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Conception of Sharia Accounting

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A B S T R A C T

Practical Islamic accounting focuses more on the practical needs of providers and users of Islamic accounting financial reports who seem to simply modify conventional accounting. While philosophical-theoretical sharia accounting refers more to the ideal form by exploring and using Islamic philosophical values which are used as a basis in building sharia accounting theory. As for the broad difference, Islamic accounting is practically only practiced in Islamic financial institutions. Meanwhile, philosophical-theoretical Islamic accounting is built for all business entities. Sharia transactions are based on the basic paradigm that the universe was created by Allah as a mandate (divine trust) and a means of happiness for all mankind to achieve material and spiritual prosperity. It can be concluded that every human activity has accountability and divine values that place sharia and attitude as parameters of good and bad, right and wrong of business activities. Conventional accounting does not use religious and metaphysical considerations, but is based more on the will of the state as the supreme ruler. This conception is very different from Islam, which views that the source of authority and law enforcement is in the hands of Allah SWT. Therefore, everything that is done, part of the responsibility, has a divine or divine value.

INTRODUCTION

Practitioners and scholars have their own perspectives on the progress of the debate on Islamic accounting. Some look at it from a practical perspective, exploring aspects of the main concepts that led to the advent of Islamic accounting in comparison to traditional accounting. The practice of using accounting in Indonesia has developed since the 1990s. Islamic accounting is divided into two forms, namely practical Islamic accounting and philosophical-theoretical Islamic accounting (Triyuwono 2006 : 27).

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Practical sharia accounting focuses on the practical needs of Islamic accounting financial report suppliers and consumers who appear to simply change traditional accounting. Philosophical-theoretical sharia accounting, on the other hand, focuses on the ideal type by exploring and applying Islamic philosophical principles as a foundation for developing sharia accounting theory. In terms of the general distintion islamic accounting is primarily used in islamic financial instituitions. Meanwhile, all corporate organizations would benefit from philosophical-theoretical sharia accounting.

So many practitioners need a formula in preparing financial reports, namely accounting that accommodates the sharia financial sector, in the growth of sharia bankin and sharia financial institutions that are rapidly growing, such as sharia insurance, sharia pawnshops, sharia capital markets, and other sharia-based financial institutions.

Sawarjuwono (2011) found the same thing in his research on the emergence of accounting needs to help banking financial reports. Accounting standards are critical in providing appropriate, accurate, and meaningful information to stakeholders, but they are especially important in the context of sharia. Seeing in the current situation facing the Muslim world, it is impossible to ignore the strong interests that are forbidden in Islam. Those who eat Riba will not stand (on the Day Resurrection) except like the standing of a person beaten by Shaytan leading him to insanity. That is a because they say: “Trading is only like Riba,” whereas Allah has permitted trading and forbidden Riba. So, whosoever receives an admonotion from his Lord and stops eating Riba, shall not be punished for the past, his case is for Allah (to judge), but whoever returns (to Riba), such are the dwellers of the Fire-they will Abide therein (Surah Al-Baqarah : 275).

However, some scholars argue that this situation is classified as an emergency because there is no alternative muamalah scheme that can prevent this illegal transaction. When a Muslim is in a state of emergency, Islamic law, which was originally limited and based on sharia rules, becomes wide, allowing what was previously prohibited to become permissible. The majority of academics (ulama) disagree. From this distinction, it is clear that an agreement is required to create an Islamic life order, namely by eliminating items that are deemed ambiguous and making them lawful.

As a result, if conventional banks are deemed *haram*, efforts must be made to develop banking systems that can satisfy the provisions of syara', which prohibit various forms of usury. As a result, Shariah accounting has a unique perspective that differs from and sometimes opposes conventional accounting. Shariah accounting has a unique perspective. Every knowledge derived from Islamic teachings, according to Imam Al Ghazali, leads to the maqashid of sharia, which includes safeguarding/increasing faith (religion), safeguarding the soul and mind, as well as descent and property. Based on the clarification in the introduction, it is important to go through the principle of sharia accounting in greater detail. Sharia accounting is not only a subset of accounting science, but also a documentation method mandated in the Al-Qura'an as a form of submission to Allah SWT.

REVIEW LITERATURE

Accounting In Islam Perspective

a. Accounting in Al-Qur’an Perspective

Surah Al-Baqarah : 282, it has been explicitly stated that every incomplete transaction must be recorded.

“*O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write (it) between ou in justice. Let no scribe refuse to write as Allah has taught him. So let him write and let the one who has the obligation dictate. And let him fear Allah, his Lord, and not leave anything out of it. But if the* *one who has the obligation is of limited understanding or weak or unable to dictate himself, then let his guardina dictate in justice. And bring to witness two witnesses from among your men. And if there are not two men (available), then a man and two women from thoses whom you accept as witnesses – so taht if they are called upon. And do not be)too weary to write it, whether it is small or large, for its (specified) term. That is more just in the sight of Allah and stronger as evidence and more likely to prevent doubt between you, except when it is an immediate transaction which you conduct among yourselves. Fot (then) there is no blame upon you if you do not write it. And take witness when you conclude a contract. Let no scribe be harmed or any witness. Or if you do so, indeed, it is (grave) disobedience in you. And fear Allah. And Allah teaches you. And Allah is knowing of all things".*

This verse describes how Allah commands us to be responsible by upholding justice and honesty in our business dealings; as a result, we must measure according to the measure, not exaggerating or underestimating, so that no party is harmed.

Surah Asy-Syua'ara : 181-184

"Give full measure (do not have your scales on the negative end) and be not of those who fail (their souls, those whose sins are more than their merits)".

"Weight with the measure of those who are upon a direction (those who wish to reach Allah and have more merits than the sins)".

"And do not defraud people by reducing their thins (do not cause their positive degrees to be less than their negative degrees by hindering them from making the wish to reach Allah) and (based on this) do not cause disorder in the earth, making mischief".

According to Umer Chapra, making accurate and equal calculations entails calculating the company's wealth, debt, mode of income, expenses, and profits, which necessitates the use of an accountant. As a result, the accountant's job is to present a financial report based on facts of company transactions.

b. Accounting in Hadist Perspective

The legal basis for accounting can be seen from the hadist of the Prophet Muhammad

"The first thing to be judged on the Day of Resurrection is prayer; so if the prayer is done correctly, all his actions are correct. However, if the prayer is broken, all his actions will be damaged (HR Tabrani). Meanwhile, Umar bin Khatab r.a once said; reckon yourself before you are judged and weigh your deeds before you are weighed, and be ready to face the day when all the deeds are revealed "

History of Accounting Applications in the Islamic Era

Adnan Labatjo (2006: 19) defines accounting as a tool for presenting information, especially financial information, in relation to a community's socio-economic activities. The rise of Islamic banks is a significant challenge. Sharia experts are looking for formulations for the implementation and creation of accounting principles that are not traditional. Sharia accounting arose as a result of a variety of factors, including political, economic, social, and cultural circumstances, rising religious consciousness, scientific advancements, and the birth of the philosophy of Islamic accounting.

Before the establishment of Islamic rule, world civilization was dominated by two large nations with extensive territories, namely the Romans in the West and the Persians in the East. Most of the areas in the Middle East (Arabian Peninsula) were in the colonies of the two nations. At that time, accounting was used in the form of calculating inventory by Arab traders. (Khadafi, 2017: 47). The equation is used to calculate asset shifts as well as trading benefit and loss. Furthermore, historical documents show that the Jewish nation engaged in ongoing commercial operations and used accounting for accounts payable transactions. Luca Pacioli, an Italian accountant, was the first to formulate accounting in 1494. At the time, Lucas Paciolli was recognised as the "Father of Modern Accounting." As a result, the double entry opening method was developed. "Luca Paciolli wrote the first published text on double entry bookkeeping in 1494," according to Freear (1977).

However, Zaid's research (2000) explains that Luca Pacioli's method of recording accounting had already been applied in Egypt and Turkey during the Islamic period long before Luca Pacioli's time. Starting from the guidance to pay zakat on 2 H (623 M). Luca Pacioli's method of recording accounting, on the other hand, was used in Egypt and Turkey during the Islamic era long before Luca Pacioli's time, according to Zaid's research (2000). Beginning with the instruction to pay zakat on 2 Hijriah (623 M). In the form of Diwan, Muslims tried to establish a system for documenting and reporting the management of zakat properties at the time.

During the Islamic civilization era, the asset management recording system (bookkeeping) evolved. The numerous needs for asset management in Daulah Islamiyah prompted the Islamic government to introduce a formal and transparent bookkeeping method in order to pay zakat.

While Umar bin Khatab adopted a bookkeeping system from Persia known as diwan at the outset, the use of this financial recording system evolved over time to meet the increasingly diverse objectives of asset management.The history of the implementation of this bookkeeping scheme is due to moral considerations in terms of being responsible for meeting the needs and wellbeing of the people, as well as technological aspects of the ease of handling state properties.

The form of ownership, the party with an interest in the property and their rights and obligations, as well as the sum and determination of the distribution process are all controlled by Islamic law. The need for formal and accountable management and documentation as a means of transparency before God Almighty has arisen as a result of these consequences.

Sharia Accounting Principles

The principles of Islamic accounting according to Hani (2018: 12) consist of :

1. Humanist
   Humane accounting theory is based on Islam. The normative accounting commands in the Al-Qur'an are extremely pro-human, taking into account all of humanity's ability. Spiritual ability, fikriyah, and jasadiah are Allah's three fundamental human capital.
2. Emansipatoris
   At that time, Shariah accounting theory would be able to make modifications and adjustments to current accounting theories and procedures. Since Shariah accounting uses a holistic Islamic worldview, it can shift people's perspectives from looking for a partial view to looking for a broad view.
3. Transdental

By incorporating other disciplines such as economics, psychology, mental health, and spirituality, Shariah accounting theory will transcend disciplinary boundaries.

Conception of Shariah Accounting

Accounting, as a type of value-free technology, is primarily used to meet the needs of the consumer. Sharia transactions are founded on the fundamental belief that Allah created the world as a mandate (divine trust) and a means of happiness for all mankind to achieve material and spiritual prosperity. It can be assumed that any human activity is subject to responsibility and divine principles, with sharia and attitude serving as indicators of what is good and evil, right and wrong in company.

Humans, according to Islam, are frail beings with negative characteristics such as greed, stinginess, arrogance, and others. As a result, we will need outside guidance to solve this. Islam is present as rahmatan lil alamin, which means that Islam is a blessing for all of creation. Islam comes with the rules of the creator (Al Khaliq) of man, namely Allah SWT, to subdue subjectivity and egoism. Because basically the human standard of living based on Islamic law is not on individuals, including in determining good and bad deeds.

This is where the state's aims, which are founded on Islamic law, should be placed. If accounting goals are focused on the country's objectives, and the country's objectives are based on the laws of each country based on the variety of people's thought, the financial reporting structures of each country will invariably be different. Efforts to align accounting practices (Choi dan Mueller, 1992 :239).

The model of science that evolves in a country will be influenced by the values, institutions, and theory of science. The accounting system that emerges when a nation adopts a capitalist economic system is a capitalist accounting system. In contrast, if a nation adopts an Islamic economic structure, the accounting system that emerges is Islamic accounting.

Accounting Postulates

A postulat akuntansi is a collection of assumptions about the lingkungan akuntansi. Assumptions dasar yang melandasi proses penyusunan laporan keuangan perusahaan yaitu:

1. *Monetary Unit Assumption*
   Transaction data must be able to be represented in currency units in order to be reported in accounting reports (units of monetary). Accounting uses these assumptions to assign a monetary value to any business transaction or economic event. The implementation of the historical cost concept is also directly related to the monetary unit assumption.
2. *Economic/Business Assumption*
   Separation of transactions involving the corporation as an economic entity from those involving the shareholders as individuals and those involving other economic entities.
3. *Accounting*/Time Oerio Assumption
   Accounting data must be available in a timely manner. A company's life can be broken down into many accounting cycles, such as monthly, quarterly, and annually. Users of financial reports need to be updated on the company's success and financial status on a regular basis in order to assess and compare it to other firms. As a result, the information is recorded in this case.
4. Going *Concern* Assumption
   The company was formed with the goal of avoiding liquidation in the immediate future, but it is expected to succeed in the long run.

If this statement is false, there will be no depreciation of fixed assets since the acquired fixed assets will be registered at their value when the business is liquidated, not at their acquisition cost.

If the business is believed to be liquidated, the historical cost theory or definition is meaningless. The fixed asset depreciation strategy is based on the premise that the business will continue to operate for a long time.

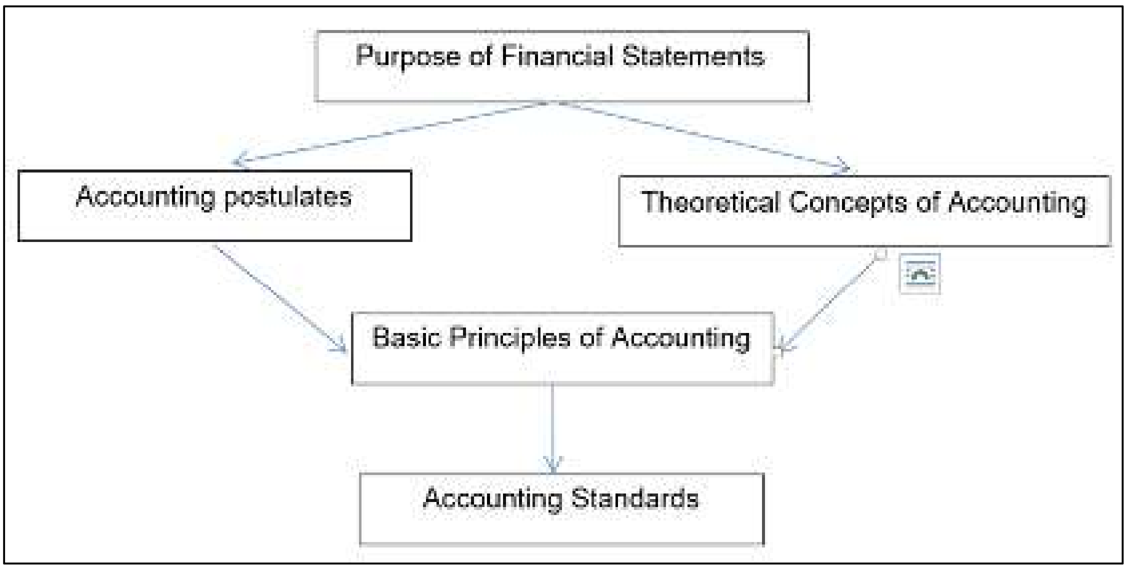
Structure of Accounting Theory

The elements of accounting theory that are interconnected and serve as guidance for the application of theory and the formulation of accounting principles or techniques are referred to as the framework of accounting theory.

These elements include:

Formulation about the purpose of financial statements.

1. Accounting postulates, which are translated from the formulation of the objectives of the financial statements.
2. The analytical principle of accounting that is derived from the formulation of financial statement targets.
3. The fundamental accounting principles, which are derived from accounting postulates and theoretical definitions.
4. Accounting practices or procedures are frameworks for preparing financial statements that are based on the fundamental principles of accounting and are formulated to meet the needs of users.



We can use the theoretical framework for accounting above in Islamic accounting.

Accounting practices or procedures are frameworks for preparing financial statements that are based on the fundamental principles of accounting and are formulated to meet the needs of users.

Point (1), The first postulate in Islamic accounting has the following objectives:

The basis for calculating zakat

a. Provides a foundation for benefit sharing, welfare allocation, and occurrence and value disclosure.
b. To ensure that the company's operations are Islamic and that the effects (profits) are not harmful to the society.

The purpose of Islamic accounting Syahatah (2001: 44-48) are :

a. *Hifz al-mawil* (maintain property).
b. To become proof of recording (kitabah) when there is a dispute.
c. To make decision.
d. To decide of the activites will be count (zakah).
e. To decide and count worker rights
f. To decide Menentukan rewards, retribution, and penalty.

The basic principles in Islamic economics according to Ibn Al-A'rabi are as follows:

a. There is no interest the trade is halal
b. Must not be done unfairly
c. Should not include things that are uncertain or unclear circumstances.
d. Should consider *Al Maqasid* and *Al Masalih.* Al Maqasid is a goal that must always be adjusted to the guidance of Islam. Al Masalih is welfare / improvement on earth.

Point (2) Accounting postulates are basic assumptions regarding the accounting environment. There are four basic assumptions that underlie the process of preparing the financial statements as a whole, namely monetary unit assumption, economic entity assumption, accounting period assumption and going concern assumption. The most important economic decision that is the subject of this study. This viewpoint is consistent with capitalism's spirit. In Islam, however, duty is assigned to the employer in accordance with the agreed-upon terms.

Point (3) Accounting is a theoretical concept that describes the characteristics of accounting that play a role in a free economy characterized by the recognition of private ownership and is a statement that can prove its own truth (axiom). It is widely accepted because of its suitability with the objectives of financial statements and describes the characteristics of accounting that play a role in a free economy characterized by the recognition of private ownership. Human property ownership, on the other hand, is restricted to ownership of its benefits for as long as it is alive in the universe, rather than total ownership.

Point (4) The basic principles of accounting are the principles or characteristics that underlie accounting and all of its outputs, including financial reports that are elaborated from the objectives of financial statements, accounting postulates, and theoretical accounting concepts, as well as being the basis for developing accounting techniques or procedures, which are used in preparing financial statements. 9 (nine) basic accounting principles according to APB Statement No. 4 that are cost principle, revenue principle, matching principle, objectivity principle, consistency principle, disclosure principle, conservatism principle, materiality principle and uniformity & comparability principle.

Shariah accounting principles Syahatah (2001:73-92) consist of :
1. The principle of independence of financial guarantees.
2. The principle of continuity of activity.
3. The rule of budget hauliyah (annual).
4. Bookkeeping rules and complete with date, month and year.

5. Bookkeeping rules accompanied by an explanation or testimony of objects.
6. The principle of increasing profit in production, as well as its existence in buying and selling.
7. The rules for valuing money are based on gold and silver.
8. The rules for determining the value or price are based on the prevailing exchange rate.
9. Rule of comparison in determining profit.
10. Kaidah muwa'ammah (harmony) between statements and welfare.

Point (5) Accounting standards, also known as technicalities, are a set of guidelines derived from common accounting principles that prescribe how the documentation and reporting standards are applied to all transactions and incidents that an organization encounters.

Conventional Accounting vs Shariah Accounting

1. Entity postulate
   In traditional accounting, corporate companies are considered independent entities from their owners, and the emphasis of accounting is on shareholder profits, while in Islamic accounting, there is no distinction, as shown by the proposed principle of property rights (proprietary theory), in which the entity is the owner's share, including assets and liabilities, and the focus of accounting is on shareholder income.
2. Going- concern postulate
   In conventional accounting, business runs forever, namely that the entity will last long enough to complete its commitments and fully realize existing assets, including predictions of future solvency of important companies, whereas accounting for the Islamic perspective of business continuity depends on contractual agreements between parties involved in profit-sharing activities. (profit-sharing) and recognizing both short-term (zakat) or long-term (capital management) aspects.
3. Consistency Principle
   Conventional Accounting is documented and reported in accordance with GAAP, while accounting in the Islamic sense is recorded and reported in accordance with the principles of shari'ah islami'ah.
4. Accounting Period
   In traditional accounting, it is impossible to determine the performance of operations before the end of the company cycle, necessitating repeated evaluations, while the Islamic perspective of one calendar year accounting is focused on zakat purposes, with the exception of agricultural goods, which are paid for in one season or at harvest time.
5. Relevance : Principle of full disclosure
   In conventional accounting the provision of all information, whether voluntary or forced, which aims at economical and ethical decision-making of all user groups. Including social responsibility reporting. Whereas the Islamic perspective of accounting all information related to justice in the circumstances prior to and the real calculation of business transactions and disclosure of information related to zakat, halal provisions, free of usury, as well as information related to social responsibility, society, debtors, employees, and the atmosphere that assists users in making economic decisions. Religious.
6. Principle of Materialty
   The Islamic perspective of accounting provides information that aids economic and religious decision-making based on Islamic rules to demonstrate obedience to Allah, social and individual accountability, while traditional accounting provides various

forms of information that significantly influence economic and ethical decisions, particularly for current and potential users, while conventional accounting provides information that aids economic and religious decision-making based on Islamic rules to demonstrate obedience to Allah, social and individual accountability.

7. Reliability
   In conventional accounting, information must be completely revealed and free of material misstatement, with no intention of exploiting or influencing the user's economic decisions, while in Islamic accounting, information is not concealed (stored) in terms of what is calculated, the calculation procedure, and what is disclosed as part of takwa.
8. Principles of Conservatism
   Conventional accounting chooses accounting techniques that report the best scenario in the future, while Islamic perspective selects accounting techniques that focus on the implementation of compliance and accountability to Allah, society and individuals.

CONCLUSION

The reasons for the need for sharia accounting, namely the need for sharia implementation and the need due to the rapid growth of sharia transactions. Traditional accounting is designed to serve the needs of shareholders, administrators, creditors, professions, and governments while ignoring the needs of the general public. Traditional accounting, which arose from the new capitalist economy, views human life solely as an economic phenomenon, ignoring social and spiritual factors. Traditional accounting ignores theological and philosophical concerns in favor of the state's will as the ultimate authority. This viewpoint differs significantly from Islam, which believes that Allah SWT is the source of authority and law enforcement. As a result, anything achieved as part of one's duty has a spiritual or *ilahiyah.* This is not the case in Western economies since any economic activity is separated from a religion known as secularism in western society.

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