

# THE HISTORICAL FACT AND DEVELOPMENT CONCEPT OF SHARIAH ACCOUNTING

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## **Abstract**

*The progression of the economical development of ummah (Moslems) is increasing fast. The establishment of business institution such as shariah financial having importance role as intermediary between supply and demand. Therefore, it is need the recording and reporting processes of all the transaction and social activities.*

*The objective of this research is showing the development stage of shariah accounting and the future plans in the development of shariah accounting. The very importance thing for us is restudying the Islamic principal source (Fiqh) to settling the foundations and primary rules and principles that related to the accounting. Therefore in the future we can implement the shariah accounting in the management of shariah financial institutions in banking and non-banking fields include manufacture and service companies, and non-bank financial institutions such as insurance, pledge/pawn (Rahn), shariah capital market, shariah multi-finance, and companies in general.*

*The pace in studying accounting in Islam by means of a set of methods—istinbath, tahlili and tathbiqi— that combined with the concepts and settled planning, the contemporary implementation, and the participation of society, government, educator, researcher in exploring and developing the shariah accounting were very importance in the efforts of shariah accounting development.*

**Keywords:** Accounting history, development, shariah accounting.

## **Introduction**

Islam as a religion has been set as a choice and the teaching become the life guiding for human being who believe in it. Therefore, its existence has giving an enlightenment in the development of human civilization, especially in the science and technology. In the context of ummah's economical development, the existence and the presentation of business institution, such as shariah financial institution is absolute in nature. It is for the reason that

the banking playing as the intermediary between supply and demand units (Muhammad; 2000). Here, it is need a recording and reporting process of all the transaction and the social activities performed in business unit. Hence, it is need the relevant accounting system.

Regarding to the previous matter, there is a need of procedure and accounting process that not only affecting the behaviour of management, capital owner (employer), employees, but also the related organization. The other factors that can be affect the accounting form is economical system, social, politic, regulation, culture, perception, and values that implemented in the society. All these factor having huge influence to the accounting form. This indicating that accounting is an information entity that values free (Revrisond Baswir, 1996). Consequently, it is need a pattern of accounting system development that is align with the unit, unity, and organization in the society environment.

The researches on shariah accounting suggesting that the Islamic shariah is already contain the principles and the laws that regulate the accounting operation, social or trading transactions. In the history of accounting thoughts, it is ascertained that, since the beginning of Daulah Islamiyah establishment, the shariah accounting has been implemented in the economical units, institutions and government offices. The reason is that, in that time, there were accounting regulation that regulate the cooperation such as *mudharabah*, *syirkah al-'inan*, *syirkah mufawadhah*, etc., also the regulation on communal ownership, will, inheritance (legacy), and baitul maal.

In the struggle era the Islamic renaissance expand to economic, management, accounting and other Islamic sciences. While, the capitalist organizing the strategy to paralyse, deceive and make the Islamic scholar to be the doubtful by vanishing the ideas of Islamic economy in accounting. The limitation of shariah expert ability, the avoidance of economic expert Moslem, who acquired the capitalist- or communist-based economic education, from the Islamic ideology, the lack of support from Islamic government to Islamic scholars in the Al-Quran and Sunni sciences, and the non-Moslem community efforts that mislead the Moslems, all of these result in the economical crisis in countries whose most of the population are Moslems.

It is very importance for us to make deeper study of Islamic fiqh in order to establish the foundations and principal rules and law concerning the accounting. Therefore, in the future, we can implement the shariah accounting in the struggle of shariah financial institutions in banking and non-banking field include manufacture and service companies, and non-bank financial institutions such as insurance, pledge/pawn (*Rahn*), shariah capital market, shariah multi-finance, and companies in general.



## Accountancy in Islamic Era

Based on the historical data trace, the historical fact suggesting that accountancy is rooted in the word “*account*”, which meant to calculate. It is occurred since the Muhammad SAW time to noted and to calculate the state’s assets. After Islam arrived, which is at the time that Muhammad SAW became divine messenger, the Moslems already used the accountancy, both individually and collectively (*syirkah*). When the Moslems’ mission (*dakwah*) succeeded to implementing the Islamic way in the citizenship life, which is the time of *Daulah Khilafah Islamiyah* establishment in 1 Hijriyah (Islamic calendar) or 622 C. and Muhammad SAW officially assigned to become *khalifah* (caliph). Accountancy is used by the state in *baitul maal*. *Baitul maal* is a special institution that manages the asset obtained by the state and allocates it for the poor Moslem, in other words the *baitul maal* is an organization that accumulate and allocate the assets that is a part of the state income.

The establishment of the *baitul maal* as the state’s financial system can be traced since the revelation of Al-Anfal:1 in Medina. According to the Ibn Abbas r.a narrative, the revelation of Al-Anfal:1 is corresponding to the Badar Kubro war, which is occurred in 2 Hijriyah. The revelation of Al-Anfal:1 was come about after the Badar war when the disagreement among the Prophet companions concerning the *ghanimah* or war loot. The disagreement among the Prophet’s companions regarding the *ghanimah* is the reason behind the establishment of *baitul maal* that is the state’s official institution, which settled in the Qoran as the following first verse of Al-Anfal: “They ask thee concerning (things taken as) spoils of war. Say: “(Such) spoils are at the disposal of Allah and the Messenger: so fear Allah, and keep straight the relations between yourselves: obey Allah and His Messenger, if ye do believe.” (Q.S Al-Anfal (8):1).

The Zaid Ibn Zubair narrative stated that: “Once I asked to the Ibn Abbas about the Al-Anfal, he replied that, “The Al-Anfal was alight in Badar”. Ibn Abbas and Mujahid were already asked for their opinion about the *anfal* in the Allah’s Word; “They will ask you about *anfal*”. The two are suggesting that *anfal* is *ghanimah*.

Although the *baitul maal* in the Muhammad SAW time not having the special house/office yet, the financial system was already settled. This was demonstrated with the appointment of clerks that have duties to record the in and out-asset, each of these clerks has different tasks, depending on the asset type and necessity that listed in Table 1.

**Table 1**  
**The Division System of Recording Functions of The State Asset in Muhammad SAW Era**

No.	Clerk Names	Task
1.	Muaiqid Ibn Abi Fatimah ad Dausy	Recording the ghanimah asset
2.	Az Zubair Ibn Awwam	Recording the zakah asset
3.	Hudhaifah Ibn al-Yaman	Recording the agricultural asset from Hijaz area
4.	Abdullah Ibn Rawalah	Recording the agricultural asset from Khaibar area
5.	Al-Mughirah Ibn Syu'bah	Recording credit and debit and <i>muamallah</i> (social transaction) activities performed by the state
6.	Abdullah Ibn Arqam	Recording the public affair concerning the <i>kabilah's</i> (nomadic tribes) needs including their irrigation condition.
7.	Handhalah Ibn Shaifiy	Recording the food asset

The accountability of those clerks, as narrated by Handhalan Ibn Saifiy, who also one of the Muhammad SAW clerks, that the Prophet said, "Settled and reminded me (reported to me) of everything. This was been said three times by the Prophet. Handhalan said, "once there was no wealth or food in three days, and I reported it to the Prophet. The Prophet himself does not sleep, while he has nothing". This hadith was the indication that there was a reporting system in clerks' task. Additionally, the state asset in the *baitul maal* always run out, as said by Hasan Ibn Muhammad, "The Prophet Muhammad SAW never keep the wealth, both day and night." In other word, if the wealth obtained in the morning, by noon the wealth was all gone for distribution. The similar happened when the wealth obtained in the noon, where it never resides till the night. Therefore, it never any wealth leftovers in the Prophet's possession.

The management system of *baitul maal* conducted by the Prophet was continued by caliph of Abu Bakar (11-13H/632-634 C) where Abu Bakar sometimes assigned Abu Hurairah Ibn al-Jarrah to distribute the *baitul maal* assets. This can be illustrate when Abu Hurairah reported to Abu Bakar, "I have gave (distributed) the asset (you provided) till nothing left." The difference between *baitul maal* in the Prophet era and in the Abu Bakar period was in the Prophet time there was no house/office for *baitul maal*, while in the Abu Baker period the *baitul maal* office was in the Abu Bakar's House.

In the period of Umar Ibn Khatab caliph (13-23 H/634-644 C) the expansion of *daulah*, when more countries became under the *daulah* administration, resulting increasing



asset that flowed into Medina, consequently, this condition requiring the establishment of *baitul maal* division (*ad-Diwan*). Ad-Diwan was an office where the clerks of *baitul maal* work and store the *baitul maal* files. Diwan or board in the *baitul maal* was divided into two divisions:

1. The board that records the State income, which was the in-flow asset in *baitul maal* and all the assets that become *baitul maal's* income sources.
2. The board that records the state expenditure, which was out-flow asset for many expenses comprise of the *baitul maal* division financings.

In the period of al-Walid Ibn Abdul Malik caliph (86-96 H/705-715 C), the Umayyah tribe performing the files recording. Therefore the records can be used as documents for *baitul maal* management.

In the period of Abu al-Abbas as-Saffah caliph (132 H/750 C), the Abbasiyah tribe had developing and creating the accounting book. This task was assigned to Khalid Ibn Barnak as the *Diwan al-Kharaj* and *Diwan al-Jund* to categorizing the accountancy based in the specialization.

In the period of Abbasiyah administration (659-923 H/1261-1517 M) in Egypt, a clerk, named Abdullah Ibn Muhammad Ibn Kayah Al Mazindarani or known as al-Mazindarani writing the manuscript that explained the accountancy usage and development to the state. His manuscript, which entitled with "Halakiyah Kitab as-Syiyaqaf Essay" and dated in 765 H or 1363 C. this manuscript, was stored in Sultan Sulaiman al-Qanuni library in Istanbul, Turk by the number 2756 (Omar Abdullah Zaid, 2004). Al-Mazindarani explained the following matter:

1. Accounting System that popularly used in that period and the bookkeeping that was used individually in each accounting system.

The accounting systems commonly used that time were building, agriculture, and storage accounting, money creation and animal care. The special bookkeeping, *jaridah*, was started with the expression "*Basmallah*" (in the name of Allah). *Jaridah* was an individual journal and one of the accounting book that developed and used in Islamic State, which were *Jaridah al-Kharaj*, *Jaridah an-Nafakat* (expenses journal), *Jaridah al-Mal* (financing journal) and *Jaridah al-Masadarin* (confiscation journal).

*Jaridah al-Kharaj* was used to record the zakah (compulsory religious tax) that imposed to the land, harvest and cattle. The arrangement of *Jaridah al-Kharaj* was similar to subsidiary ledger, arranged based on the alphabet in order to facilitate the reference drawing, and index quoted geographically to make the identification of total *Jaridah al-Kharaj* easier, and making the expenditure planning and controlling in the geographic area. Each of *Jaridah pages* comprising two columns in form of debit and credit where the debit is an accountability and credit as the payment.

- The accounting book types that have to be employed to record the financial transaction.

These accounting books were *al-Yamiyah List* (journal) to record the *al-Kharaj* expenses, the recording include the date and *as-Shahid* (voucher/ receipt) that authorised by *Diwan* and completed with Caliph seal, the *al-Tauhijat List* (manual book) was used to control the regional financing and to assure the area customisation with budget allocation and spesification. The budget used were *makarrariyah* (operational or recurrent budget) and *inflakiyah* (financing discretion), *at-Tahwilat List* (transfer book) was used to record the fund transfer from the local/regional government to federal government.

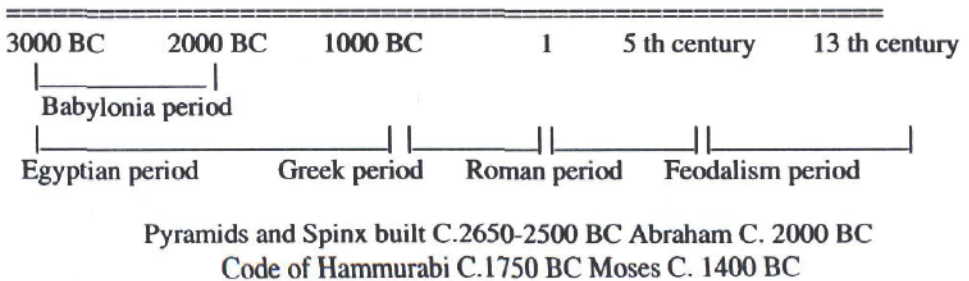
- The method to handle the lack and excess

The *al-Khitamah Jamiah* was created to handle the lack and the excess. Al Khitamah was monthly financial report that created in the end of each month, which include the categorized incomes and expenses and contain the monthly balance.

In the historical documentation of science, there was overlook by the Moslem scholars, which was *double entry bookkeeping* concept that now used by the companies and the accountants. The Vernon Kam believed that historically the double entry bookkeeping created in Italy approximately in thirtieth century. Then if we studied the earlier text, there was Shehata statement suggesting that “a brief examination to the Islamic history revealing that the accounting in Islam was not a new art and science.” Originally, this can be observe from the first Islamic civilization that already has “*baitul maal*”, a financial institution that functioned as “state treasurer” and guarantied the social security. Since that, the Moslem society has an accounting form called “*Kitabat al-Amwal*” (money recording). In the other side, the term of accounting was previously mentioned in Moslems’ manuscript. This manuscript occurred before the double entry found by Lucas Pacioli in Italy by 1494 (Shawki Ismail Shehata, 1998).

Figure .1

The Early History of Accounting



Sumber: Vernon Kam, (1990) *Accounting Theory*, 2 nd edition, p.2



Robert Arnold Russel (1986) suggesting that before the Lucas Pacioli's double entry, there was Arabic double entry that more sophisticated and become the foundation of business development in Europe by middle age. The term of conventional accounting recognized now is from the *Histories Literature* suggesting that accounting was born from the hand of an Italian priest named Lucas Pacioli. Besides being a priest, he is also a mathematician. In book that he wrote and published in 1494, *Summa de Arithmetica Geometrica et Propotionalita*, which mean Everything about Arithmetic, Geometric and Proportion containing one chapter that discussed about "double entry accounting system" according to the West writers, the origin of the contemporary accounting is from Lucas' book (Vermon Cam, 1990). This book distributed first in Venice, Italy in 10 November 1494.

The double entry system in the accounting is known as "Italian Method" or "Venetia Method" (Ahmed Riahi-Belkaoui, 2000). Pacioli said that the objective of bookkeeping is to provide just-in-time information for the marketer concerning the asset and duties. Additionally, Pacioli also said "all the recording has to be done in pair, which is that if you, for example, make a person become creditor, then you have make other person become debtor." Whereas, the Pacioli's suggestions are, first: "it is not only the buyer or the seller name and the explanation on good's weight, measure and price that has to be recorded, but also the payment prerequisite has to be demonstrated, and in the condition that the cash is received or being paid, the record has to showed the currency and its conversion values." The second suggestion is: "It is good to closing the bookkeeping every year, especially if you involve in cooperation with other people. Accounting make the friendship last longer." Three books that used to the recording are memorandum, journal and ledger. While the recording is descriptive in nature (Ahmed Riahi and Belkaoui, 2000).

The Italian Method is growing in all Europe in the sixteenth and seventieth centuries. The Italian Method that spreading throughout the Europe has characteristic and new development, and become the double bookkeeping model that we known now (Ahmed Riahi and Belkaoui, 2000). The development process of the method as follow:

1. Around the sixteenth century there was a change in bookkeeping technique, which was the special journal for records the different transactions.
2. In the sixteenth and seventieth centuries, the evolution of financial report practice and account personification and the transaction were occurred, allowing the debit and credit regulations become reasonable.
3. The seventieth century
  - a. The implementation of double entry system expanding into other organizations, such as monastery and the state.
  - b. The utilization of inventory account was separated for different goods.

- c. Companies were found indicated with the establishment of *East Company* and the corporation in the form of joint venture.
  - d. The development of asset treatment method was started.
4. The nineteenth century
- a. Depreciation method was created by Saliero in 1915
  - b. Cost accounting was found and there was confidence in the continuity, periodicity and accrual concepts, which were effects of industrial revolution.
  - c. The development of accounting technique for in advance payment and accrual that allowing the computerization of periodic profit.
  - d. The development of fund report.
5. In the twentieth century, the development of accounting method begin, which was concern with:
- a. Computerization of earnings per share sheet, accounting for business computerization.
  - b. Accounting for long-term leasing inflation and pension.
  - c. Accounting for new product from financial reconstruction

From the Histories Literature and the archaeology and after performing many investigations, it is revealed that the various data suggesting that long before the writing of *Summa de Arithmetica Geometrica et Proportionalita* or Everything about Arithmetic, Geometric and Proportion, the accounting itself already recognized. However, it is need to be known that the mathematics and number system had been acknowledged by the Moslems since the ninth century. It is mean that the mathematics, which was wrote by Lucas Pacioli in 1491, is not a new science since it has been known by Moslems 600 years ago. Therefore, it is no doubt that the accounting system is already exist and implemented in the Prophet SAW time, which then continued by caliphs. When the glory of Islam collapsed, the recording concept in the Prophet SAW time become foundation for the development of conventional accounting concept, as in the Robert Arnold Russel's statement (1986).

For several decades the accounting traditionally have been thought and taught as a set of rational procedure that used to provide the valuable information for decision making and controlling. This definition suggesting that the accounting appear to be concrete, tangible technology that free from society values where it is implemented. However, in turn, there is a change in the accounting existence. Accounting that formerly considered as a set of procedure, eventually it is seen as a changing entity (Iwan Triyuwono, 1996). In other word, the accounting is not longer understood as a static final product from a society, however, it is known as a product that always changes over time, depend on where it is practiced. As clearly suggested by Tricker, "originally the accounting (form) depend on society's ideology and moral. This view definitely contributes the implication to the contemporary accounting study." (Iwan Triyuwono, 1996).



Islam is, as an ideology, taught and society, certainly heavily contents with values. Therefore, the accounting building that applied in Islamic society has to accord with the characteristic of Islam. However, it is should be noted that the universality of Islam taught can be an guidance completely for all society, both in East and West, Islam and non-Islam.

The Islamic taught clearly state as included in the Al-Quran, Al-Baqarah (The Cow): 282, "O ye who believe! When ye deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing let a scribe write down faithfully as between the parties; let not the scribe refuse to write: as Allah has taught him, so let him write. Let him who incurs the liability dictate, but let him fear his Lord Allah, and not diminish aught of what he owes. If the party liable is mentally deficient, or weak or unable himself to dictate, let his guardian dictate faithfully. And get two witnesses, out of your own men, and if there are not two men, then a man and two women, such as ye choose, for witnesses, so that if one of them errs, the other can remind her. The witnesses should not refuse when they are called on (for evidence). Disdain not to reduce to writing (your contract) for a future period, whether it be small or big: it is juster in the sight of Allah, more suitable as evidence, and more convenient to prevent doubts among yourselves but if it be a transaction which ye carry out on the spot among yourselves there is no blame on you if ye reduce it not to writing. But take witnesses whenever ye make a commercial contract; and let neither scribe nor witness suffer harm. If ye do (such harm), it would be wickedness in you. So fear Allah; for it is Allah that teaches you. And Allah is well acquainted with all things.

This verse can be translated in accounting context especially with regard to the organization and theory. Based on Islam, accounting has a character that heavily content with justice, truth and responsibility values. The accounting character that sprouts the justice, truth and responsibility values is very importance. Since the accounting information has power to influence the thoughts, the decision making, and action took by individual, particularly for the sake of his/her company and organization in order to develop the institution.

### **Study Method of Shariah Accounting**

There are several methods used in developing the shariah accounting, which are:

#### **1. Istinbath Method**

Istinbath Method is summarising from Islamic law sources (fiqh), accounting principles and basis that regard to the accounting operation that reflected in the readiness of people who announce the unity program in economic to fulfil their goals. The Islamic law sources, which significant, are followed:

- a. Al-Quran, which is Islamic constitution that contains the rules of practice worship and social activities.
- b. As-Sunnah, which is an explanation, harmonization, and details of law or rules contained in Al-Quran.
- c. Results of the empirical practices since the beginning of Daulah Islamiyah.
- d. Habit practiced in society with the requirement it not conflict with the Islamic rules.

Islamic law system is a set of Allah's commandment, Sunnah and *ijtihad*, which is a totality of the three components that aimed at ruling the human life, particularly in social activities performed by the human, as part of the organization Gemala Dewi, 2004). Therefore, in the development of Islamic accounting, the formation of the accounting standards in the shariah accounting practices that conform with the shariah, which mean that there is no violation to the shariah.

## 2. *Tahlili* (Analytical) Method

*Tahlili* method, which is comparing the shariah accounting principles and basis with positive accounting theories by explain the similarity and differences of the two. However, this is not the comparison between two similar things, but it is the comparison of light and darkness. Therefore, human know the facts of science, the height and glorious of Islam hat originated from Allah SWT, which is contained in Al-Quran, Sunnah, *Ijma* and other determination from Prophet companions and *tabi' in*.

By comparing the shariah accounting principles and basis with positive accounting theories, then it can be derived a clear illustration of basic difference between shariah accounting and conventional accounting. These differences are in the term of transaction, recognition, measurement, presentation and disclosure.

## 3. *Tathbiqi* (Application) Method

*Tathbiqi* method is discussing implementation aspects of the basis and principles of Islamic accounting in company or institutions environment which want to practise the shariah, and discuss the obstacles that hindered the progression and expansion of the implementation.

The implementation of Islamic accounting basis and principles will adjusted to the company type and size, so that, in the term of recording, the reporting standards will be different. As an illustration on the shariah banking accounting that has growing earlier in Indonesia, it has developed the Financial Accounting Standard Statement No. 59 on Accounting for Shariah Banking and Shariah Banking Accounting Guideline.

In summary, the steps of accounting study in Islam is a set of *Istinbath*, *Tahlili* and *Tathbiqi* methods that combined with concepts and settled planning, and the contemporary implementation.



## The New Renaissance in Shariah Accounting

The new Islamic reawakening has expanded into social activities in general and particularly in financial institutions. A group of Moslem accounting experts has conducted the research and scientific study on accounting according to Islam. Their attention is concentrated in several fields, which are research, book writing, and seminar and conference preparation in science institution and college, and the pragmatic implementation aspect.

### 1. The Resurrection of Shariah Accounting Concept in Research

It has been collected some of the magisterial thesis and doctoral dissertation on accounting concept, which is started since 1950, and it still continued up to now with increasing number. Some of them include:

- a. *"Nizham al-Muhasabbah li Shariah as-Zakah wal-Dafair al Musta'malah fi Baitil-maal"*, magisterial thesis, Commerce Faculty Of Cairo University, 1950, proposed by Syauqi Isma'il Syahatah;
- b. *"Al-Mabadi' al-Islamiah fi Nazhariat at-Taqwim fil-Muhasabah"*, doctoral dissertation, Commerce Faculty Of Cairo University, 1959, proposed by Syauqi Isma'il Syahatah;
- c. *"At-Tanzhim al-Muhasabi lil-Amwalil-'Ammah fil-Islam"*, magisterial thesis, Commerce Faculty Of Al-Azhar University, 1972, proposed by Mahmud al-Mursi Lasyien;
- d. *"Az-Zakah wal-Haikal ad-Dharibi fil-Fikril-Islami"*, magisterial thesis, Commerce Faculty Of Al-Azhar University, 1973, proposed by Sami Ramadhan Sulaiman.

It is expected that the total thesis and dissertation on accounting in Al-Azhar University up to 1993 no less than fifty, and with Allah's will it will more increase in years to come.

### 2. The Resurrection of Shariah Accounting Concept in Book Writing

The initiator of contemporary accounting concept is give enormous attention to the efforts of book writing on Islamic accounting. This is conducted in order that the people who attracted in accounting may know the Islamic concepts and its valuable scientific principles, and eventually we no longer need and follow the ideas from the West. Some of the complete writings are:

- a. *Muhasabah Zakah al-Maal 'Ilman wa-'Amalan*, by Dr. Syauqi Isma'il Syahatah (Cairo: Angola Library, 1970);
- b. *At-Takalil wal-As'ar fil-Fikri Islamiah*, by Dr. Muhammad Kamal 'Athiah (1877);

- c. *Muhasah Az-Zakah*, by Dr. Husain Syahatah (Cairo: World Islamic Banks Association, 1979);
  - d. *Nudzun Muhasabiah fil-Islam*, by Dr. Muhammad Kamal 'Athiah (Egipt, 1982);
  - e. *Nudzum Muhasabiah fil-Islam*, by Dr. Muhammad Said Abdus Salam (Jeddah: University of Malik Abdul Aziz, 1983)
3. The Resurrection of Shariah Accounting Concept in Seminars and Research Institution
- A number of researches on shariah accounting concept have been presented in various seminar and scientific discussion, an it is succeeded in attract the modern accounting experts' attention, include:
- a. The first International Meeting on Islamic Economy in University of Malik Abdul Aziz, Jeddah, in 1976 with the theme "The Role of Financial and Accounting Concept in Zakah Implementation" and the keynote speaker is Dr. Muhammad said Abdus Salam.
  - b. The fifth 'Ilmi Meeting on The role of Egyptian social institution in financial management, held by Egyptian Businessman Association in 1978, with theme "Monitoring on the Expenditure in Islamic Concept" and the keynote speaker is Dr. Husain Syahatah.
  - c. The first 'Ilmi Meeting on Accounting held by Egyptian Businessman Association in 1980, with the theme "Principles and Basis of Islamic Accounting" and the keynote speaker is Dr. Husain Syahatah.
  - d. The Economical System at Islam Meeting in Mansouroh University in 1983. In this meeting the following research on the accounting were presented:
    - 1) "*al-Muhasabah 'ala al-Masuliah bainal-Fikri al-Muhasabi wat-Tasri*", by Dr. Sami Najdi;
    - 2) "*as-Siasat al-Muhasabiah fil-Mashrifal al-Islamiah*", by Dr. Mahmud an-Naqhi;
    - 3) "*al-Amaliat al-Maaliah wal-Muhasabiah allati Tumarisuhul-Bunuk al-Islamiah*", by Dr. Faraouk al-Ghoundour;
    - 4) "*al-Masarif al-Islamiah: Mashairul Amwal wa Istihdamatuha*", by Dr. Ibrahim As-Sa'idi;
    - 5) "*at-Takyif al-Muhasabi Lin-Nizahami Zakati Amwal*", by Dr. Sami Qabil and Dr. Sami Najdi;
    - 6) "*Taqyim Hishshah asy-Syarik bil-Amwal fis-Syarikah al-Asyhash bainal Fikril-Muhasabi wal-Fikri al-Islamiah*" by Dr. Samir Abu al-Foutuh Shalih.



#### 4. The Resurrection of Shariah Accounting Concept in Implementation Aspect

The Islamic resurrection in financial and social activities includes the implementation aspect. It is confirmed with the establishment of several financial institution that implementing the Islamic principles and rules, such as Islamic financial institution, Islamic insurance companies, Islamic investment companies, shariah multi-finance, shariah capital market and hundreds of *baitul-maal wa tamsil* that established in Indonesia.

These institutions are extremely requiring the principles and rules of Islamic accounting. It is true that there are a group of accounting experts that designed it, such as Financial Accounting Standard Statement No. 59 and subsequently, this issue is need more efforts and serious in order to develop the shariah accounting, especially in educational institution as a place for research and study.

Globally, the development of AASFI (*Accounting and Auditing Standard of Islamic Financial Institution*) and AAOISI (*Accounting and Auditing Organization of Islamic Financial Institutions*) as accounting and auditing standards are adopted by Islamic financial institutions so that it will give a typical description of shariah banking practices in general.

The Principal Different between Shariah Accounting and Conventional Accounting

##### 1. The Difference in term of Definition

The accounting definition in Islam is more likely toward bookkeeping, data collecting, employment and business, and computation and the argument based on the accepted requirement. Subsequently, the determination of reward or compensation that consist of all the attitudes and works, both concerns the both worldly and hereafter. Therefore the *muhasabah*, in Islam, has two meanings, which are the financial computation and bookkeeping.

The meaning of *muhasabah* (accounting), in Islam, is more extended in it reach, including the judgment in term of moral and hereafter judgment. In practice, every social activity has unsure responsibility from vertical relationship (with Allah/*hablum minallah*) and horizontal relationship (with other human being/*hablum minannas*)

##### 2. The Difference in term of Objective

Among the most importance objectives of the accounting in Islam are guarding wealth as *hujjah* or evident in an occasion that conflict occurred, helping direct the policy, detailing the business output to calculate zakah, determination of business partner right, and support the determination of reward and punishment an work and motivation evaluation. While the objective of the conventional accounting include explaining debt and credit, profit and loss, monetary central, and supporting

the management decision-making.

It is clear that there are several similarities in their objectives. This suggesting that the Islam priority is to place the principal foundation of accounting. However, the shariah accounting has more focused in helping the individuals in auditing their transactions, and also helping society in conducting muhasabah that handled by a judge. Even more, accounting also facilitating religious missions in goodness, such as *amar ma'ruf nahi munkar*. All of these are not include in conventional accounting.

### 3. The Difference in term of Characteristic

Islamic accounting is based on belief and moral/ character. Therefore, it is the duty of Moslem on how far the relationship between economic unity and Islamic principles and shariah in the social activities. An Moslem accountant should always realise that he/she has responsibility to Allah concerning his/her work, and not allowed to followed their employer (capital owner) in the condition that they are violate the Islamic law and manipulate the fact (inaccurate data). These aspects cannot be found in conventional accounting concept.

Founded on our knowledge that shariah accounting is based on permanent principles derived from Islamic law sources, which are Al-Quran and Al-Hadith. While the conventional concept is based on the ordinance or regulation and theories made by human who sometimes making mistakes, forget, has imperfection in knowledge and insight. Therefore, the conventional accounting concepts labile in nature and has the changing tendencies time after time, following the economical system change, regulation reform, and change in companies' type and policies, which are made by human being. The primary school of The West accounting has been critized that apparently not used adequately to fulfil the Islamic economic purposes.

With the introduction of Financial Accounting Standard Statement No. 59, which consist of the Basic Framework of the Financial Report Arrangement and Presentation for Shariah bank and the Financial Accounting Standard Statement for Shariah Banking Accounting, that are the technical standards in recording, presentation, reporting, disclosure, and recognition of all transactions related to the financial activities of shariah bank. These two standards mostly adopts the standards that issuing by the Accounting and Auditing Organization for Islamic Financial Institution based in Manama Bahrain. These standards also refer to the conventional accounting framework. This is typically occurred, since the Islamic accounting discipline, as an established science not realised yet. Therefore various paradigm are still adopted the conventional accounting that not completely conform



to the nature and shariah values which most Moslem believed.

As a part of the society that progressed in the educational environment, we are demanded to continuously conducted the studies on shariah accounting, shariah auditing, which not limited to the accounting system of shariah banking, but also expanded into manufacture and service companies, and non-bank financial institutions such as insurance, pledge/pawn (*Rahn*), shariah capital market, shariah multi-finance, and companies in general. Therefore, it is hope that the shariah accounting actually becomes media for the managers to bear the responsibility to Allah SWT, and the accountability to society in general.

Some of the future agendas that should be done are:

1. Receptive (open minded) to all ideas and methodologies that used in re-formulation of concept framework, system, technical in all fields, whether it is in Islamic economic, Islamic banking, Islamic insurance, and Islamic accounting and auditing.
2. Put the correct perspective on Islam and its Shariah, so that the society having the typical view toward the Islam and its social activities.
3. It is need to develop the Islamic organizations as a place for which shariah implemented, especially in social activities.
4. Providing extensive space and great attention to the development and research in order to explore the knowledge that granted by Allah SWT.
5. It is need to corporate between government and related agents regarding the regulation/rules that protected especially the application of Islamic accounting, and Islamic economy in general.

## Summary

Some of the methods used to develop the shariah accounting include 1) *Istinbath* Method is summarising from Islamic law sources (*fiqh*), accounting principles and basis that regard to the accounting operation that reflected in the readiness of people who announce the unity program in economic to fulfil their goals. 2) *Tahlili* method, which is comparing the shariah accounting principles and basis with positive accounting theories by explain the similarity and differences of the two based on the facts of science, the height and glorious of Islam hat originated from Allah SWT. 3) *Tathbiqi* method is discussing implementation aspects of the basis and principles of Islamic accounting in company or institutions environment, which want to practise the shariah, and discuss the obstacles that hindered the progression and expansion of the implementation.

The agenda that should be done in the future are receptive (open minded) to all ideas and methodologies that used in re-formulation of concept framework, system, technical in

all fields, whether it is in Islamic economic, Islamic banking, Islamic insurance, and Islamic accounting and auditing, put the correct perspective on Islam and its Shariah, so that the society having the typical view toward the Islam and its social activities, developing the Islamic organizations as a place for which shariah implemented, especially in social activities, providing extensive space and great attention to the development and research in order to explore the knowledge that granted by Allah SWT, corporate between government and related agents regarding the regulation/rules that protected especially the application of Islamic accounting, and Islamic economy in general.

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