

Accounting Disclosure in the Financial Statements of Islamic Banks According to the Regulations of the Bank of Algeria: A Case Study of Al Salam Bank of Algeria (2021–2022)

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Abstract:

The aim of this study is to identify the level of accounting disclosure in the financial statements of Al Salam Bank Algeria. The disclosures presented in the annual report issued in (2022) were analyzed and examined. The results revealed a high level of compliance with the requirements of accounting disclosure in the bank's financial statements. Furthermore, the information disclosed was found to be complete and sufficient to meet the needs of the users of the financial statements.

Keywords: Accounting disclosure, bank accounting, financial statements, Islamic banks.

JEL Classification Codes : M41 , M49

الملخص :

تهدف الدراسة إلى التعرف على مستوى الإفصاح المحاسبي في القوائم المالية لبنك السلام الجزائري حيث تم تحليل ودراسة الإيضاحات الموجودة في التقرير السنوي الصادر في سنة 2022 ، حيث أظهرت النتائج توافر شروط الإفصاح المحاسبي في القوائم المالية للبنك بمستوى مرتفع وأن المعلومات التي يتم الإفصاح عنها كاملة وكافية لتبلي احتياجات مستخدمي القوائم المالية .

الكلمات المفتاحية : الإفصاح المحاسبي ، المحاسبة البنكية ، القوائم المالية ، البنوك الإسلامية .

تصنيف JEL : M41 ؛ M49

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1. INTRODUCTION

Banks are considered among the most important institutions upon which economic activity relies. Their main operations are generally limited to collecting surplus funds from the public with the purpose of lending them to others. Over time, banks have undergone various developments and been subject to influences that have altered the course of their operations.

Accounting in the field of banking activity is merely an application of the same principles, foundations, and rules commonly recognized in financial accounting. What distinguishes this context, however, is that accounting in banks requires the accountant to have a specific and deep understanding of the nature of banking operations in order to record them in the accounting books and records in a manner consistent with the purpose of accounting in this sector. Accounting in banks also represents the backbone of the decision-making function, as it provides a fundamental base of information and yields results that serve purposes of control, monitoring, and performance evaluation.

Islamic banks perform banking functions and activities within the framework of financial intermediation, similar to conventional banks; however, they are committed in all their operations and activities to the principles and rulings of Islamic Shariaa. In order to establish their presence in the banking sector, enhance their competitiveness, and improve their financial performance, they strive to apply the principles of general accounting. Accounting disclosure is considered one of the fundamental and necessary safeguards for the growth and continuity of banks in general, and Islamic banks in particular.

Al Salam Bank of Algeria was ranked as the best Islamic bank in Algeria in the most recent classification of (2020), based on its provision of Islamic banking services within the Islamic banking sector in Algeria and its active role in the field of social responsibility. The bank has also distinguished itself through the continuous growth of Islamic financing, the ongoing development of Islamic banking operations, and the launch of innovative services and products. Based on the above, the research problem that we seek to address is expressed in the following question:

- To what extent does the preparation of financial statements in accordance with the regulations of the Bank of Algeria align with the requirements of accounting disclosure?

To answer this question, we propose the following sub-questions:

- Do the financial statements of Al Salam Bank of Algeria disclose all relevant information related to financial instruments?
- Does the financial accounting system applied at Al Salam Bank of Algeria contribute to providing a clear representation of the bank's financial position?

Significance of the study:

The importance of this study lies in understanding the reality of accounting disclosure in Algerian Islamic banks by addressing the theoretical foundation of the study variables and examining the level of accounting disclosure at Al Salam Bank of Algeria.

Objectives of the study:

- To assess the extent to which the financial statements issued by Al Salam Bank of Algeria meet the requirements of accounting disclosure.
- To identify the characteristics of banking accounting in Islamic banks.

Research methodology:

In order to address the research problem, the study adopts the deductive approach using both descriptive and analytical tools. The descriptive aspect is reflected in the theoretical part, while the analytical aspect is demonstrated in the practical part through the presentation and examination of the financial statements of Al Salam Bank of Algeria.

2. Theoretical framework

2.1 Concepts related to banking accounting:

Bank accounting is distinguished from other accounting systems by having a specific system of its own. While it includes elements similar to those found in any accounting system, it differs significantly in terms of practical application.

2.2 Definition of the banking accounting system:

It is defined as a set of subsystems, each pertaining to a specific department, with all subsystems ultimately feeding into the general accounts department. This department is responsible for recording general journal entries, posting to the general ledger, and preparing financial statements and reports. It is also defined as a set of tools that enable the bank's management to collect, process, and report data related to the outcomes of operations carried out under its direction and supervision (Elakhras & Salem, 2000, p. 29).

It has also been defined as a technique for collecting, recording, and presenting daily transactions in registers that aim to interpret the content of balance sheet items and the income statement, in order to facilitate their understanding, especially by bank staff and users. By presenting this information in numerical form, it enables a strong connection between banking activities and accounting data (Vigouroux, Blanc, & Prost, 1991, p. 23).

2.3 Principles of the banking accounting system :

Bank accounting is based on the fundamental principles upon which general

accounting is founded. These principles can be summarized as follows (Atiya, 2011, p. 7):

- **Principle of consistency of methods:** This principle means that the bank must continue to apply the same accounting methods and policies from one year to the next. In the event of any deviation from this principle, disclosure must be made, including a statement of the reasons that led to the change and its impact on the financial statements.
- **Going concern principle:** The financial statements are prepared on the assumption that the bank will continue its operations in the coming years.
- **Reliability:** The financial statements reflect only the information that the manager deems to be accurate.
- **Historical cost:** Transactions are recorded at the time of occurrence based on their value at that date.
- **Primacy of economic reality over legal form:** The financial statements must disclose all assets controlled by the bank, even if they are not legally owned by it.
- **Principle of prudence:** In preparing the financial statements and calculating the result for the period, one must avoid overestimating the value of assets and revenues, and must not underestimate the value of liabilities and expenses.
- **Independence of the bank's financial entity:** The financial position of the bank is separate and independent from the financial position of its owners.

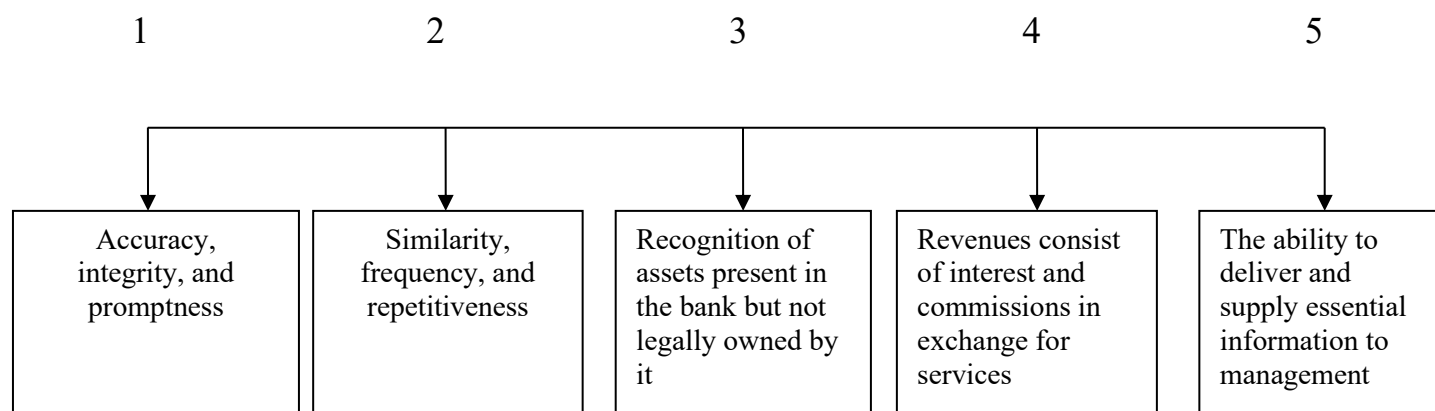
2.4 Characteristics of the banking accounting system:

Bank accounting is distinguished by a set of characteristics that can be summarized as follows (Benfradj, 2014, p. 114):

- Precision and clarity in terminology, designations, methods of entry and processing, along with integrity and speed in recording various transactions and extracting customer balances.
- Uniformity of operations such as deposits and withdrawals.
- Banking operations often involve recording existing values held by the bank but not owned by it, which requires the use of off-balance-sheet accounts and memorandum entries, such as: operations involving promissory notes and securities deposited as safekeeping or collateral for loans, etc.
- The ability to provide the necessary and essential data for managing operations and ensuring internal control, by supplying bank management with the information it needs, as well as providing the data required by the central bank as the supervisory and regulatory authority.
- Separation of the accounting function from other bank operations, particularly cash handling operations.
- Designing the accounting cycle in a way that avoids redundancy between one

employee and another.

Fig.1. The defining features of the accounting system



Source: (Elakhras & Salem, 2000, p. 32).

2.5 Components of the banking accounting system (Chehata, 1998, p. 18):

- **Accounting theory:** The double-entry bookkeeping theory.
- **Accounting method:** The method of multiple primary and subsidiary journals, along with ledger books.
- **The ledger set:** The journals and statements in which entries are recorded, as determined by the adopted method.
- **Supporting documentation set:** These form the source of entries in both documents and journals.
- **Set of procedural rules and instructions for accounting operations:** These define the flow of documents and records how, why, and by whom they are signed.
- **Set of internal control methods:** These may include accounting, administrative, or physical inventory tools to ensure the accuracy and reliability of accounting operations.
- **Set of means for implementing accounting work:** Refers to the use of computerized and automated systems.
- **Accounting manual:** Includes the various types of accounts, their numbers, classifications, and their allocation across the accounting books.

3. Accounting in Islamic banks:

Before defining banking accounting, it is necessary to define the Islamic bank:

3.1. Definition of the Islamic bank:

It is a banking institution that is also concerned with collecting funds and investing them within the framework of Islamic Shariaa, in a manner that serves the solidarity of the Islamic society and achieves justice in distribution, while avoiding dealings involving usury, and attaining lawful profit through economic development that brings

real benefit to both shareholders and depositors (Chahine, 2014, p. 306).

3.2 Characteristics of the Islamic bank:

- Exclusion of dealings involving usury.
- Commitment to the principles of “halal” and “haram”, and proper guidance in the use of funds.
- The social role of Islamic banks.

3.3 Definition of accounting in Islamic banks:

It is defined as the science that is governed by the provisions of Islamic Shariaa. That is, it is a set of rules and principles used for collecting, classifying, analyzing, and recording financial transactions in order to measure the performance results of economic enterprises and to prepare and present financial statements in accordance with the rulings of Islamic Shariaa (Ibid., p. 308). It can also be defined as a science that produces reports related to the extent of the enterprise’s compliance with the provisions of Islamic Shariaa, in addition to the other commonly known financial reports.

3.4. Objectives of financial accounting in Islamic banks:

Statement (1), issued by the Accounting and Auditing Organization for Islamic Financial Institutions, includes the objectives of financial accounting and financial reporting for Islamic banks and financial institutions.

- Determining the rights and obligations of all related parties, including those arising from non-revenue-generating operations and activities, in accordance with the rulings and objectives of Islamic Shariaa.
- Contributing to the enhancement of administrative and productive efficiency, and encouraging adherence to Islamic Shariaa in all financial activities.
- Contributing to the protection of assets and the rights of the bank and its stakeholders.
- Providing useful information to users of financial reports.
- Providing information about the bank’s compliance with Islamic Shariaa in all activities it undertakes (Samhane & Moubarak, 2008, p. 31).

3.5 Financial statements in Islamic banks:

Islamic banks must comply with Presentation and Disclosure Standard No. (1) issued by the Accounting, Auditing, and Governance Standards for Islamic Financial Institutions. The aforementioned standard states the following in this regard:

- Defining the complete set of comparative financial statements and the requirements for their presentation (format, numbering, and disclosures).
- General disclosure in the financial statements must include the following:
- All significant information, including the basic information about the bank, the

nature of its activities, the names of subsidiaries whose financial statements are consolidated with those of the Islamic bank, the name of the holding company, affiliated companies, and other information related to regulatory oversight, taxation, legal matters, and the role of the Shariaa supervisory board.

- Information regarding accounting measurement practices and methods for translating balances denominated in foreign currencies.
- Information about significant accounting policies and the method of their disclosure (selection among acceptable alternatives, revenue and profit/loss recognition policies of material importance, policies for recognizing and determining the expected credit loss including treatment of bad debts, the adopted policy for constructive liquidation...etc).
- Changes in accounting policies including justifications for the change and its impact on net income for the current financial period and comparative financial periods.

1- Financial statements according to Presentation and Disclosure Standard (1):

Statement No. (1) of the Accounting, Auditing, and Governance Standards for Islamic Financial Institutions establishes a connection between the types of financial statements, the objectives of financial accounting, and the functions of the bank. These statements are determined in accordance with established accounting conventions as follows:

- Statement of financial position
- Income statement
- Cash flow statement
- Statement of retained earnings or changes in owners' equity

2- The fundamental elements of financial statements:

- The statement issued by the Accounting Standards Board adopts an approach that emphasizes the interrelationship among the fundamental elements of the financial statements. According to this approach, assets and liabilities serve as the foundational basis for defining all revenues, expenses, income, and losses.
- The statement does not adopt the approach of independent financial statements, in which each element is defined based solely on its own nature without reference to other elements.
- Each of the two aforementioned approaches has its origin in Islamic jurisprudence. The interrelationship approach defines profit as an increase in capital, and loss as a decrease in capital. In contrast, the independence approach defines profit as the excess of the selling price over the original purchase price, and loss as the deficiency of the selling price below its original purchase price. We believe that the Accounting Standards Board has made a sound decision in adopting the interrelationship approach, as the concept of profit and loss under this approach is broader, in our view (Samhane & Moubarak, 2008, pp. 387–388).

Second axis: A case study of Al Salam Bank of Algeria

1- Overview of Al Salam Bank of Algeria:

Al Salam Bank of Algeria is a universal bank that operates in accordance with Algerian laws and in full compliance with the principles of Islamic Shariaa in all its transactions. It was authorized by the Bank of Algeria in September (2008) and commenced its operations in October of the same year, aiming to offer innovative banking services.

Al Salam Bank of Algeria operates according to a clear strategy aligned with the requirements of economic development across all vital sectors in Algeria. This is achieved by providing modern banking services rooted in the original and deeply held principles and values of the Algerian people, with the aim of meeting the needs of the market, clients, and investors. The bank's transactions are governed by a Shariaa supervisory board composed of prominent scholars in Islamic law and economics.

During the decade spanning (2008 to 2018), Al Salam Bank of Algeria achieved a qualitative leap in its operations, as evidenced by the strong performance recorded during that year. The bank's total financial position reached 110 billion Algerian dinars (\$929 million), compared to 86 billion Algerian dinars (\$ 724 million) in (2017), reflecting a growth rate of 28%.

The customer financing portfolio increased to 75 billion Algerian dinars, while total customer deposits reached 85 billion Algerian dinars, up from 43 billion Algerian dinars in (2010), representing a growth rate of 42%. These results indicate an improvement in the bank's image among its clients and an increase in their trust in its services. On the other hand, the bank's banking product in 2018 reached a level of 7 billion Algerian dinars, compared to 2 billion Algerian dinars in 2014, reflecting a growth rate of 50%.

2- The accounting system applied at Al Salam Bank:

Al Salam Bank prepares its financial statements in accordance with the regulations of the Bank of Algeria, specifically:

- Regulation No. 04-09 issued on 23/07/2009, concerning the banking chart of accounts and the accounting rules applicable to banks and financial institutions.
- Regulation No. 05-09 issued on 18/10/2009, concerning the preparation and publication of financial statements for banks and financial institutions.
- Regulation No. 08-09 issued on 29/12/2009, concerning the rules for the valuation and accounting recognition of financial instruments by banks and financial institutions.
- Based on Regulation No. 05-09 mentioned above, the financial statements include: the balance sheet, off-balance-sheet items, the income statement, the cash flow statement, the statement of changes in equity, and the accompanying notes, which are considered an integral part of the financial statements.

3- General valuation methods:

In general, the bank's assets are valued and recorded at historical cost, in accordance with the general principles of the Financial Accounting System on the one hand, and based on the estimates made by the bank for the most impactful method among the available valuation methods, on the other.

In application of the current system, which requires that the bank's accounting records be kept in Algerian dinars, foreign currency transactions are recorded in separate accounts opened for each currency. At the time of closing, balances are converted into Algerian dinars based on the average exchange rate for each currency as issued by the Bank of Algeria on the closing date.

The foreign exchange positions are revalued on a daily basis, and the resulting differences are recorded in the income statement, in accordance with the provisions of Regulation No. 18-94 dated 25/12/1994, concerning the recording and accounting of foreign currency transactions.

4. Specific valuation methods:

4.1 Customer financing:

Customer financing is subject to periodic impairment tests in accordance with the principles set out in the Financial Accounting System and Regulation No. 14-03, which relates to the classification of receivables and off-balance-sheet commitments for banks and financial institutions, and the provisioning requirements thereon. Accordingly, customer financing is recorded at historical cost upon initial recognition and revalued at closing, taking into account the impairment allowance, which is determined according to the following rates:

- **Receivables classified as claims with potential risk:** These are receivables whose repayment has been delayed for more than (90) days but do not exceed (180) days, and are subject to a provision of 20%.
- **Receivables classified as claims with probable risk:** These are receivables whose repayment has been delayed for more than (180) days but not exceeding (360) days, and are subject to a provision of 50%.
- **Receivables classified as non-performing claims:** These are receivables whose repayment has been delayed for more than (360) days and are subject to a provision of 100% (Al Salam Bank Algeria, 2022).

4.2 Fixed Assets:

Fixed assets are measured at historical cost upon recognition in the bank's accounts (including all related expenses). The use of the economic benefits of these assets is recognized at each closing through the applicable depreciation, based on the following useful lives:

- Buildings: 20 years
- Fittings and installations: 10 years

- Computer software: 5 years
- Equipment and furniture: 5 years

4.3 Cash flow statement disclosures:

The cash flow statement is prepared by the bank using the indirect method, in accordance with Regulation No. 05-09 issued on 18/10/2009, concerning the preparation and publication of financial statements by banks and financial institutions. In accordance with this method, the movement of cash flows resulting from operating activities is obtained by adjusting pre-tax profits while taking into account the impact of non-cash transactions, in order to reconcile the results obtained from the income statement with the losses and cash generated and used during operating activities. This allows for an understanding of the relationship between economic activities and the ways in which liquidity is created or absorbed.

5. Reserves:

Al Salam Bank allocates 10% of net income to constitute the legal reserve until it reaches 10% of the bank's capital, in accordance with the (2022) annual report.

6. Revenue realization from financing:

Al Salam Bank of Algeria records financing income according to the accrual principle and at their due dates. Uncollected income is calculated and recorded in a special account and is not recorded in the income statement until it is collected. This is stipulated by the rules of Islamic accounting and the Algerian Financial Accounting System.

7. Changes in accounting methods:

The accounting methods applied for the year (2022) are identical to those used in the previous year. No changes were made to the accounting methods.

8. Accounting disclosure at Al Salam Bank of Algeria:

The financial statements of Al Salam Bank of Algeria are prepared in accordance with the provisions of Regulation No. 09-05 issued on 18/10/2009, which concerns the preparation and publication of financial statements.

8.1 Accounting disclosure (01): Information on the balance sheet - assets:

8.1.1 Fund, central bank, public treasury, postal cheques centre:

Table 1.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	change	%
74 638 050	75 916 435	-1278385	-2%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

The balance of this item represents 29% of the total balance sheet and includes cash and quasi-cash components. It is observed that the change rate in the balance of this item declined from (2021) to (2022) by a value estimated at 2%. The reason for the decrease in the balance of this item can be explained in the following table:

Table 2.

Unit: Thousands of Algerian Dinars

Items	2022	2021	Rate of change
Central bank	63 796 216	67 695 853	6-%
Cash funds (in cash)	8 055 887	5 075 371	59%
Public treasury and postal cheques	2 7585 947	3 145 211	%-11
Total	74 638 050	75 916 435	-2%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

From the table above, it is observed that the reason for the decrease in the balance of the item cash funds, central bank, public treasury, and postal cheques centre is due to a 6% decline in the balance with the central bank from (2021-2022). Furthermore, there is a significant decrease in the balance of the public treasury and postal cheques from (2021-2022), amounting to 11%. This explanation constitutes full disclosure of the balance of the item cash, central bank, public treasury, and postal cheques centre.

8.1.2. Advances and claims on financial institutions:

Table 3.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
3 911 553	632 808	3 278 745	518%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

From the table above, a significant increase is observed in the balance of this item in (2022) compared to (2021). This increase is attributed to the rise in the balance of foreign correspondent accounts due to outstanding foreign transfers pending execution as of the closing date.

8.1.3 Deferred tax assets:

Table 4.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
42 405	52 851	-10 446	-20%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

Deferred taxes are recognized when there is a temporary difference between the carrying amounts of assets and liabilities recorded in the balance sheet and their corresponding tax values, provided that this difference is expected to have an impact on future tax payments. Deferred taxes have been calculated based on the current corporate income tax rate (26%) and pertain to expenses that have been recorded but not yet paid as of the closing date. This explanation constitutes full disclosure of the balance of the deferred tax assets balance.

8.2 Accounting disclosure (02): Information on the balance sheet - liabilities

8.2.1 Debts to financial institutions:

Table 5.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
74 504	45 943	28 561	62%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

This item includes the balance of the current account of a resident financial institution that has obtained financing granted by the bank.

8.2.2 Debts to clients:

Table 6.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
154 117 442	150 762 167	3 355 255	2%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

This item represents 59% of the bank's total balance sheet as of December 31, 2022. It includes customer current accounts, savings accounts, time deposit accounts, as well as cash collateral related to off balance sheet commitments (guarantees and other signed obligations). These deposits are disclosed as follows:

Table 6. Categorized by type of deposit

Unit: Thousands of Algerian Dinars

Types of deposits	2022	2021	Rate of change
Current accounts	65 249 902	49 494 887	32%
Time deposit accounts	7 916 094	5 532 491	43%

Savings accounts	42 362 802	32 234 042	31%
Cash collateral	37 016 138	62 099 767	-40%
Other deposits	1 572 486	1 400 980	12%
Total	154 117 422	150 762 167	2%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

Current deposits, time deposit accounts, and savings accounts recorded solid growth rates, whereas cash collateral experienced a significant decline, attributable to the repeal of the Bank of Algeria's directive requiring 120% cash collateral coverage for the importation of goods intended for resale in their existing state.

8.2.3 Capital:

Table 7.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
20 000 000	20 000 000	0	0

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

This item includes the bank's capital, which was raised to 20 billion in accordance with the requirements of Bank of Algeria Regulation No. 18-03 issued on November 4th, 2018, concerning the minimum capital requirements for banks and financial institutions operating in Algeria.

8.3 Accounting disclosure (03): Information related to the income statement:

8.3.1 Operating expenses:

Table 8.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
3 334 732	2 911 839	422 893	15%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

Disclosure under this item relates to the elements detailed in the following table :

Table 9.

Unit: Thousands of Algerian Dinars

Items	2022	2021	Change rate
Personnel expenses	2 071 321	1 753 509	30%
Services	816 403	783 090	38%
Taxes and duties	224 686	244 915	57 %

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Miscellaneous expenses	222 322	130 325	48%
Total	3 334 732	2 911 839	15%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

As shown in the table above, the components of general operating expenses are detailed. These expenses represent 30% of the banking product for the year (2022), with staff expenses accounting for 62% of the total operating expenses.

8.3.2 Provisions for depreciation and impairment losses on tangible and intangible fixed assets:

Table 10.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
476 465	433 180	43 285	10%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

The annual depreciation provision for fixed assets is calculated based on the applicable rates, in accordance with the estimated useful life of the assets and the depreciation method used. Disclosure has been made regarding the depreciation method applied by Al Salam Bank of Algeria, which is the straight-line method. Additionally, disclosure has been provided concerning the method of depreciating the components of a fixed asset, whereby each component is depreciated separately when the useful lives of the components differ.

8.3.3 Net profit for the financial year:

Table 11.

Unit: Thousands of Algerian Dinars

31/12/2022	31/12/2021	Change	%
4 392 508	3 389 221	1 003 287	30%

Source: Prepared by the researcher based on the (2022) annual report issued by the bank.

This item records the result for the financial year as the outcome of the difference between income and expenses, including the amount of income tax.

8.4 Accounting disclosure (04): Information related to the cash flow statement

The cash flow statement was prepared using the indirect method, as prescribed by Regulation No. 05-09 issued on October 18, 2009, concerning the preparation and publication of financial statements by banks and financial institutions. According to this

method, cash flows from operating activities are derived by adjusting pretax income to reflect the impact of noncash transactions, in order to reconcile the results reported in the income statement with the cash generated and used during operating activities. During the year (2022), net cash flows recorded a positive change of 1.761.476 thousand Algerian dinars, resulting from changes in the following items:

8.4.1 Net cash flows from operating activities:

This item recorded a positive net cash flow of 2.123.367 thousand Algerian dinars, mainly due to the growth in customer deposits, particularly current accounts, savings accounts, and investment securities.

8.4.2 Net cash flows related to investing activities:

This item recorded a net cash outflow of 149.803 thousand Algerian dinars, representing the fixed assets acquired by the bank during the year (2022).

8.5 Accounting disclosure (05): Information related to the statement of changes in equity:

The bank's equity at the end of (2022) amounted to 27.312.542 thousand Algerian dinars, compared to 27.263.450 thousand Algerian dinars at the end of (2021). The change in the value of equity resulted from the following transactions:

- Distribution of dividends to shareholders and remuneration to the Board of Directors for the year 2021 in the gross amount of 4.327.059 thousand Algerian dinars, and the transfer of retained earnings (not compliant with Shariaa) for the fiscal year (2021), amounting to 16.357 thousand Algerian dinars, to the charitable donations account.
- Net income realized for the year (2022) amounted to 4.392.508 thousand Algerian dinars.

Conclusion:

Bank accounting is considered an application of financial accounting principles, and it requires full knowledge of the generally accepted accounting principles and rules. The Treasury Department is regarded as the primary driver of the bank's operations, as it centralizes all of the bank's cash revenues and engages most frequently with customers.

For this reason, our research paper focuses on the process of preparing the financial statements of Al Salam Bank of Algeria, based on the financial reports prepared in accordance with the regulatory framework of the Bank of Algeria.

1. The accounting system in banks is characterized by specific accounts that differ from those in financial accounting.
2. Bank accounting is related to the nature of banking activity, and it receives

considerable attention among the various accounting specializations due to the importance of banks in the economy.

3. The objective of accounting disclosure is to present financial information, whether quantitative or qualitative, in a manner that reflects the true state of the institution or bank without misrepresentation, so that it can be reliably used in decision making.
4. Bank accounting is characterized by the presence of off balance sheet accounts, which are used to record commitments given and received.
5. The financial statements prepared by the bank are templates provided by the Bank of Algeria.
6. Al Salam Bank complies, in preparing its financial statements, with the requirements of the International Accounting Standards adopted by the financial accounting system (SCF), as demonstrated by the key statements included in its annual report, such as: the cash flow statement and the statement of changes in equity.
7. Al Salam Bank of Algeria discloses its financial statements in the form of annual financial reports. Through this principle, it aims to gain the trust of its stakeholders and attract the largest possible number of potential investors in order to expand its operations. Based on the financial statement report of the bank under study for the year (2022), it is evident that the disclosures provided present the balance sheet items and the income statement schedule in full.
8. It is observed from the disclosures included in the financial statement report of the bank under study for the year (2022) that sufficient accounting disclosure is provided for the elements of the cash flow statement and the statement of changes in equity.
9. Al Salam Bank annually publishes its financial statements in an accessible manner that facilitates decision makers in comparing financial information.

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