

# ACCOUNTING IN ISLAMIC VIEWS

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## Abstract

This paper discusses accounting in the Islamic view starting from introduction, accounting terminology, accounting history, accounting in Islam, and some Islamic accounting theory thinking. As for the existence of accounting in Islam, we can see from a variety of historical evidence as well as from the guidance of the Holy Qur'an which is the main grip and source of law from Muslims. As confirmed in Surah Al-Baqarah verse 282, Islam through the Koran has ordered that the accounting concept that must be followed by transactors and financial statement makers is the concept of social responsibility, justice, and truth. Therefore, it is obligatory for followers of Islam to obey and practice His instructions and commands. In the Qur'an and Hadith, the meaning of accounting terminology is broader covering all human activities in life interacting and dealing in relation to worship and, *muamalah* in various aspects of life whose ultimate goal is a world and hereafter success (Falah).

*Keyword: Accounting, Islamic, Qur'an.*

## I. INTRODUCTION

Accounting is one branch of applied economics that is used in all activities of our lives. A small example of the use of accounting in our daily lives can be seen in making the decision to choose to cook food alone or buy. then choose to save or buy jewelry. this is done with a variety of considerations in accordance with the principles and accounting analysis carried out either directly or indirectly or consciously or indirectly. There is no good reporting and accountability without the support of accounting tools and infrastructure. In addition to the benefits of accounting, we can feel in everyday life, accounting is also present to support the sustainability of the business by gaining profits so that the business can last long. It is with the aim of making a profit that we have learned from the time we began to recognize economics to recognize the concept of accounting in general (conventional).

Philosophy of getting this advantage eventually gave birth to accounting practices that lead to many conflicts that occur because of the desire to maximize profits itself. Philosophically in Islamic economics,

practices such as maximizing profit have broader terminology with the concept known as *falah*. In sharia business as Muslims, our main goal is not just to gain material benefits but to include non-material benefits, because material benefits are only in the world while the benefits in the terminology of believers with the concept of *falah* are profits in the world and the hereafter.

Islamic accounting emerged in line with the emergence of the Islamic economic and banking system. The capitalist system is built with different concepts and philosophies from Islam and gave birth to capitalist accounting. If the construct of capitalist accounting applied to institutions with the construct of Islamic accounting, there will be inconsistencies in values which will eventually lead to inconsistencies in perception and behavior. According to Harahap (Batubara, 2019), The emergence of Islamic accounting thought was driven by several things such as:

1. Increased community similarity
2. Increased demands for ethics and social responsibility that have so far been ignored by conventional accounting
3. The slowness of conventional accounting anticipates the demands of society, especially regarding the emphasis on justice, truth, and honesty.
4. The revival of Muslims especially educated people who feel the flaws found in Western capitalism.
5. Development or anatomy of the accounting discipline itself
6. The need for accounting systems in Islamic business institutions such as banks, insurance, capital markets, trading, and others
7. The growing need for zakat calculation norms by using established accounting norms as a basis for calculations
8. The need for recording, accountability, and supervision of the property of the people, for example in *Baitul Maal* or the wealth of Muslims or their organizations.

## **II. RESEARCH METHODS**

The method used is descriptive qualitative library research aimed at explaining, describing, giving a description of an object, then reviewing secondary sources from Al-Quran and hadith, secondary sources are books, encyclopedias, journals, and the like, which is related to accounting in Islam.

### III. RESULTS AND DISCUSSION

#### A. *Accounting Terminology*

In terminology, the word accounting comes from English, accounting which means to count or to be responsible. In Arabic, *al-muhasabah* from the root word *hasaba, hasiba* which means to weigh, calculate, record, or reckon. Based on the A-Quran, there are many mentioned *hasaba* roots as in Quran Surah (Q.S) Al-Isra (17:12), Q.S Al-Thalaq (65: 8), and Q.S. Al-Insyiqaq (84: 8). Try to observe the meaning of the word of Allah. the following:

"And We made night and day as two signs, then We removed the night sign and We made the day sign clear, so that you seek the blessing of your Lord, and that you may know the number of years and calculations. And we have explained everything clearly ". (Quran Surah Al-Isra 'Verse 12).

"And how many (inhabitants) of the land disobey the commands of their Lord and His Apostles, then We reckon the inhabitants of that land with harsh reckoning, and We punish them with a terrible punishment". (Quran Surah Al-Thalaq Verse 8).

"Then he will be examined by an easy examination". (Quran Surah Al-Insyiqaq Verse 8)

The verses above assert that God will hold a man to account for what he does in the world. All activities that we do will all be considered by Allah SWT. These verses can be a motivation for all of us to be able to reckon ourselves both bad or bad what we gain in this world. Humans in the life of this world are preparing profit and loss statements in harmony with accounting science that also makes financial statements related to profit and loss. In life in the world, all humans are competing to work for the benefits of the hereafter and every deed in the world is counted and recorded in the debit and credit books by angels Raqib and Atid good and bad deeds. In this case, the bookkeeping is done separately between debit and credit. (Sabrina, 2013)

Based on the Hadith from Syaddad ibn Aws, from the Messenger of Allah. Said, "The smartest person is the one who does the calculation of himself and does good deeds for death after death while the weak is the one who follows his passions and dreams (grace) of Allah". (H.R. Al-Tirmidzi). Likewise the Companions, Umar ibn Al-Khathab said: "Reckon yourselves before being judged, and consider your deeds before weighing".

As Muslims, the Qur'an and Hadith are books of the law that we make as a reference for every problem and activity in our lives. The word *hasaba* root, which means taking into account a lot of responsibility, is used in the verses of the Koran, so it is sufficient to prove that the Koran has preceded accounting experts long before people are familiar with the terms mathematics and accounting.

### **B. Accounting History**

Accounting is one of the oldest forms of science in the world. Accounting has historically recorded that Luca Pacioli, an Italian mathematician in the Renaissance era in his 1494 book with title "Summa de Arithmetica, Geometrika, Proportione et Proportionalite" by containing a chapter had outlined a system that could be used to ensure that accounting information was recorded efficiently, and accurate. The origin of this accounting is always associated with the work of Luca Pacioli who found double-entry bookkeeping but was denied by Luca Pacioli.

Luca Pacioli's opinion was confirmed by Muhammad in Latifah (2012) who said that long before Luca Pacioli knew bookkeeping in pairs, Islam had known about this first. Islam has implemented *Baitul Maal* as a financial institution that functions as the state treasurer and also guarantees social welfare. Related to accounting, Allah has said in surah al-Baqarah verse 282, Adz-Dzariat verse 49 and surah Yasin verse 36. In all three of these suras God has taught accounting as the art of writing, and those who carry out are called writers with a paired system. Thus, we can see from history, that Islam first recognized the accounting system, because the Qur'an was revealed long before Luca Pacioli published his book in 1494.

Accounting that we know today is claimed to have developed from western civilization (Pacioli), but when viewed in depth from the process of birth and development, it is clear the influence of the state of society or previous civilizations both Greek and Arabic. Many accounting experts acknowledge the existence of Islamic accounting, for example, RE Gambling, William Roget, Baydoun, Hayashi from Japan and others so that we can conclude that the Islamic accounting system existed long before the development of western civilization which was strengthened according to Vernon Kam (1990) of accounting science introduced in the days of Western Feudalism. However, after conducting historical and archeological research it turns out that a lot of data proves that long before this writing was known accounting. It should be remembered that the

system of numbers and mathematics has been known to Islam since the 9th century AD. This means that mathematics written by Luca Pacioli in 1491 is nothing new because it was known to Islam 600 years earlier. In the book *Accounting Theory* Vernon Kam (1990) writes:

"Historically, we have recognized that double-entry bookkeeping systems emerged in Italy in the 13th century. That's the oldest record we have of the "double-entry" accounting system since the end of the 13th century. But it is possible that a double-entry system already exists. "

The great attention of Islam to accounting in the Islamic economy can be seen by the application of several existing accounting laws such as accounting laws for individuals, unions (Syariah) or companies, waqf accounting, the right to ban the use of assets and the state budget. Accounting is not an art of taking notes and new science for Islam, accounting has been applied from the time of the Prophet and continued by the caliphs. Since the first year of Hijri until 23 Hijri, Rasulullah Saw has built the foundation of Islamic accounting in detail which will be passed on by his friends as the caliph successor to his scarce trail (Sabrina, 2013).

### C. *Accounting in Islam*

According to the American Accounting Association (AAA), Accounting is the process of identifying, measuring, and reporting economic information to enable the clear and decisive assessment and decision making for those who use the information. Etymologically the word "Islam" comes from Arabic namely *Salima* which means safe, from that word the word *Aslama* is formed which means to surrender or submit and obey so that from the root the word *Sallama* is formed which means to save others and greetings which means peace. Terminologically the meaning of Islam is described by the Prophet Muhammad in his words: "Islam is that you testify that there is no god but Allah and that Muhammad is a messenger of God, you uphold prayers, perform zakat, perform *shaum Ramadan*, and perform the pilgrimage to Baitullah - if you can carry it out" (Muslim History Hadith).

Islam as the way of life does not only regulate the relationship of creatures with the creator (*hablum minallah*) which is seen in ritual worship as assumed by many people so far but includes the problem of interpersonal relations and interactions among humans (*hablum minannas*) even also relating to the relationship between humans and other creatures, including nature and the environment through muamalah rules that originate from Islamic Sharia such as activities related to

economics which include accounting activities as a branch of economics. Islam does not separate economics from religion, accounting from religion or other world affairs from religion. According to Islamic teachings, Islam is a way of life and life that comes from God. For this reason, the source of Shari'a, the source of law and the source of the law comes from God himself which is conveyed to humans through the apostles and is contained in the holy books so that humans submit and obey His rules so that they can achieve peace, prosperity and safety both in the world or the afterlife.

The scholars have formulated a basic principle in the Shari'a, which is called the two laws of origin, namely the law of origin of worship and the law of origin of muamalat. The original law of worship states that everything is forbidden to be done, except for those indicated in the Quran and Sunnah. On the other hand, the law of origin muamalat states that everything is permitted, except there are restrictions in the Quran and Sunnah. So, there is a vast field in the field of muamalah. What needs to be done is to identify things that are forbidden (haram), then avoid them. Apart from those forbidden ones, we can do anything, add, create, develop, etc., there must be creativity in muamalah. This creativity will continue to accommodate changes in various fields that occur in society (Karim, 2004).

In other words, accounting in the Islamic perspective is the process of accounting for transactions that are following the rules set by Allah SWT, which is difficult to seek the pleasure of Allah SWT. The Qur'an has stimulated this in the words of Allah in the verse 282 of Al-Baqarah which reads:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَىٰ أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ  
وَأَلْيَكُنْ بِبَيْنِكُمْ كَاتِبٌ بِالْعَدْلِ

That means:

“Hi believers, if you do not worship in cash for a specified time, you should write it down. And let a writer among you write it correctly”

According to Harahap (in Sabrina, 2013), the purpose of *muamalah* in this paragraph is the activity of buying and selling, debts, leases, pawn, and so on. Debt certainly has a broad understanding in business such as the management of assets owned by capital management is a debt-receivable relationship, trade transactions are also a context of debts, and loans to financial institutions have a debt-receivable relationship. Therefore, every financial institution is full of *muamalat* activities as

referred to in surah al-Baqarah verse 282, so it can be ensured that accounting maintenance is obligatory in a company. Following surah Al-Baqarah verse 282 above, Islam views accounting as not merely a science in recording and reporting business transactions, but also as a tool to carry out Islamic values according to Islamic regulations to carry out the commands of Allah.

Understanding of Islamic accounting is inseparable from the concepts and rules contained in the Koran, so the principles are taken from the Koran surah al-Baqarah verse 282, where there are three accounting principles namely accountability, justice, and truth without prioritizing other parties as financiers. Everything goes according to the corridor by involving Allah as the creator. So the concept of Islamic accounting can benefit all parties for the benefit of all people. Therefore, Islamic accounting is an art based on sharia with emphasis on social accountability (trust/responsibility), justice in morals and honesty, and truth (Ramdhani, et al, 2019).

Strengthened by Prof. Dr. Hamka in the interpretation of Al-Azhar juz three about surah al-Baqarah verse 282 states some things that are relevant to accounting as follows: Pay attention to the purpose of the verse! Namely to all who believe in God so that the debt of debt is written, it is he who does something work because of God, because God's command is carried out. Therefore, it is not appropriate to be kind to both parties and then say there is no need to write it down because we already believe in trusting. Even though the age of both parties is in the hands of God. The "X" died in debt, claiming his remaining heirs. The heir can deny the debt because there is no agreement.

Accounting in Islamic concepts can be defined as a collection of legal and basic foundations. this is concluded from Islamic sharia sources and is used as a rule by an accountant in his work. Both in bookkeeping, measuring and disclosing as well as being the basis in explaining an event.

#### ***D. Somethoughts of Islamic Accounting Theory***

According to Gambling and Karim (in Harahap, 1992) interesting hypothesis, because Islam has sharia which is obeyed by all its followers, it is only natural that people have financial and accounting institutions that are validated through self-verification by with the religious foundation. They formulated a model, among others, the "Colonial Model", which states that if the community is Islamic then the government should also apply Islamic law and its accounting theory must also be an Islamic accounting theory. For example, in Indonesia where the majority

of people are Muslim, Indonesia can apply its Islamic accounting, because it is clear what is Gambling said that is seen from the people around them. They also emphasized that according to their nature, they should have accounting because of the importance of emphasis on social aspects and the need for the application of zakat and *baitul maal* in Islam. Meanwhile, according to Harahap (1991) concluded that Islamic values exist in accounting and accounting exists within the legal structure of Islamic *muamalat*. According to him, both refer to the truth even though the level of quality and dimensions and the weight of responsibility can be different, and also the emphasis on aspects of responsibility and aspects of decision making are different. Islam nurtures all stakeholders and the social environment based on aspects of transparency, accountability and justice. while the conventional accounting orientation is in the interests of shareholders and secular capitalist ideology.

According to Dr. Scott (Harahap, 1995) that accountants must pay attention to all parties (users) and treat them fairly and correctly in the presentation of financial statements. And provide accurate data. Don't cause misinterpretation and don't be biased. We can see that from the beginning the word "fair" are principles that must be fulfilled in Islamic accounting and the word accountant must pay attention to all parties whose responsibility is not only to the shareholders and the social environment but also to Allah.

According to Hanifah and Hudaib (in Antonio and Muchlisin, 2013), the objectives of Islamic-based accounting standards include more on: a) Accountability of the company shown not only to God but to the public as well, b) providing relevant information following spiritual needs and Muslim decision making. As a form of increasing transparency of business activities. Economic justice in the perspective of Islamic accounting through formula, routine, measurement, objective, control and reporting procedures under sharia principles.

#### IV. CONCLUSION

Some things that can be concluded in this journal are as follows:

1. As Muslims, the Qur'an and Hadith are books of the law that we make as a reference for every problem and activity in our lives. The word *hasaba* root, which means taking into account a lot of responsibility, is used in the verses of the Koran, so it is sufficient to prove that the Koran has preceded accounting experts long before people are familiar with the terms mathematics and accounting.

2. Accounting has been used since prehistoric times and accounting activities have been practiced in daily life, why is that, because basically, humans in their daily lives and activities are inseparable from accounting behavior and accounting principles, both directly and indirectly and consciously or unconsciously. As in everyday life, we unconsciously make decisions in choosing what clothes we want to use with full consideration according to our analysis. Likewise accounting in making decisions must consider the analysis of financial statements. Accounting practices have been applied from the time of the Prophet and continued by the caliphs. Rasulullah Saw has built the foundation of Islamic accounting in detail which will be continued by his friends as the successor to the scarce trail so that Islamic accounting is not new to Muslims, so as a form of our contribution as Muslims is to help develop the science of Islamic accounting both in the form of theory and practice.
3. Islamic accounting itself comes from two words namely accounting and Islam. Accounting is the process of identifying, measuring and disclosing to produce financial information in the form of financial statements that are used in decision making while Islam is a rule set by Allah in all activities both worship and *muamalah* so accounting in the Islamic perspective is the accounting process for the rules of corresponding transactions set by Allah SWT that lead to the search for the pleasure of Allah, meaning that every activity undertaken aims to gain the pleasure and blessings of Allah that are in harmony with surah Al-Baqarah verse 282 that Islam views accounting as not merely a science in recording and reporting only business transactions but also as a tool to carry out Islamic values in accordance with Islamic provisions to achieve the final goal called *falah* which means success in the world and the hereafter.
4. From the explanation of Islamic theory thought, it can be concluded that in the development of Islamic accounting, the values of truth, honesty and fairness must be actualized in accounting practices that are in accordance with Islamic accounting principles and ultimately lead to a wider value of accountability, namely accountability to Allah in hereafter.

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