical evidence supports this argument, even though OCI has not been realized, it turns out that total comprehensive income, or even OCI itself, has been proven to have value relevance (Kusuma & Kusumaningarti, 2023), used as a basis for market players to make investment decisions (Ratih et al., 2025), predict future financial performance (Kusuma, 2024), predict future funding composition (Arisyahidin et al., 2025), measure financial performance (Kusuma, 2021a), predict the potential for value engineering in profit presentation (Kusuma, 2023a), and even creations to avoid tax payments (Petra rahayu); (Wahyudi UKK), fraudulent actions (Kusumaningarti et al., 2025b) and sustainability performance (Athori & Kusuma, 2023) related to the realization of current period profits and cash holding (Marjukah et al., 2025), which increases the ability to fund environmental, social and governance activities (Andriana et al., 2025). However, the implementation of fair value and all inclusive income makes the presentation of financial statements longer and requires greater financial statement audit

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procedures in assessing the fairness of the presentation of OCI and other items (Agustin & Kusuma, 2024), the impact of which is that audit costs become greater (Kusuma & Luayyi, 2024) and audit completion time becomes longer (Agustin & Kusuma, 2024).

METHODS

This community service activity was conducted in the form of an online seminar or webinar via Zoom. The event was organized by the Islamic Economics Undergraduate Program at the Nahdlatul Ulama Islamic College (STAINU) Malang on Friday, December 19, 2025, and was attended by 82 participants, including lecturers and students from STAINU Malang, as well as participants from outside STAINU Malang, including those from Kadiri Islamic University, Lamongan Islamic University, Balitar Islamic University, and Tribakti Lirboyo Islamic University Kediri. The speaker for this event, who is the author of this community service article, was Dr. Marhaendra Kusuma, M.Ak., Ak., a lecturer from Kadiri Islamic University. The presentation was entitled "Value Relevance of Financial Reporting of Sharia Entities: Fair Value & All-Inclusive Income." The other two speakers were internal lecturers of the Sharia Economics study program, namely Mrs. Sholihatin Khofsah, S.H.I, M.E and Mr. Khoirul Anwar, S.H.I, M.H, who each explained the aspects of sharia economics and sharia economic law in the practice of sharia financial reporting.

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Figure 2. Activity Flyer

Figure 3. Activity Participants

Figure 4. Speaker Certificate from the Chairperson of STAINU Malang

Table 1 below presents general information on the questions used during the pre-test before the activity was carried out and the post-test after the activity.

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Table 1. Outline of Pre-Post Test Questions

No	Question
1	What's new in the presentation of financial statements for Islamic entities, and since when?
2	Since when have these new principles been applied to the presentation of financial statements for Islamic entities?
3	What are comprehensive income (and OCI) and attributable income (background of the modifications)?
4	What is the theory underlying the presentation of comprehensive income and attributable income in Islamic entities?
5	What is the purpose of presenting comprehensive income and attributable income?
6	What determines the presentation of comprehensive income and attributable income?
7	Modifications to financial ratio analysis based on comprehensive income and attributable income?
8	Does this modification to the ratio analysis have value relevance?
9	What conditions make the use of this modification to the comprehensive income-based financial ratio analysis more relevant (urgent) or less relevant?
10	Do all-inclusive income, fair value, and entity theory open up wider opportunities for creative accounting in Islamic entities?

Source : Developed by the author, 2025.

Table 2 below presents the results of statistical tests with Paired t test and shows that there is a difference in the mean score of the pre-post test, meaning that there is a difference in the level of understanding of participants before and after the activity is carried out, where the mean after the activity is greater than before the activity, meaning that this activity is able to provide an understanding to seminar participants about the concept of fair value accounting, all inclusive income and entity theory in the financial statements of sharia entities.

Table 2. Results of the Paired t Test

Mean pre-test score	Mean post-test score	Sig.t	Conclusion
45,23	88,56	0,000	There is a significant difference

Source: Data processed by the author, 2025.

CONCLUSION

The purpose of this activity was to provide lecturers and students of the Islamic economics study program with information about the concept of value relevance in the financial reporting of Islamic entities. It also provided students and lecturers with information about the theoretical basis of fair value, all-inclusive income, and entity theory in the financial reporting of Islamic entities. This objective was achieved, as evidenced by the significant difference between the pre-test and post-test scores of the participants, with the mean post-test score being greater than the pre-test score.

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