

**OBJECTIVES AND CHARACTERISTICS OF  
ISLAMIC ACCOUNTING:  
PERCEPTIONS OF MUSLIM ACCOUNTING  
ACADEMICIANS  
IN YOGYAKARTA, INDONESIA**

**BY**

**RIZAL YAYA**

**INTERNATIONAL ISLAMIC UNIVERSITY  
MALAYSIA**

**JUNE 2003**

## بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

*It is not righteousness that ye turn your faces towards East or West; but it is righteousness to believe in God and the Last Day, and the Angels, and the Book, and the Messengers; to spend of your substance, out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practice regular charity; to fulfill the contracts which ye have made; and to be firm and patient in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the God fearing.*

(Translation of Al-Qur'an, Chapter 2, Verse 177)

OBJECTIVES AND CHARACTERISTICS OF  
ISLAMIC ACCOUNTING:  
PERCEPTIONS OF MUSLIM ACCOUNTING  
ACADEMICIANS IN YOGYAKARTA, INDONESIA

BY

RIZAL YAYA

A THESIS SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE  
DEGREE OF MASTER OF SCIENCE IN  
ACCOUNTING

KULIYYAH OF ECONOMICS  
AND MANAGEMENT SCIENCES  
INTERNATIONAL ISLAMIC UNIVERSITY

## ABSTRACT


The quest for the objectives and characteristics of Islamic accounting has become a major concern among Islamic accounting writers. However, Islamic accounting theory has not been tested under different cultural contexts. This research, therefore, aims to extend previous research by exploring the consensus among Indonesian Muslim accounting academicians in Yogyakarta on the objectives and characteristics of Islamic accounting, ascertaining the extent to which conventional accounting is perceived as appropriate by Indonesian Muslim accounting academicians, and assessing whether there are any different perceptions on the objectives and characteristics of Islamic accounting between accounting academicians in Islamic institutions and those in conventional institutions. Based on the statistical tests applied in this research, it is found that the Muslim accounting academicians in Yogyakarta have a strong consensus on some principles which can be used later as a basis for developing Islamic accounting. The problems that might be encountered in the further development of Islamic accounting are the different perceptions on the appropriateness of using conventional accounting to attain the Islamic objectives. However, it is found that the difference is related to the different degree of efforts

## ملخص البحث


إن البحوث في هدف علم المحاسبة الإسلامية وخصائصه قد تناولها الكثير من الكتاب في هذا المجال، إلا أن التجارب لقواعد هذا العلم لم تكن تمارس في ميدان الثقافات الأخرى. ذا البحث عبارة عن المحاولة لاستمرار البحوث المتقدمة بعرض عدة طرق، منها: دراسة الإجماع بين مدرسي هذا الفن المسلمين بمدينة يوغياكرتا، إندونيسيا، في هدف علم المحاسبة الإسلامية وخصائصه، معرفة مدى تصور أولئك المدرسين عن لياقة علم المحاسبة التقليدية، كشف الاختلافات التي يتوقع وجودها بين مدرسي هذا الفن المسلمين في الجامعات الإسلامية والجامعات الأخرى التقليدية في تصور هم عن هدف هذا الفن. ولقد وصلنا من خلال الطريقة الإحصائية التي استخدمناها في هذا البحث إلى أن مدرسي علم المحاسبة المسلمين بيوغياكرتا قد أجمعوا على بعض المبادئ، وتلك المبادئ تصلح أن تكون أسسا لتطوير علم المحاسبة الإسلامية في المستقبل. والمشاكل المتوقعة ظهورها في تطوير هذا الفن هي اختلاف التصور في لياقة استخدام علم المحاسبة التقليدية للوصول إلى الغايات الإسلامية. ومع ذلك وجدنا

## APPROVAL PAGE


I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Accounting.

  
17/6/03  
Shahul Hameed Bin Hj Mohd. Ibrahim  
Supervisor


I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Accounting.

  
17/6/03  
Maliah Sulaiman  
Examiner

This thesis was submitted to the Department of Accounting and is accepted in partial fulfillment of the requirement for the degree of Master of Science in Accounting.

  
17/6/03  
Shahul Hameed Bin Hj Mohd. Ibrahim  
Head, Department of Accounting

This thesis was submitted to the Kulliyah of Economics and Management Sciences and is accepted as partial fulfillment of the requirement for the degree of Master of Science in Accounting.

  
Wan Sulaiman Wan Yusoff  
Dean, Kulliyah of Economics  
and Management Sciences

# DECLARATION

I hereby declare that this thesis is the result of my own investigation, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

Name: RIZAL YAYA

Signature

A handwritten signature in black ink, appearing to be 'Rizal Yaya', written in a stylized, cursive script.

Date

17/6/03

**INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA**

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF  
FAIR USE OF UNPUBLISHED RESEARCH**

Copyright © 2003 by Rizal Yaya. All rights reserved.

**Objectives and Characteristics of Islamic Accounting:  
Perceptions of Muslim Accounting Academicians  
in Yogyakarta, Indonesia**

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the copyright holder except as provided below.

1. Any material contained in or derived from this unpublished research may only be used by others in their writing with due acknowledgment
2. The IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes
3. The IIUM library will have the right to make, store in a retrieval system and supply copies of this unpublished research if requested by other universities and research libraries.

Affirmed by Rizal Yaya



Signature

17/6/03

Date



*In the Name of Allah, the Most Gracious and the Most Merciful*

*To those who have striven for the better quality of the Muslim Ummah,  
to my beloved late father and my caring mother, and to my supportive wife and  
lovely children.*

*May Allah always Bless you in this world and in the Hereafter*

## ACKNOWLEDGEMENTS

Praise be upon Allah, the Most Knowledgeable for guiding me in accomplishing this dissertation and peace be upon the Prophet Muhammad (pbuh) who has been sent to enlighten the human being from ignorance. On this occasion, I would like to thank those who have directly or indirectly helped me in accomplishing this work. I would like to express my special gratitude to my supervisor, Assistant Professor Dr. Shahul Hameed bin Hj Mohamed Ibrahim, for his great commitment in helping me to complete this thesis. I am indebted to him not only in terms of his sharing of knowledge but also in terms of his encouraging me to think critically and have a strong commitment for the sake of the ummah. I am also indebted to him for his help in solving the financial problems I encountered in producing this research and for his kindness in lending me reading materials which significantly contributed to this research. Without his help I doubt that this dissertation would have come to this stage.

I am truly indebted to both my mother and late father for their attention to my health, education, attitude and religious practices. To my late father (Allahyarham), Masri Zein, I would like to give my special thanks for his teaching, encouraging and inspiring me on how to be a person of ideas and to have the ability to contribute to society. And also to my mother, Raunas, I would like to record my special gratitude for the care she gave me in all situations. May Allah bless both of them in this world and in the Hereafter.

I would also like to express my gratitude to the accounting lecturers at the International Islamic University of Malaysia (IIUM) who have helped me to sharpen my understanding of both conventional and Islamic accounting as well as the skills needed to conduct appropriate research. Without their kindness in sharing their knowledge I would have missed many important ideas in this thesis. I am also grateful to the IIUM Research Centre for the financial support for this research and to Muhammadiyah University of Yogyakarta for covering all tuition fees and living cost during my study in Malaysia.

I would like to thank the accounting postgraduate students and lecturers of the IIUM for filling up and commenting on the pilot questionnaires of this research. To all the accounting academicians in Yogyakarta who were the respondents of this research, I would say thank you very much for sacrificing your time in filling up this questionnaire. I am also indebted to my brothers in the Syariah Economics Forum (SEF) Gadjah Mada University, for helping me to distribute the questionnaires all around Yogyakarta province. May Allah reward you for the help you have given.

In accomplishing this thesis, I got a lot of support from my colleagues, the lecturers and the administrative staff of Muhammadiyah University of Yogyakarta, members of the postgraduate students computer lab, the Sungai Cincin neighborhood for looking after my family when I was not around, members of the Indonesian student association at the IIUM and many others whose names and groups are too numerous to mention. All I could say is thank you very much for all the support and help you have given me.

Finally, I would like to express my special thanks to my wife, Dolly, who has accompanied and looked after me both in the happy and the hard times. Without her support I would not have been strong enough to solve the problems that I have had to solve. To my two children, Ursila and Thariq, thank you very much for the smiles you

# TABLE OF CONTENTS

Abstract (English) .....	ii
Abstract (Arabic) .....	iii
Approval Page .....	iv
Declaration .....	v
Acknowledgements .....	viii
List of Tables .....	xiii
List of Figures .....	xiv
List of Abbreviations .....	xv

<b>CHAPTER 1 : INTRODUCTION</b> .....	<b>1</b>
1.0. Introduction .....	1
1.1. Research Background .....	1
1.2. Objective of the Study .....	6
1.3. Research Methodology .....	6
1.4. Significance of the study .....	7
1.5. Outline of Dissertation .....	7

<b>CHAPTER 2 : THE EMERGING ISSUES ON THE OBJECTIVES AND CHARACTERISTICS OF ISLAMIC ACCOUNTING FOR ISLAMIC BUSINESS ORGANIZATIONS</b> .....	<b>11</b>
2.0. Introduction .....	11
2.1. Characteristics of Islamic Business Activities .....	12
2.1.1. ' <i>Adala</i> (Justice) .....	13
2.1.1.1. Imperatives Aspects of Maintaining Justice .....	13
2.1.1.2. Safeguarding Aspects of Maintaining Justice .....	17
2.1.2. ' <i>Ihsan</i> (Benevolence) .....	17
2.2. The Inappropriateness of Conventional Accounting with Islamic Business Organization .....	19
2.2.1. The Contradictions of Conventional Accounting to Islamic Teachings.....	19
2.2.2. The Irrelevance of Conventional Accounting with Islamic Accounting Objectives .....	22
2.2.3. The Insufficiency of Conventional Accounting in Achieving Islamic Socio-economic Objectives .....	23
2.3. Approaches in Developing Islamic Accounting .....	24
2.3.1. Deduction from Islamic Teachings Approach .....	24
2.3.2. Contemporary Accounting Based Approach .....	25
2.3.3. Hybrid Approach .....	26
2.4. The Objectives of Islamic Accounting .....	27
2.4.1. Decision Usefulness .....	27
2.4.2. Stewardship .....	29
2.4.3. Accountability .....	31
2.4.3.1. Accountability through Zakat .....	32

2.4.3.2. Islamic Accountability.....	34
2.5. Characteristics of Islamic Accounting .....	36
2.5.1. Financial Measurement Aspects .....	36
2.5.2. Disclosure and Presentation Aspects .....	39
2.6. Conclusion .....	41

<b>CHAPTER 3 : SOCIO-RELIGIOUS SETTINGS AND THE DEVELOPMENT OF ACCOUNTING IN INDONESIA .....</b>	<b>43</b>
3.0. Introduction .....	43
3.1. Culture, Religion and Accounting.....	44
3.2. Accounting Development in the Setting of Religious Development in Indonesia .....	45
3.2.1. Early Stages of the Development of Hinduism.....	46
3.2.2. The Early Phase of the Development of Islam.....	47
3.2.3. Early Christian Development .....	50
3.3. Contemporary Socio-religious Settings in Indonesia and the Development Accounting .....	51
3.4. Islamization Process in the Contemporary Setting .....	54
3.5. Islamization Process on Accounting Education and Practices in Indonesia.....	55
3.5.1. Islamization of Accounting Education in Indonesia .....	56
3.5.2. Islamization in Business Practices and the Accounting Profession .....	58
3.6. Conclusion.....	59

<b>CHAPTER 4 : HYPOTHESES AND RESEARCH METHODOLOGY.....</b>	<b>61</b>
4.0. Introduction .....	61
4.1. Research Design and Methodology .....	62
4.2. Population and Sample .....	62
4.3. Demographic Profile of Survey Respondents .....	70
4.4. Questionnaire Design and Construction .....	71
4.4.1. The Design of the Questionnaire .....	71
4.4.2. The Construction of the Questionnaire .....	72
4.5. Data and Data Collection .....	72
4.5.1. Data .....	72
4.5.2. Data Collection .....	73
4.6. Research Questions and Hypotheses .....	74
4.6.1. Socio Economic Principles of Islamic Business Organizations	75
4.6.2. Inappropriateness of Conventional Accounting for Islamic Business Organization & Muslim User .....	77
4.6.3. The Adequacy of Islamic Sources as a Basis for Developing an Islamic Accounting .....	78
4.6.4. The Objectives and Characteristics of Islamic Accounting .....	80
4.6.5. Impact of Different Background of Institutions on MAAs' Perception on the Characteristics of Islamic Accounting .....	85
	86

4.8. Techniques of Analysis .....	87
4.9. Conclusion .....	88

<b>CHAPTER 5 : RESULTS AND DISCUSSIONS .....</b>	<b>89</b>
5.0. Introduction .....	89
5.1. Validity and Reliability Testing .....	90
5.1.1. Test of Validity .....	90
5.1.2. Test of Reliability .....	94
5.2. Test of Normality .....	98
5.3. Hypothesis Testing .....	100
5.3.1. Test of Perception on Socio-economic Principles of Islamic Business Organizations .....	100
5.3.2. Test of Perception on Inappropriateness of Conventional Accounting for Islamic Business Organization & Muslim Users .....	103
5.3.3. Test of perception on the Adequacy of Islamic Sources as a Basis for Developing an Islamic Accounting .....	105
5.3.4. Test of Perception on the Objectives and Characteristics of Islamic Accounting .....	108
5.3.4.1. Objectives of Islamic Accounting .....	108
5.3.4.2. The Users of Islamic Accounting .....	109
5.3.4.3. The Characteristics of Islamic Accounting .....	112
5.3.5. Test of the Impact of Different Background of Institutions on the Characteristics of Islamic Accounting .....	114
5.4 Conclusion .....	118

<b>CHAPTER 6 : CONCLUSIONS &amp; SUGGESTIONS FOR FURTHER RESEARCH .....</b>	<b>120</b>
6.0. Introduction .....	120
6.1. Conclusions of the Study .....	120
6.2. Original Contributions of the Study .....	125
6.3. Suggestions for Further Research .....	126
6.4. Conclusion .....	127

BIBLIOGRAPHY.....	128
-------------------	-----

APPENDICES .....	135
------------------	-----

APPENDIX I .....	136
------------------	-----

APPENDIX II .....	141
-------------------	-----

## LIST OF TABLES

Table No.		Page
3.1	The Islamic Related Subjects and Credit Hours in the Islamic Background of Higher Educational Institutions in Yogyakarta Province	57
4.1	List of Accounting Journals Issued by Higher Education Institutions in Yogyakarta Province	64
4.2	Number of Permanent Muslim Accounting Academician (MAA) at Both Islamic and non-Islamic Background Institutions as of August 2002	66
4.3	Percentage of Population and Sample Tested	69
4.4	Respondents' Gender Profile	70
4.5	Respondents' Working Experience Profile	71
4.6	Respondents' Educational Profile	73
4.7	Questionnaire Response Rate	76
4.8	List of Questions for Hypothesis 1	76
4.9	List of Questions for Hypothesis 2	78
4.10	List of Questions for Hypothesis 3	80
4.11	List of Questions for Hypothesis 4	81
4.12	List of Questions for Hypothesis 5	83
4.13	Type A Statement	84
4.14	Type B Statement	85
5.1	Skewness Ratio	99
5.2	Mean Value of Socio-economic Principle Variable	101
5.3	Level of Significance of Hypothesis Testing	102
5.4	Non-Parametric Test of SOSEC Variable	103
5.5	Mean Value of APPROPT Variable	104
5.6	Level of Significance of Testing Hypothesis 2	105
5.7	Mean Value of ADEQCY Variable	106
5.8	Level of Significance of Testing Hypothesis 3	106
5.9	Non-Parametric Test of ADEQCY Variable	107
5.10	Chi-Square Test Frequencies	109
5.11	Significance of Testing Hypothesis 4	109
5.12	Mean Value of USER Variable	110
5.13	Level of Significance of Testing Hypothesis 5	111
5.14	Non-Parametric Test of USER Variable	111
5.15	Mean Value of CHARCT Variable	113
5.16	Level of Significance of Testing Hypothesis 2	113
5.17	Analysis of Variance for Islamic and Conventional Background of Institutions	115
5.18	Descriptive Data of Islamic and Conventional Background Institutions	116
5.19	Correlation Between the Inappropriateness of Conventional Accounting	117

## LIST OF FIGURES

Figure No.		Page
1.1	Chapters Scheme	9
4.1	Hypothesis 1	76
4.2	Hypothesis 2	77
4.3	Hypothesis 3	79
4.4	Hypothesis 4	81
4.5	Hypothesis 5	82
4.6	Hypothesis 6	84
4.7	Hypothesis 7	86
5.1	Hierarchical Cluster Analysis	92
5.2	Reliability Analysis – Scale (Alpha) – SOSEC Questions I	95
5.3	Reliability Analysis – Scale (Alpha) – SOSEC Questions II	95
5.4	Reliability Analysis – Scale (Alpha) – APPROPT Questions I	96
5.5	Reliability Analysis – Scale (Alpha) – APPROPT Questions II	96
5.6	Reliability Analysis – Scale (Alpha) – ADEQCY Questions	97
5.7	Reliability Analysis – Scale (Alpha) – USER Questions	97
5.8	Reliability Analysis – Scale (Alpha) – CHARCT Questions I	98
5.9	Reliability Analysis – Scale (Alpha) – CHARCT Questions II	98
5.10	Distribution of SOSEC Variable	101
5.11	Distribution of APPROPT Variable	104
5.12	Distribution of ADEQCY Variable	105
5.13	Frequency Distribution of OBJECTVE Variable	108
5.14	Distribution of USER Variable	110
5.15	Distribution of CHARCT Variable	112



## LIST OF ABBREVIATIONS

AAA	American Accounting Association
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
AICPA	American Institute of Certified Public Accountant
ANOVA	Analysis of Variance
APB	Accounting Principles Board
ASOBAT	A Statement of Basic Accounting Theory
CHs	Credit Hours
FASB	Financial Accounting Standard Board
HMI	Himpunan Mahasiswa Islam (Muslim University Student Association)
IAI	Ikatan Akuntan Indonesia (Indonesian Institute of Accountants)
IAS	International Accounting Standard
IBO	Islamic Business Organization
IUM	International Islamic University of Malaysia
MAA	Muslim Accounting Academician
PII	Pelajar Islam Indonesia (Indonesian Muslim High School Student Association)
PSAK	Pernyataan Standar Akuntansi Keuangan (Statement of Financial Accounting Standard)
SFA	Statement of Financial Accounting (issued by AAOIFI)
SFAC	Statement of Financial Accounting Concepts (issued by AICPA)
SPSS	Statistical Package for the Social Sciences
STIE	Sekolah Tinggi Ilmu Ekonomi (College of Economics)
VAS	Value Added Statement
VOC	Verenigde Oost-Indische Compagnie (East India Company)

# Chapter 1

## Introduction

### 1.0. Introduction

There are a number of issues that will be addressed in introducing this research. The discussion of those issues is intended to provide a brief overview of what this research is all about. Those issues are for instance the background of the research, the objectives and significance of the study and the outline of the dissertation. These issues will be discussed briefly in this chapter as follows. In section one of this chapter, the background of this research is discussed. Then, the issue of the objectives of this research will be discussed in section two. The methodological aspects of the research will be explained briefly in section three, while the significance of this study will be elaborated in section four. Finally, a brief discussion of the outline of this dissertation will be discussed in section five.

### 1.1 Research Background

Since the 1920s, the search for a conceptual framework for accounting has become a matter of great concern to accounting researchers. The first attempts at deriving accounting principles were carried out by individual researchers. Later on, there were several organized or collective attempts designed to achieve the same ends (Matthews and Perera, 1991). In the early attempts at searching for the conceptual framework, the researchers mainly focused on postulates and principles and ignored the question of users' objectives. Only in the late 1960s did users' objectives begin to be a more

The user objective approach was widely sponsored by such organizations as the American Accounting Association (AAA), the American Institute of Certified Public Accountant (AICPA), the Accounting Principles Board (APB) and the Financial Accounting Standard Board (FASB). Then in 1966, the AAA initiated to publish a Statement of Basic Accounting Theory (ASOBAT), a theory statement which took user objectives into account. The ASOBAT recognizes that there are four user objectives in accounting information. Firstly, to make decisions on limited resources; secondly, to direct and control organizations; thirdly, to maintain and report on the custodianship of resources; and finally, to facilitate social functions and controls on the enterprise (Hendriksen and Van Breda, 1992).

The next attempt was the APB's statement no 4, issued in 1970. This statement defined accounting as "... a service activity in which its function is to provide quantitative information, primarily financial in nature about economic entities that is intended to be useful in making economic decisions". The APB statement no 4 classified users of financial information into two groups, those with direct interests and those with indirect interests. In agreement with the ASOBAT, it viewed financial statements as being general purpose in nature as opposed to oriented towards a limited groups of users. Although this statement has contributed to the strengthening of the user objective approach, many critics have suggested that the statement is not very innovative and that the content is most likely a repetition of the previous study (Ijiri, 1971)

In 1971, the AICPA formed the Trueblood Committee to reformulate the structure of accounting theory (Wolk and Tearney, 1997). The Trueblood report came up with twelve objectives with the emphasis on the decision usefulness of the information and

accountability of the entity. The significant difference of this report compared to previous studies was the recommendation on the issuing of a cash flow statement by the entity and the use of current values in the balance sheet instead of historical cost. It was expected that by applying this recommendation, financial statements would be useful for predicting, comparing and evaluating the performance of management in managing the enterprise resources.

Wolk and Tearney (1997) state that the diversity of users has been the main obstacle in determining the objectives of accounting. Even within a group of users there is also extensive diversity. Therefore, different objectives would also exist in societies other than the capitalist society where conventional accounting was developed. In a socialist society, for example, the objective of accounting is to strengthen the control of the central authorities over the activities of an enterprise (Bailey, 1988). Consequently, in the design of the standardized accounting systems, the central authorities are regarded as the primary users of the information to be generated rather than the capital provider as in the capitalist society (Bailey, 1988). The reason for this different accounting is explained by Hameed (2001) in that a different worldview and values give rise to a different economic system and thus need different accounting systems which are consistent with that system.

Therefore, during the last few decades, several studies have been focused on exploring the social nature of accounting. Perera (1989) calls accounting a socio-technical activity as it involves human and non-human resources; the techniques as well as interaction. This socio-technical activity would involve societal values which may be expected in varying degrees to permeate through the organizational and occupational

basically normative and value laden in that its theories mask a conservative ideological bias in their accounting policy implications. They also argue that accountants and economists who advise and guide participation in market transactions are essentially adjudicating in the social relations of those involved in business activities. Therefore, because of the social conflict that arises, the accountants have become biased arbitrators rather than being neutral and objective information providers (Tinker, 1985).

Baydoun & Willet (2000) reveal that there are some principles underlying conventional accounting. They are; firstly, clear separation from economic intercourse with religious considerations; secondly, the paramount importance of individual satisfaction; thirdly, profit maximization as the gauge of successful performance; fourthly, acceptance of the rule of the survival of the fittest as the best strategy and, finally, focus on the result of the process without regard for its wider impact on the environment. These principles in the researcher's opinion are just like the principles in a belief system of either an individual or society.

Islam, however, has its own worldview and belief system. It is not only a ritualistic religion confined to the individual but an integrated way of life combining politics, economics, culture, religion and every aspect of human life (Haneef, 1997). This means that any separation of knowledge from religious guidance is not appropriate for Muslims as it would result in non-Islamic behavior (Hameed, 2001). Therefore, many Muslim scholars have suggested that the accounting discipline and practices need to be based on Islamic teachings and this is henceforth termed Islamic accounting

Hameed (2000a) has conducted an extensive study on the perceptions of Malaysian Muslim accountants and accounting academicians on Islamic accounting. He reveals that there is a positive acceptance by the Malaysian Muslim accountants and accounting academicians towards Islamic values in accounting. However, in the researcher's opinion this situation might not exist in other Muslim countries especially those with non-Islamic ideology.

Having more than two hundred million Muslims, Indonesia is considered as the largest Muslim country in the world. Even though almost 90 percent of the population is Muslim, the ideology of this country is not Islam, but Pancasila which is basically a secular syncretist ideology. Therefore, this might lead to different conclusions from the previous findings by Hameed (2000a) of Malaysian Muslim accountants and accounting academicians. Hence, the motivation for this study is to find out the differences that might probably be in existence.

### **1.3 Objectives of the Study**

Islamic accounting has become a growing issue among Muslim academicians. It can be seen by the publication of journals of accounting from the Islamic perspective and some individual articles in both national and international journals. This issue has also been updated at regular conferences such as the International Conference on Accounting, Commerce and Finance on Islamic Perspective. In those forums and publications, the objectives and characteristics of accounting based on Islamic values have been elaborated. However, the acceptance of those ideas on the part of Indonesian Muslim academicians is still in untested

This research has three objectives; firstly, to explore the consensus among Indonesian Muslim accounting academicians on the objectives and characteristics of Islamic accounting. Secondly, to ascertain the extent to which conventional accounting is perceived to be suitable for Islamic business by Indonesian Muslim accounting academicians, and finally to assess whether there are any different perceptions on the objectives and characteristics of Islamic accounting between accounting academicians in Islamic institutions and those in conventional institutions.

#### **1.4 Research Methodology**

This research uses the survey method using questionnaires as well as interviews. In this research, the researcher is unable to control and manipulate the variables, but the study can reveal relationships between variables by using statistical techniques. This research is mainly exploratory in nature and seeks to explore the attitudes and perceptions of local Indonesian Muslim accounting academicians toward Islamic and conventional accounting. In this research we try to deduce the characteristics of the population based on the characteristics of the sample. This is done by setting up the hypothesis we want to reject as the null hypothesis ( $H_0$ ) and the hypothesis we want to accept as the alternative hypothesis ( $H_a$ ). Around 235 accounting academicians in Yogyakarta will be considered as the population of this research. However, only 37 percent or around 87 of them are taken as a sample for this research. The sample selection considers the representation of two groupings of higher educational institutions, the Islamic background institutions and the conventional background institutions. Data will be gathered through a set of questionnaires. The self-administered method of answering the questionnaire will be implemented

this interaction will be shown based on the period of the spread of the dominant religious influences.

#### **Chapter 4 : Hypotheses and Research Methodology**

Throughout this chapter, some hypotheses will be suggested along with the tools that will be used to test the hypotheses. This chapter will also discuss the population and sample, questionnaire design and statistical analysis that will be performed.

#### **Chapter 5 : Results and Discussion**

Chapter 5 highlights and discusses the results from the data collected and processed. Analyses of the research findings will be undertaken by using statistical software.

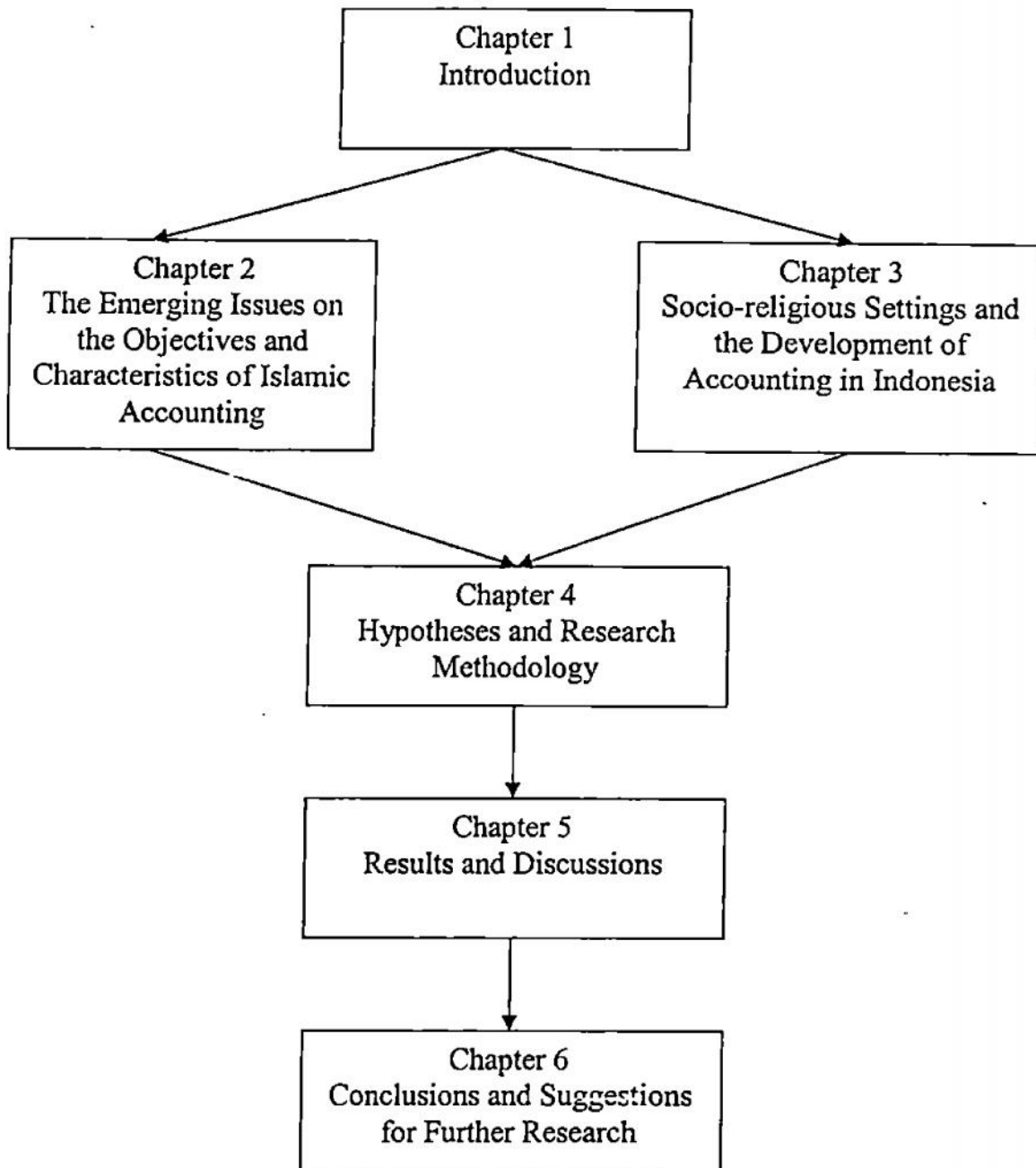
#### **Chapter 6 : Conclusions and Suggestions for Further Research**

In this final chapter, the researcher will conclude the research results. Some comparisons with previous research findings will be made. Finally, the researcher will also provide some suggestions for further research

The relationship among those chapters can be seen in Figure 1.1 below. Chapter 1 will provide a brief explanation of what this research is all about. This will include the importance and the objectives of the research. This chapter will then be followed by two chapters of literature review. The first chapter of the literature review will discuss the emerging issues regarding the objectives and characteristics of Islamic accounting, while the second one will discuss the socio-religious settings and the development of accounting in Indonesia. Both chapters will be placed in Chapter 2 and Chapter 3



**Figure 1.1: Chapters Scheme**



The two chapters on the literature review will be used as a basis for developing the hypotheses. In Chapter 4 those hypotheses will be set up and the methodology for conducting the research will be explained in detail. Furthermore, in Chapter 5, the findings of the field research will be analyzed based on the selected methods which have been discussed in Chapter 4 on research methodology. Finally, based on the

## Chapter 2

# The Emerging Issues on the Objectives and Characteristics of Islamic Accounting for Islamic Business Organizations

### 2.0. Introduction

Islam recognizes the desirability of engagement in business activity. Unlike other religions, it does not denounce business or other worldly activities as such. In Islam, business activities can become part of *ibadah* (worship and obedience to Allah) if they are performed in accordance with the commands of Allah and the Islamic code of conduct (Ahmad, 1988). However, in religions such as Christianity, work is regarded as a punishment from God to man for his original sin. Working for a living is discouraged because it is not compatible with trust in God (Luke 12:22-31 and Matthew 6:25-34). Meanwhile in Hinduism, the ideal state of man is to dissociate himself from all worldly engagements - social activities and engagement of any kind - in order to achieve communion with God (Al-Mubarak, 1972).

However, in Islam, man is the vicegerent of Allah on earth, and Allah has made the universe subservient to him (Al-Qur'an 2:30; 14:32-33; 22:65; 31:20; 35:39 & 45:12-13). As vicegerent, it is man's duty to work hard to build this world and to use its natural resources in the best possible manner in accordance with Divine rules (Al-Qur'an 2:5; 6:153). However, current business practices are separated from religion, which to some extent has resulted in a contradiction with Islamic morality. Furthermore, current business practices are also equipped with an accounting system,

which is more likely established to achieve capitalistic socio-economic objectives

This situation leads to the need for establishing an accounting system that could attain the Islamic socio-economic objective of *falah* (the success in the world and the hereafter). The importance of such efforts becomes even greater with the development of Islamic financial institutions in many parts of the world, which operate on the basis of Islamic teachings (*Shariah*). However since this concern is still in its infancy, the debates on this issue are still very vague.

This chapter tries to explore the emerging issues of the objectives and characteristics of what is perceived as Islamic accounting and tries to find patterns in the debate which will probably be needed in the future to formulate Islamic accounting theory. Section one of this chapter elaborate on the characteristics of Islamic business activities, followed by section two on the inappropriateness of conventional accounting for Islamic business organizations. Then, in section three, some emerging approaches in developing Islamic accounting system will be evaluated. Finally, sections four and five will discuss the objectives and characteristics of Islamic accounting respectively.

## **2.1. Characteristics of Islamic Business Activities**

Islam is premised on ethical and moral conduct. This can be inferred from the *Hadith* narrated by Abu Hurairah, saying that the Prophet Muhammad (pbuh) has been sent only for the purpose of perfecting good morals. Naqvi (1981) views that the Islamic ethical and moral code of conduct permeates human life whether individual or collective in a way that Islam considers ethics as an essential aspect of the Muslim's life.

Siddiqi (1979) notes that *'adala* (justice) and *Ihsan* (benevolence) (Al-Qur'an 2:177; 5:8) could be considered as the summary of the entire morals in the economic enterprise derived from the *Qur'an*. These values, in his opinion, are the basic values, which offer guidance in almost every action in human life. Therefore, Islamic business should also be characterized with these manners. These twin concepts of justice and benevolence needs some elaboration and will be discussed in some depth.

### 2.1.1. *'Adala* (Justice)

Allah has commanded the maintenance of justice under all circumstances and in all aspects of life (Al-Qur'an 6:152; 5:9). Meanwhile the Prophet (pbuh) has also reiterated the maintenance of justice and has sternly warned against indulgence in injustice. The *Qur'an* commands Muslims to be just and truthful while bearing witness and while deciding a disputed matter, which is not only among them but also when dealing with their enemies. Muslims are, therefore, enjoined to cooperate with each other in the establishment of justice and righteousness. In other words, they are not allowed to exploit others and also may not let others exploit them (Ahmad, 1995). Ahmad (1995) proposes that the *Qur'anic* teachings pertaining to justice in the realm of business may be categorized as imperative aspects and safeguarding aspects.

#### 2.1.1.1. Imperative Aspects of Maintaining Justice

This category consists of the commands and recommendations regarding conduct in business. They are:

##### 1. **Fulfillment of promises, pacts and contracts.**

The *Qur'an* demands that all contracts and promises be honored and all obligations be fulfilled. It also warns that everyone will be questioned regarding the contracts and covenants made by him/her (Al-Qur'an 17:34). Islam recognizes that men had already

made a contract with Allah before they were born. Therefore, they should obey not only the contracts between them but above all they should obey the primary contract they made with Allah, the Creator (Haneef, 1992). Obeying the contract with Allah implies that men should follow the path of Allah that has been declared in the Qur'an and applied by His Apostle. Therefore, man may not make a contract which is against the contract with Allah.

## **2. Exactness in Weights and Measure**

The *Qur'an* has repeatedly commanded the believers to give weight and measure in full without the slightest diminution (Al-Qur'an 6:152; 11:85; 17:35; 26:181-183; 55:7-9). It also warns that those who give short measure or less weight will meet with dire consequences (Al-Qur'an 83:1-3). In the history of Islam, Allah sent down a messenger (Prophet Syu'aib) only because the traders in that area were practicing improper weights and measures (fraudulent practices). Those traders had two sets of scales, one which under-weighed, for selling goods to the customer and the other one which over-weighed, for buying goods from the supplier. Since they refused to obey what Prophet Syu'aib said, and such practices were common in that area, Allah sent them a natural disaster that destroyed the entire area (hadith narrated by Ibnu Abbas in Hamka, 1981)

## **3. Work, wages and payments**

The Qur'an has pointed out that the day is created for earning purposes (Al-Qur'an 28:73; 17:12) in which earning and wealth creation is considered as Allah's bounty, grace and good (Haq, 1996). In Islam, Muslims are even allowed to combine business activities with their religious duty like in the pilgrimage (hajj) activity (Al-Qur'an

recommended by Islam but it is religious obligation of a Muslim (Al-Qur'an 2:168; 62:10; 4:29). On one occasion, the Prophet (pbuh) said to a man who was expecting to get his share from the charity, "It is better to gather a bundle of wood and carry it on your back (and earn your living thereby) rather than ask somebody who may give you or not" (narrated by Bukhari, hadith 3.562).

The *Qur'an* acknowledges various gradations among workers on the basis of the quality and quantity of their work (Al-Qur'an 46: 19; 53:39-45). This provides proof that wages cannot be equal in all cases and for all workers. Islam has prescribed definite rules for protecting the mutual rights and obligations of the employers and the employees. A worker is entitled to a fair and just wage for his work and any attempt on the part of the employer to deprive the worker of his just wage or even to unduly delay payment, is regarded as a sin liable for punishment (Abdalati, 1976).

Qardhawi (1995) notes that in paying wages, the employers are required to consider the fulfillment of the basic need of their employees and the differentiation between those who are better than the others. Therefore Caliph Ali (May Allah be pleased with him) reminded a Governor of Egypt not to treat those who perform well and badly in the same manner as it would humiliate the ones who do well and encourage the others to perform badly (Qardhawi, 1995). Islamic work ethics also require that the wages as well as the specifications of a job to be done must be clearly stipulated at the time of making an agreement. Islam also demands that the stipulated wages as well as the other dues, must be paid promptly on completion of the assignment without any delay or diminution (Al-Qur'an 26:182; 65:6)

#### **4. Truthfulness and honesty**

Islam requires that all business transactions must be carried out with frankness and honesty, and those engaged in honest trade would be rewarded with Allah's blessings. The demand for absolute honesty in business leaves no room for cheating, fraud or exploitation of any kind (Ahmad, 1995). This requires every trader to strictly adhere to justice as well as to straightforwardness in all his dealings and transactions (Al-Qur'an 55:7-9). Therefore, those who disregard this injunction and indulge in cheating, fraud, exploitation and lying are warned of an awful and grievous penalty (Al-Qur'an 33:1-6)

#### **5. Efficiency and competence**

A person who works for another person, a firm or an institution has been commanded by Allah to perform his work efficiently and honestly. The job assigned to him is considered as *amanah* (trust), and, therefore, he must fulfill it sincerely. Prophet Muhammad (pbuh) said that "Every one of you is a shepherd and every one of you would be questioned regarding his flock". Ahmad (1995) argues that this *Hadith* also includes every worker, in which his 'flock' is the job entrusted to him.

The *Qur'an* urges the believers to gain control over the universe and to make full use of its natural resources (Al-Qur'an 34:12). It exhorts them to take full advantage of the oceans by utilizing them for navigation, procuring (sea) food, and extracting pearls (Al-Qur'an 35:12). It also encourages them to make use of iron (Al-Qur'an 57:25) in order to establish heavy industry or to build huge mansions etc (Al-Qur'an 34:3). Since none of these jobs can be done without acquiring efficiency and competence, the importance of developing these qualities is evidence that Islamic business should

### **2.1.1.2. Safeguarding Aspects of Maintaining Justice**

In order to maintain justice in the conduct of business, the *Qur'an* has provided believers with certain guidelines that serve as safeguards. Ahmad (1995) proposes some principles for safeguarding the rights such as; (1) Writing of a Contract; (2) Witnesses; and (3) The principle of individual responsibility. In Islam, a contract should be put in black and white. This is specially recommended in the case of both large and small scale credit transactions (Al-Qur'an 2:282). In the business realm, writing down the terms of transactions is an effective safeguard against any false claims made by either party<sup>1</sup>. To enhance the safeguarding function, the *Qur'an* also recommends that credit transactions should be witnessed by two men or twice that number if they are women (Al-Qur'an 2:282). The presence of reliable witnesses, in the realm of business is much needed as an added safeguard against any sort of foul play.

In Islam, everyone is held personally responsible for any undertaking or transaction made by him (Al-Qur'an 74:38). This means that no one is given immunity from facing the consequences of one's deeds and everyone is answerable both in this world and in the hereafter (Al-Qur'an 6:164; 17:15; 35:18; 39:7; 53:38; 99:6-8). Therefore, one cannot blame one's unlawful actions on the pressures of business or on everybody else's unlawful behavior (Beekun, 1997).

### **2.1.2. *Ihsan* (Benevolence)**

*Ihsan* (benevolence) means good behavior or an act which benefits other persons without any obligation (Beekun, 1997). Siddiqi (1979) views *Ihsan* as being even more important in social life than justice. If justice is the corner stone of society, *Ihsan*

---

<sup>1</sup> Ahmad (1995) also states that the contract should be written in the presence of the antecedents for the



is its beauty and perfection. If justice saves society from undesirable things and bitterness, *Ihsan* makes life sweet and pleasant (Siddiqi, 1979). In the realm of business, Ahmad (1995) outlines certain manners that would support the practice of *Ihsan*. They are (1) leniency; (2) service motives; and (3) consciousness of Allah and of His prescribed priorities.

According to Ahmad (1995), leniency is the foundation of *Ihsan*. It is a highly praised quality and encompasses every aspect of life. It is an attribute of Allah Himself and Muslims are encouraged to incorporate it in themselves. Leniency can be expressed in terms of politeness, forgiveness, removing of other people's hardship and providing help. Meanwhile, service motives means that Islamic business organizations should consider others' needs and interests, provide help and spend on others, recommend and support a good cause to others. Therefore, through his involvement in business activity, a Muslim should intend to provide a needed service to his community and humanity at large.

Although the *Qur'an* has already declared business as lawful, yet a person's engagements should not become a hindrance to remembering Allah and complying with His commands (Al-Qur'an 24:37). A Muslim is required to be mindful of Allah either when he has success or failure in his business. God consciousness must be the driving force in determining his course of action. He must, for instance interrupt his activity at the time of prayers.

Business activity must also be compatible with the morality of and the higher values prescribed by the Quran. The believers are exhorted to seek the felicity of the hereafter

28:76-77). They are also asked to recognize and observe the priorities determined by the *Qur'an*, for instance; (1) to prefer the great and everlasting rewards of the Hereafter to the finite benefits of the present world (2) to prefer that which is morally pure to that which is impure and (3) to prefer what is lawful to that which is not (Ahmad, 1995).

## **2.2. The Inappropriateness of Conventional Accounting for Islamic Business**

### **Organizations**

The characteristics of Islamic business activities as we have discussed in section 2.1 above can be considered as an ideal practice for an organization controlled by Muslims. Such an organization then can be called an Islamic business organization. In order to maintain its characteristics, an Islamic organization is also recommended to be equipped with accounting tools with such characteristics (Hameed, 2001). However, conventional accounting has been criticized on its inability to support the Islamic objectives, in other words, it is considered inappropriate for the Islamic business organization.

The issue of the inappropriateness of conventional accounting for the Islamic business organization (IBO) can be categorized as; (i) contradictory to Islamic teachings, (ii) irrelevance to Islamic accounting objectives, and (iii) insufficiency in focusing on Islamic socio-economic objectives. The following section will elaborate on them.

### **2.2.1. The Contradictions of Conventional Accounting to Islamic Teachings**

Many studies have indicated that conventional accounting has resulted in a situation, which contradicts the Islamic socio-economic economic objectives. For example,

the cost of environmental degradation. He argues that this could happen because conventional accounting as the scorekeeper in evaluating the performance of an organization, does not take such a view into account. Briloff (1996) argues that it has led to the concentration of wealth by a few individuals at the expense of society. Further Arnold & Cooper (1999), find that it has led to the loss of jobs through downsizing and transfer of wealth through privatization. Therefore, we can conclude that conventional accounting often results in organizational practices, which are contradictory to Islamic principles.

In particular, Hameed (2000a) points out that these contradictions are caused by the use of decision usefulness objectives in conventional accounting. Although he admits that the term 'decision usefulness' seems rational, harmless and acceptable from an Islamic perspective, but, when one examines this concept in depth, a number of problems arise. Firstly, conventional accounting's focus on informational efficiency in the capital market from the perspective of the shareholders. This can imply that the resulting equilibrium may not be efficient from the perspective of other members of society such as employees, government and the community at large.

Secondly, conventional accounting operates under an assumed pristine liberal economic society (Gray, 1996). In this type of society, the increasing gap between the rich and the poor is not questioned and there is no room for environmental and ethical values other than utilitarian self interest. Thirdly, the decision usefulness paradigm on which conventional accounting is based, was born in the countries with developed capital markets. Meanwhile, many Muslim countries have not established or developed stock exchanges. Therefore, in such a situation, the decision usefulness of

Hameed (2000b) views that the characteristics of conventional accounting would be utilized for the enrichment of shareholders and creditors even at the expense of damaging social and environmental consequences. In particular, Adnan and Gaffikin (1997) point out that some accounting concepts are contradictory to Islamic principles. The concept of historical cost and conservatism for instance, according to them, can be misleading and cannot guarantee the quality of justice and honesty within the information it carries. Therefore, they argue that such concepts have no room in the accounting for Islamic institutions (Adnan and Gaffikin, 1997).

Meanwhile, the conservatism concept could also go against the *Qur'an* and *Sunnah* as it would distort accounting data. They argue that the conservatively reported data are not only subject to improper interpretation but also contradict the objective to disclose all relevant information related to the particular company (Adnan and Gaffikin, 1997).

Abdelgader's (1994) assertion on the stability of the purchasing power of the monetary unit concept reveals that this concept inherently contradicts Islamic principles, as in an inflationary environment, money as a unit of measure is unable to serve as a just and honest unit of account. It makes money an inequitable standard of deferred payments and an untrustworthy store of value and would encourage some people to be unfair to others even though unknowingly.

Meanwhile, the realization concept particularly for the Islamic bank would create a problem, as it does not realize fairness for withdrawing depositors. This concept suggests that the earning process for the revenues of the bank should be known and should be collectible with a reasonable degree, if not already collected. This means

that if the depositors withdraw before the full liquidation of the project in

which their funds have actually participated, they may lose a part of the profit that might be realized in the future (Abdelgader, 1994).

The inappropriateness of conventional accounting is also viewed in terms of attitude before Allah. The going concern concept for instance, according to Adnan and Gaffikin (1997) would mean that there is something else other than Allah that will live continuously. In fact, in Islam, one of the characteristics of Allah is that only He lives indefinitely forever (Al-Qur'an 3:2; 2:255; 20:111; 25:58; 40:65; 53:27) and a Muslim is prohibited to have such an attitude.

### **2.2.2. The Irrelevance of Conventional Accounting to Islamic Accounting Objectives**

Adnan and Gaffikin (1997) assert that some of the accounting concepts in conventional accounting are irrelevant to Islamic accounting. The matching concept for instance, is considered irrelevant because it leads to the preference for the revenue-expense approach rather than the asset liability approach. In fact, if the objective of accounting in Islam is to uphold the accountability through *Zakat* as Adnan and Gaffikin (1997) propose, the asset-liability approach needs to be applied.

Besides the matching concept, the objectivity concept is also considered as irrelevant. Adnan and Gaffikin (1997) argue that putting objectivity in the context of qualitative characteristics indicates that it is related more to the secondary objectives of accounting information, which is to facilitate accounting users in making legitimate economic decisions for their own interests. Therefore, since the primary objective of Islamic accounting is for *Zakat* accountability (as they propose), the objectivity

### **2.2.3. The Insufficiency of Conventional Accounting in Achieving Islamic Socio-economic Objectives**

Hameed (2000a) asserts that the main accounting reports of conventional accounting (e.g. the income statement, balance sheet, cash flow statement and other subsequent or extraordinary events information) are considered important in Islamic accounting and could continue to be applied. This is because the investors and other financial providers are also members of society and they must get their due rights. In this case, the calculation of profits is absolutely essential in order for various parties to get their just and fair share.

However, that information is insufficient for Islamic society which should uphold accountability to Allah (as the Primary Accountee) and to men (as the secondary accountee) (Hameed, 2000a). Therefore, the uniqueness of Islamic accounting would be to provide other types of information in an integrated manner in the accounting report or statement.

Khan (1994) observes that the point of reference is the overall objective of the *Shariah* and not users' rights or needs as claimed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (1996). Therefore, he proposes additional requirements so that Islamic socio-economic objective can be obtained, such as providing true figures of *Zakat* payable, the extent to which justice and benevolence are considered in the organization, treatment of the employees, the

### **2.3. Approaches in Developing Islamic Accounting**

Basically, there are two approaches that can be used in developing Islamic accounting; (1) based on Islamic teachings and (2) based on contemporary accounting which is in line with Islamic teachings. These two approaches have been noted by the AAOIFI (1996) when they initially started to develop accounting for Islamic banks. Each approach contains inherent weaknesses in terms of either its applicability or reliability to meet Islamic socio-economic objectives. Therefore, Hameed (2000a) proposes a hybrid of the first and the second approach, which later will be considered as the third approach.

#### **3.1. Deduction from Islamic Teachings Approach**

This approach starts by establishing objectives based on the principles of Islam and its teachings, and considers these objectives in relation to contemporary accounting thought (AAOIFI, 1996). This approach deduces the *Shariah* precepts into what ought to be the objectives of financial accounting. If necessary, these could be supplemented by Western objectives of financial accounting that do not breach *Shariah* precepts and are deemed to be appropriate for Islamic business organizations.

The proponents of this approach believe that this would help to minimize the influence of secular contemporary accounting thought on the objectives to be developed (Karim, 1995). However, Rashid (1987) argues that this approach is necessarily detached from certain features of reality and one cannot know *a priori* how influential these factors will turn out to be. As a result, the move from theory to practice turns out to be quite difficult when one has only this approach at hand

### 3.2. Contemporary Accounting Based Approach

This approach adopts the objectives of Western financial accounting currently available that are appropriate for Islamic business organizations and excludes any objectives violating *Shariah* precepts. This approach focuses on the moral dimensions that are absent in conventional accounting thought as a result of its development on the basis of the separation between spiritual and temporal affairs (Karim, 1995)

The proponents of this approach argue that it deals with the actual functioning institutions and is practicable in nature (Rashid, 1987). Abdelgader (1994) asserts that this approach is in line with the Islamic judicial principle of *Ibaha* which suggests that everything is permitted and lawful except that which is explicitly prohibited in the Holy *Qur'an* or in the *Sunnah*. Other proponents of this approach argue that most of the accounting issues in Islamic banks have fallen within the scope of existing accounting standards, so there is no need for their extensive overhaul except for those which conventional accounting has not covered i.e. *musharakah* transactions (Ahmad and Hamad, 1992).

This approach has been objected to earlier by Gambling and Karim (1991) in that the conceptual framework of accounting currently applied in the West is justified in a dichotomy between business morality and private morality. Thus it cannot be implemented in other societies that have revealed doctrines and morals that govern all the social, economic and political aspects of life. Anwar (1987) calls such a model a partial approach to Islamization. He labels this kind of inductive approach as deceptive because they mostly contain un-Islamic assumptions while the norms and hypotheses of the original models are retained even though partial adjustment has



### **3.3. Hybrid Approach**

This approach is a combination of the two earlier approaches. It tries to bridge the weaknesses of the deductive approach and the inductive approach. Therefore, it is expected that the resulting Islamic accounting would be applicable and could achieve the Islamic socio-economic objectives. Hameed (2000a) proposes this approach by starting with; (1) identifying the ethical and accounting principles of the *Shariah* in relation to business activities and comparing it with what is currently being practiced; (2) identifying the main objectives and subsidiary objectives based on the Islamic ethical principles; (3) considering the development of socially related reporting that cannot be ignored by modern accounting; (4) identifying the theoretical foundation of Islamic accounting; and finally (5) identifying the users of Islamic accounting information and what information they need. Then, based on those identifications and considerations, try to develop the characteristics of Islamic accounting, which would incorporate Islamic business ethical principles and the achievement of the objectives of Islamic accounting.

This approach implies that the resulting Islamic accounting should be based not only on the understanding of *Shariah* principles related to business activities but also of the problems of society that it could probably contribute to solve. As Faruqi (1982) points out regarding the methodology of Islamization, an Islamic methodology must maintain its relevance to the *ummah's* (society) reality by addressing itself to the problems that have already been identified and analyzed from the standpoint of Islam.

### **2.4. The Objectives of Islamic Accounting**

Different approaches in developing accounting have resulted in different objectives of Islamic accounting. The AAQIEI, for instance with its inductive approach, has

proposed objectives, which are similar to the current objectives of accounting practice based on the decision usefulness approach. Meanwhile, others (i.e. Hameed, 2000a; Adnan and Gaffikin, 1997), who develop it with different approaches, have also come up with other different objectives as well. This section will discuss the possible objectives of Islamic accounting, which so far have already been brought up in the issue of the objectives of Islamic accounting. They are; (1) decision usefulness, (2) stewardship, (3) Islamic accountability and (4) accountability through *Zakat*.

#### **2.4.1. Decision Usefulness**

This objective is proposed by the AAOIFI for the Islamic banks. The AAOIFI (1996) in its Statement of Financial Accounting (SFA) no.1, recognized that the objectives of financial accounting determine the type and nature of information which should be included in financial reports in order to assist users of these reports in making decisions (SFA para 25). Therefore, financial reports should provide the information which is useful for users, such as; (a). Information about the Islamic bank's compliance with the Islamic *Shariah* (SFA para 37); (b) Information about the economic resources and obligations and the effect of transactions, other events and circumstances and related obligations (SFA para 38); (c) Information to assist the concerned party in the determination of *Zakat* on the fund (SFA para 39); (d) Information to assist in estimating cash flows that might be realized from dealing with the Islamic bank, the timing of those flows and the risk associated with their realization (SFA para 40); (e) Information to assist in evaluating the Islamic bank's discharge of its fiduciary responsibility to safeguard funds and to invest them (SFA para 41); and (f) Information about the Islamic bank's discharge of its social responsibility (SFA para 42).

The AAOIFI's objectives for Islamic accounting are most likely the same as those currently being practised in conventional accounting. For example, in the Statement of Financial Accounting Concepts (SFAC) no.1 issued by the Financial Accounting Standard Board (FASB) in the United States, it is stated that the financial report should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions (SFAC para 34). While in the SFA-AAOIFI no.1 para 25, it also mentions that the role of financial reporting in the economy is to provide information that is useful in making business and economic decisions

In the researcher's opinion, both the AAOIFI and the FASB accept the traditional view that relevant information for users is information about the company's financial position and performance. In fact, financial performance has to do with how successful a firm is in achieving its overall goal which, it is assumed, is to make a profit (Kam, 1990). Therefore, financial performance is directly linked to profitability. Presumably, the greater the amount of profit, the greater the achievement of the firm (Kam, 1990).

Henderson and Peirson (1988) assert that the decision usefulness can be extended to include the needs of those parties who seek to exercise an overview or monitoring role over the social performance of the corporation. However, most of the literature on decision usefulness relates only to the needs of shareholders and creditors (Kam, 1990). Therefore, useful information is mainly associated with, (1) the ability to predict when the investor will receive dividends and the amount involved (or how much they would receive if they were to sell their shares) and (2) the ability to know if the company is able to pay a creditor's loan (or how much they will receive if they

were to sell or redeem their bonds). Since naturally the investors and creditors hope that their cash receipts will exceed their cash outlays, the company then is directed towards increasing its ability to generate favorable cash flows (Kam, 1990). In this case, decision usefulness is a suitable objective to support an organization to achieve such goals.

#### **2.4.2 Stewardship**

Stewardship accounting has been practised since ancient times and was particularly important at the time to establish the credibility of their tenant to the often-absent landlord (Mathews and Pereira, 1996). Chen (1975) notes that the concept of stewardship arose from the religious teachings, mainly Christian, that man is a steward of God for the resources given to him. Man as God's steward owes a responsibility to use the property effectively not only for himself but also as a social responsibility for others around him. This concept developed in the feudal version of stewardship where resources, especially lands were given to the serfs to manage on the landlord's behalf. Here the serf was responsible for taking care of the land for the landlord whereas the landlord had to take care of the social responsibility for others around him.

Then, since the middle of the nineteenth century, the concept of stewardship in accounting has referred to the separation of ownership and capital, which resulted from the development of the joint stock company structure. At this time, the classical form of stewardship, developed in a different way that the managers who were servants of the capital providers recognized only the stewardship to their masters and ignored, their social responsibility (Chen, 1975). Meanwhile, the financial statement became a way of demonstrating that the resources entrusted to management have been

used in a proper manner. In terms of external reporting, the emphasis of stewardship is

on showing that investments have been made in productive assets in an attempt to meet the organization's objectives. This requires a balance sheet and profit and loss accounts, so that owners can trace aggregate financial movements during a certain period (Mathews and Pereira, 1996). The current stewardship concept is quite close to the decision usefulness concept, but the information for stewardship is basically less than the decision usefulness. This is because in stewardship (1) potential investors and creditors are not included as users; (2) it is not intended for the prediction model of users and (3) it mainly looks at the past to see what has been accomplished (Mathews and Pereira, 1996).

The AAOIFI (1996) also recognizes stewardship as one of its objectives. It points out that the objective of financial accounting is to contribute to the safeguarding of the assets, and to the enhancement of the managerial and productive capabilities of the Islamic bank while encouraging compliance with its established goals and policies (SFA para 33 – 34). Mirza and Baydoun (2000) support this objective and suggest that the stewardship function must be the focus of attention of accountants of Islamic institutions in reporting to external parties.

Meanwhile, the SFAC-FASB no. 1 also suggests that financial reporting should provide information about how the management of an enterprise has discharged its stewardship to shareholders for the use of the enterprise resources entrusted. The stewardship is maintained not only in the custody and safekeeping of resources but also for their efficient and profitable use and for protecting them to the greatest extent possible from an unfavorable economic impact such as inflation, deflation and technological and social changes (SFAC para 50). Since the AAOIFI uses the contemporary accounting based approach, their stewardship function in the

researcher's opinion seems most likely to be the same as the one applied in conventional accounting.

### 2.4.3. Accountability

Accountability is said to be a broader concept than stewardship. Gray et.al. (1996) define accountability as the duty to provide an account or reckoning of those actions for which one is held responsible. This definition takes accountability as a form of principal agent relationship. In this form, an Accountee (principal) enters into a contractual relationship with an agent an Accountor (agent). The Accountee gives the power over resources along with instructions about actions and rewards to the Accountor. On the other hand, the Accountor is supposed to take certain actions and refrain from others in managing the resources given to him to meet certain objectives and to account to his principal by giving information about his actions to him.

In contrast to Gray (1996), Hameed (2000a) extends accountability to undertake (or to refrain from) certain actions in addition to providing an account of these actions as mentioned by Gray (1996). Hameed (2000a) adds a metaphysical dimension of accountability to God, discharge through accountability to society. This kind of accountability objective has been proposed by some scholars as the primary objective of Islamic accounting. For example, Adnan and Gaffikin (1997) proposed accountability through *Zakat*. Meanwhile, Hameed (2000a) suggests Islamic accountability as the primary objective. The following section will discuss each of these suggestions.

#### 2.4.3.1 Accountability through *Zakat*

Based on the deductive approach that they use, Adnan and Gaffikin (1997) assert that the primary objective of Islamic accounting information is the provision of information to satisfy an accountability obligation to the real owner (Allah). Therefore, the overall accountability will be better operationalized, if it is directed towards the fulfillment of the *Zakat* obligation. They argue that by making *Zakat* the primary objective, one tends to avoid the unwanted practice of cheating or window-dressing in any form, as he or she believes that Allah always watches him or her. Consequently, accounting information will indirectly fulfill its users' needs as well as its societal responsibility (Adnan and Gaffikin, 1997).

In the researcher's opinion, *Zakat* payment and the consciousness of Allah's watching over one's acts are two different things. A person who pays *Zakat* will not necessarily adhere to Allah's watching them. This is because the consciousness of Allah's watching us is more related with one's worldview and reflected in the consciousness that all he does is because of Allah as well. In this case, Islam recognizes that there is a possibility of doing a good act, not because of Allah. This can be inferred from the hadith narrated by Bukhari and Muslim that a good deed will only be accepted if the intention is because of Allah (Nawawi, 1997). Since there is a possibility of one paying one's *Zakat* not because of Allah, we cannot simply assume that making *Zakat* the primary objective will result in less creative accounting.

Triuwono (2000) also suggests that Muslim organizations should be *Zakat* oriented instead of profit oriented as they are now. This means that the net profit is no longer used as a basis of performance measurement as it is replaced by *Zakat*. Therefore, an enterprise is directed to the achievement of higher *Zakat* payment. To achieve a *Zakat*

oriented enterprise, it needs to maintain a *Zakat* oriented accounting system. Triyuwono (2000) believes that the use of *Zakat* oriented accounting would result in a more Islamic organization as it implies certain features. Firstly, the transformation from profit maximization to *Zakat* optimization. Therefore, profit is only regarded as an intermediary goal while *Zakat* is the primary goal. This in turn will lead the *Zakat* oriented enterprise to strive for the higher *Zakat* payment. Secondly, since *Zakat* has been taken as the ultimate goal, any activity policy of the enterprise must comply with the Islamic *Shariah*. Thirdly, it would inherently incorporate a balance between individual character and social character. This is because *Zakat* concept encourages Muslims to make profits (under *Shariah* guidance) and to distribute some of them as *Zakat* representing one's concern for social welfare. Fourthly, the enterprise would be encouraged to participate in releasing humans from the oppression of economic, social and intellectual factors and releasing the environment from human exploitation. Fifthly, it provides a bridge between the world and the Hereafter as *Zakat* raises human consciousness that any worldly activities are related with their destiny in the Hereafter.

In the researcher's opinion, putting *Zakat* as the ultimate objective would mean entail narrowing the Islamic view on economic issues. Although, there is no doubt that *Zakat* is one of the main pillars in Islam and should be upheld, it is simplistic to say that *Zakat* would solve the remaining economic problems. In fact, Islamic socio-economic objectives involve a wide range of concerns. In the researcher's view,



Pertaining to this issue, Chapra (1992) reminds us that an Islamic system in business should be able to achieve the *maqasid al-Shariah* (objectives of the Islamic teachings) which includes everything that is needed to realize *falah* (success in the world and the Hereafter) and *hayat tayyibah* (good life) within the constraints of the *Shariah*. Even if *Zakat* accompanied by behavioral norms and the prohibition of interest could be established, they still cannot carry the burden and responsibility of realizing the *maqasid*. As Chapra (1992) commented, it is just like looking at the skull, chest, and legs of a skeleton and saying that this is the human being.

Borrowing Chapra's (1992) terminology of ingredient and recipe, the researcher believes that making *Zakat* the main objective of Islamic accounting is the same as treating an ingredient as a recipe. In terms of the socio-economic objective, it is justice that should be increased, and the higher portion of *Zakat* will not necessarily ensure better justice. Just like a cook, too many ingredients could result in awful tasting food, so an overestimated *Zakat* could also end up in injustice by sacrificing the rights of the *Zakat* payer or the employees who work for that particular enterprise.

#### **2.4.3.2. Islamic Accountability**

By using the hybrid approach, Hameed (2000a) starts his argument on Islamic accountability with Faruqi's (1992) description of the concept of *Khilafah* (vicegerency). This concept explains the vicegerent status of man in the world, in which Allah - God Almighty - has given *amanah* or trust of the earth to man (Al-Qur'an 35:39) while other creatures including angels, animals and non living matter have no ability to fulfill it. As stated in the Holy *Qur'an*, Allah indeed has offered the trust to the Heavens and Earth and the Mountains, but they refused to undertake it being afraid thereof but man undertook it (Al-Qur'an 33:72)

Tsazi-Saud (1991) notes that the trust constitutes such a heavy responsibility that even the Heavens, the Earth and the Mountains did not feel prepared to bear it. Man as the one who accepted the trust, therefore should be aware of fulfilling it, since this will be accounted for. Man is not only accountable for the spiritual aspects but also for social, business and contractual dealings as Allah also commands man to give back things that have been entrusted, to whom they are due (Al-Qur'an 4:58). This command then is detailed in another verse of the *Qur'an* that man should fulfill (every contract) because for (every) contract will be questioned (on the day of the judgment) (Al-Qur'an 17:34)

Hameed (2000a) suggests that this kind of accountability can be used as the main objective of Islamic accounting which he then names Islamic accountability. From a practical point of view, this suggestion is supported by Khir (1992) who asserts that this concept is so ingrained in the Muslim community that it will give the greatest motivation for the practical development of Islamic accounting.

Islamic accountability is defined by Hameed (2000a) as a being premised on both Islamic/Muslim organizations and owners with dual accountability. The first or prime accountability arises through the concept of Khilafa whereby a man is a trustee of Allah's resources. This primary accountability is transcendent, as it cannot be perceived through the senses. However, it is made visible through the revelation of the *Qur'an* and *Hadith*, which are the sources of Islamic teachings. Meanwhile, the secondary accountability is established by a contract between an owner or investor and a manager. To discharge the secondary accountability, the company should identify, measure and report the socio-economic activities pertaining to Islamic,

Islamic accountability, subsidiary objectivities can be determined such as *shariah* compliance, assessment and distribution of *Zakat*, equitable distribution of wealth among stakeholders, the creation of a cooperative environment and solidarity and other type of reports that can contribute in providing information of and encouraging the enterprise to participate in solving contemporary the *Ummah's* (society) problems (Hameed, 2000a)

## **2.5. Characteristics of Islamic Accounting**

After discussing the emerging issues on the objectives of Islamic accounting in the previous section, the researcher will continue to delve deeper into the issues of the characteristics of Islamic accounting. Mainly, the debates on the characteristics of Islamic accounting are focused in two aspects (1) financial measurement and (2) disclosure presentation. Therefore, the following section will discuss those two aspects of Islamic accounting characteristics.

### **2.5.1. Financial Measurement Aspects**

Most of Islamic accounting literature takes *Zakat* as a cornerstone of determining measurement tools. There are, at least, three reasons for taking *Zakat* as the main focus of measurement issues. Firstly, *Zakat* is a concept in Islam that deals specifically with the measurement of assets. This can be inferred from some verses in the *Qur'an* and *Hadith* of the Prophet Muhammad (pbuh) regarding the timing and the way in which *Zakat* is calculated. Secondly, *Zakat* has been decreed in many verses directly after the ordinance of prayer and considered as one of the five pillars of Islam. This implies that Muslims are encouraged to establish instruments (including accounting instruments) in order to ensure this obligation can be fulfilled in

early Muslim government are closely related with the practice of *Zakat*. During that time, the Islamic State had already provided accounting books and reports for the determination and accountability of *Zakat* (Zaid, 1997).

In valuing *Zakat*, the majority of jurists appear to have concluded that it should be based on the selling prices prevailing at the time *Zakat* falls due (al-Qardhawi, 1988). This implies that in accounting, Islamic business organizations should apply current cost rather than historical cost which is widely used at this time (Adnan & Gaffikin, 1997; Baydoun & Willet, 1997 & 2000; Clarke et al, 1996; and Haniffa & Hudaib, 2001). Besides that, some accounting principles related to the measurement also need to be redefined. For instance, Haniffa & Hudaib (2001) argued that what is meant in Islamic accounting by the conservatism principle is not the selection of the accounting techniques that has the least favorable impact on owners but more towards the selection of accounting techniques with the most favorable impact on society i.e. better to overestimate funds for *Zakat* purposes.

The AAOIFI (1996) recognizes the current value concept of assets, liabilities and restricted investments in its statement of accounting concepts. However, due to the lack of adequate means, such a concept is not recommended. Instead of that, historical cost remains to be applied and the use of the current value financial statement is only regarded as supplementary information if the enterprise considers its importance for the potential investor and other users. Therefore, in practice, it is the historical cost which is applied by Islamic banks (Shihadeh, 1994).

Mirza and Baydoun (2000) view this issue differently from the above views in that Islamic accounting is likely to use both historical cost and market selling prices

Therefore, an Islamic accounting system would have a dual system of asset valuation. This argument is based on the premise that an Islamic enterprise needs to adhere both to the contract and discharge its obligation on *Zakat*. Since contract is based on past transaction and *Zakat* is based on current valuation, then the measurement needs to conform to each purpose.

Mirza and Baydoun's assertion (2000) on the application of historical cost in all (except for *Zakat* purposes) accounting calculations, is based on the arguments that historical cost is a highly reliable source of information about a firm's assets, private debts, the firms operation and cash management. In their opinion, historical cost also fits well into the concept of stewardship, which they believe is the objective of Islamic accounting. The historical cost method could highlight the fiduciary responsibility of the managers and their stewardship function. This method is most appropriate because contracts are written in historical cost numbers and this has survived over the centuries and if there were a more efficient valuation method it would have displaced the historical cost system long ago.

In the researcher's opinion, unlike the current valuation method, historical cost has no *Shariah* basis to be applied in an Islamic enterprise. The contract fulfillment principle in Islam cannot be used as the basis for applying historical cost for measurement purposes as contract itself is a kind of past activity but for the future realization.

Therefore, at the time of measurement, it is the current valuation which should be used. In this case, the use of historical cost could corrupt the principles of disclosing the truth (Al-Qur'an 2:42) and forbidding withholding it (Al-Qur'an 83:7). These

understatement nor overstatement. Meanwhile, the historical cost reflects a type of conservatism that would lead to the understated valuation.

### **2.5.2. Disclosure and Presentation Aspects**

Haniffa & Hudaib (2001) propose that the importance of disclosure and presentation is to fulfill the duties and obligations according to the Islamic *Shariah*. To achieve this purpose, an Islamic enterprise is expected to disclose at least: (1) any prohibited transactions they made; (2) *Zakat* obligation they have to pay and have already paid; and (3) social responsibility. Social responsibility would include charities, wages to employees, and environmental protection. This means that financial reporting in an Islamic society is likely to be more detailed than what is currently prevalent in Western societies.

Baydoun and Willet (2000) view that social accountability and full disclosures are the basis of Islamic corporate reports. They suggest the current value balance sheet be included as part of the reporting requirements of firms operating in an Islamic economy. Meanwhile, the income statement should be relegated to the notes because of its corruptive influence in directing people to become highly profit oriented. Instead of that, from an Islamic perspective, a Value Added Statement (VAS) should be applied. This is because the distributional characteristics of the VAS would support accountability in Islam (Baydoun and Willet, 1994).

The VAS, however, is basically a rearrangement of the income statement. Therefore, the existence of the VAS to provide a significant difference from an income statement is questionable. Just like the income statement, the VAS is also an ex-post report

which could be used as a control on the enterprise's social aspect for the

current year. But to some extent it can still be used by workers to influence the enterprise on policy following the issuance of the VAS in aspects such as bonus payment. Besides, community at large could also use it to enforce the enterprise to be more aware of their social responsibility whereas an income statement has no such specific tools.

From an Islamic perspective, growth should lead to social justice and a more equitable distribution of power and wealth. Meanwhile, the VAS could provide information on wealth distribution between the different sectors of society and is likely to facilitate focusing a firm's performance from the stakeholders' point of view (Mirza & Baydoun, 2000). Hence it would promote a conscious policy of redistribution and resource transfers among various groups of society (Sulaiman, 1997).

However, besides the distributional aspect of sources, Islam is also concerned about the acquisition of those sources. Islam requires that the sources acquired should meet the category of *halal* (permitted). To achieve this category, those sources should be permissible (*halal*) in nature and also permissible in the process of acquisition. The problem in the VAS is that, it does not provide a space for such consideration as it is only concerned with the distributional aspects of the sources. Therefore, in the researcher's opinion, it can be said that the VAS is insufficient in meeting the Islamic requirements for information.

Pertaining to the disclosure presentation issue, Mirza & Baydoun (2000) suggested that the Islamic financial statements require an emphasis on transparency and avoidance of manipulation, which is manifested by the full disclosure principle of

especially on firms disclosing negative information about themselves i.e. unfair treatment of employees, environmental pollution, cheating income tax calculation. Firms will think that they will be in the grip of the law if they disclose all these matters. Therefore, Khan (1994) suggests that it is only certain transactions, which are lawful in the capitalist framework but unlawful in the Islamic framework (e.g. interest income, interest paid, investment on mark-up without taking any risk and other *riba* type transactions) that should be adequately disclosed in the financial statements of Islamic business firms. To be adequate, disclosure of unlawful transactions should involve amounts, sources and circumstances which force the firm to engage in such transactions, and the method by which such incomes or assets will be disposed of (Khan, 1994).

However, in the researcher's opinion, letting the enterprise cover their negative information as Khan (1994) proposes will be the same as providing a comfortable environment for them to continue such practices. This can also be considered as compromising Islam with unjust business practices. The researcher believes that in the end it definitely would depart from the Islamic socio-economic objectives.

## **2.6. Conclusion**

As a way of life, Islam has a great concern for business activities. Through the revelation of the Qur'an and His Apostle, Allah has shown His guidance to mankind on how to be successful in this world and in the Hereafter while doing business. Since business is closely related to the economic problems which involve a wide and complex area, a single instrument e.g. *Zakat*, would not be sufficient to solve those



Therefore, it would also be appropriate to direct an Islamic accounting system towards the achievement of the Islamic socio-economic objective of *falah*. Hence, in designing an Islamic accounting system, its objectives and characteristics should be able to direct the enterprise not only to provide a true picture of the enterprise but also to encourage them to be *Ihsan* (benevolent) and discourage them from being unjust. Based on the previous discussion, the researcher has tried to show that some of the proposals for the objective and characteristics of Islamic accounting have inability to achieve the Islamic socio-economic objectives.

However, this opinion needs to be tested and compared further with other people's perceptions. Therefore an empirical test will be conducted on a group of people who are familiar with accounting and live in a Muslim society. The following chapter will describe the condition of the group on which the empirical test is to be conducted

## **Chapter 3**

# **Socio-religious Settings and the Development of Accounting in Indonesia**

### **3.0. Introduction**

In the previous chapter we have already discussed the issues regarding the objectives and characteristics of Islamic accounting. Based on that discussion, it can be inferred that there is a wide range of alternatives that have been proposed by some scholars for the development of Islamic accounting. The emergence of such a variety of alternatives is a reflection of the different methods those scholars are adopting. The end result is that both the professional body and the providers of financial statements have to face the problem of choosing which alternative is to be applied. Since, the implementation aspects of Islamic accounting deal a lot with both the Islamic teachings and the social conditions of society, the socio-religious aspects of the society are an important element to be considered before making specific choice from among the alternatives.

In order to have a better understanding of the issue of the socio-religious setting in Indonesia and its interplay with the development of Islamic accounting, this chapter will be divided into four sections. The first section will briefly discuss the theoretical foundation of the relationship between culture, religion and accounting. Then it will be followed by the second section on the elaboration of the socio-religious settings in Indonesia and how they play a role in the development of accounting. A deeper elaboration on the contemporary socio-religious setting in Indonesia and the

... will be provided in sections three and four. Finally, in

section five, some of the efforts by Indonesian Muslims in the Islamization of accounting in the contemporary setting will also be described.

### **3.1. Culture, Religion and Accounting**

During the 1980's, culture featured in the discussions on the factors influencing the development of accounting. Perera (1989) states that the lack of a consensus among different countries on what represents proper accounting methods is not because of the technical problems but is more due to the cultural problems. Based on his research, Gray (1988) finds that some of the societal values have a direct association with the accounting subculture. Hence, the accounting practices would also be affected.

Since the nature of culture is an expression of norms, value and customs, which reflect typical behavioral characteristics, a member of a given culture would tend to share his or her social understanding, values, beliefs and symbols with the people surrounding him or her and vice versa to form common norms, values and customs (Perera, 1989). This formation of culture would imply that one culture could be different from another and the larger the difference between two cultures, the more difficult it is to have a consensus.

In the history of the development of a culture, religion has played an important role in shaping the culture. This is because religion also produces social understanding, values, beliefs and symbols, which can be absorbed by a society and reproduced as a culture of the society (Baydoun and Willet, 1987).

Therefore, in reality we can find some similar values, beliefs and symbols in two

gambling which are more in line with Muslim Malays' beliefs on gambling rather than with the belief of non Muslim Chinese in Malaysia on gambling<sup>2</sup>.

In particular, Islam has a strong ability to influence culture. Unlike other religions, it does not separate between worldly activities and ritual activities. This characteristic would be able to influence culture in conformity with the universal Islamic teachings. For instance, on the whole, Muslim society does not tolerate hedonistic social activities such as free sex, alcoholism and gambling, as they are forbidden in Islam. In terms of business activity, Islam has also provided certain principles, which in turn would affect the accounting treatment. For example, the principle of a focus on community interest in the decisions and actions of the firms, would require a full disclosure type of accounting (Baydoun and Willett, 2000).

### **3.2. Accounting Development in the Setting of Religious Development in Indonesia**

In the discussion in the preceding section on the relationship between culture, religion and accounting, it is argued that accounting practice is a product of the society whereby the influence of culture as well as religion on accounting may possibly occur. In this section, the researcher will show how such an influence occurred along with the development of religions in Indonesia. The discussion of such an issue will be limited to the religions which have had a significant impact on accounting in the Indonesian archipelago. They are (1) at the stage of the development of Hinduism (2) at the early phase of the development of Islam and (3) at the early development of Christianity.

### 3.2.1. Early Stages of the Development of Hinduism

Littleton (1933) argues that current double entry bookkeeping requires some prerequisites or antecedents, which have to prevail. He classified such antecedents as those which represent a 'material' and a 'language'. Material antecedent is something which needs to be reworked, for example private property, capital, commerce and credit. Meanwhile, language antecedent is a medium for expressing the material e.g. writing, money and arithmetic.

In the Indonesian archipelago, language antecedent in terms of writing had not been recognized until the coming of Hindu's Brahmin Priests who spread Hindu beliefs. Chatterji (1966) an Indian archaeologist found that the earliest inscription in Indonesia is the *Pallava* script found in Kutai district of Kalimantan. The inscriptions are in *Sanskrit*. Although the inscriptions are not dated, the form and style of the South Indian scripts indicate that they were written in the fourth century A.D (Koentjaraningrat, 1975). Chatterji (1996) reveals that most of the inscriptions were used to commemorate the occasions of the building of temples, or of donations.

The earliest inscriptions found show how the Brahmin priests gave sacred gifts and donations to King Mulavarman.

*".....the gift of twenty thousand kinds of the illustrious and foremost of the rulers of men, for King Mulavarman, which was given at the most sacred place of Vaprakesvara.....(Chatterji, 1966)"*

Sukoharsono (1999) argues that those inscriptions indicate that writing seems to have been used for keeping information about sacred events. Just like the function of accounting, it shows that writing had become a part of the political administration of the information providers at that particular time. According to Mauss (1967), gifts and donations in the early society were the social phenomena that provided the mechanism

for producing sacred ritual and solidarity. Gifts and donations are also a kind of self-interested economic exchange by which a social fabric is composed in terms of religious, legal, moral and economic elements (Mauss, 1967). Therefore, we can conclude that accounting had been practiced in Indonesia during this period in the form of descriptions of the transactions occurring in society. Since most of the descriptions are related to religious events, we can say that the interaction of the socio-religious setting with accounting has been in existence since the very beginning of the development of accounting foundation in terms of the writing medium. Such an interaction would then continue into the period of development of Islam in Indonesia.

### **3.2.2. The Early Phase of the Development of Islam**

The arrival of Islam in Indonesia improved the knowledge of writing (Ambar, 1986). Hoernle's study (1900) reveals that Islam had brought the use of paper to replace the use of palm leaves for writing purposes during the Buddhist and Hindu periods. At the same time, the introduction of the Arabic alphabet and numbers also brought a significant development for writing and calculation purposes. This means that during the early period of the development of Islam, Littleton's antecedents in terms of writing and arithmetic for development of current accounting was already in place.

Sukoharsono (1999) notes that the development of alphabetic, and numeric notations and paper had increased the opportunity of the Indonesians to present and preserve a variety of knowledge and at the same time the development of both complex writing and recordkeeping became possible. This also means that the accounting then can be visualized both in qualitative and quantitative forms.

During the early settlement of Islam in Indonesia, Schrieke (1957) indicates that there existed simple accounting calculations developed by the Shahbandar, an important person who linked the ruler and foreign traders and who was also responsible for the collection of anchorage fees and import and export duties. For the purposes of administration and accountability, the Shahbandar prepared tax collection reports at regular intervals and then submitted them to the royal courts as revenue.

Meanwhile, the same function of taxation is also developed by court official tax collectors for farmers, fishermen, craftsmen and merchants (Schrieke, 1957). Schrieke (1957) indicates that there were various rates and different types of levies in relation to different commodities, occupations and other matters. For example, if the fisherman was of a high status in the community, he or she had to pay tax higher. Such circumstances led to the development of a complex writing system related to the administration and financial calculations, a function which is commonly practised in the accounting discipline.

Sukoharsono (1999) notes that this development was possible during the spread of Islam because Islam not only influenced the personal morality of the Muslim individual but also touched on the economic enterprise (e.g. trading and transactions) and administration (e.g. the policy making and planning). Dobbin (1983) shows that in the early Islamic countries, especially in Sumatera, the Muslim holy book, the *Qur'an* was laid down as a basic principle which governed general economic behavior and involved the ethics of trading activities. At that time the *Qur'an* was used as an alternative to the existing mode of regulating society's affairs. Besides that, the traditions (*Sunnah*) of the Prophet (pbuh) also play an important role in the basic

... of the community. However, in the inland regions of

East and Central Java where Hindu and Buddhist Javanese cultural and religious traditions were strong, the influence of Islam was less strong and the religion was much modified into a typically Javanese kind of Islam (Koentjaraningrat, 1975). Koentjaraningrat (1975) asserts that people in that area mainly combine the veneration of sacred graves, the mystical concept of unity with God and the pre-Islamic life cycle ceremonies with the belief in Allah and his Prophet Mohammad (pbuh)<sup>3</sup>.

The establishment of two Islamic states in Indonesia namely Demak (in Java) and Aceh (in Sumatera) resulted in business complexities in the Muslim community and the increased role of the Islamic state in public affairs (Ricklefs, 1981). Sukoharsono (1999) notes that in both Islamic States the major role of accounting had come into existence, due to their increasing role in revenue collection and budgeting. This is because they increased the government's role in meeting the needs of (1) security, fortifications, military and diplomatic expenses (2) internal administration for Islamic teaching, religious ceremonies and public works (3) general welfare in the area of rice, meat and pepper distribution. Therefore to cover their recurring expenditures, regular sources of revenue were also required. Such a situation, according to Sukoharsono (1999), would lead the states to better planning of revenues and expenses, in which the accounting information was a main required instrument. However, after the fall of the two Islamic states, their role in developing accounting was discontinued and replaced by Dutch Colonialism.

---

<sup>3</sup> Such a way of practising Islam still exists in the contemporary socio-religious settings in Indonesia. People who are practising it are called 'Kejawen' or 'Islam Abangan' (red Muslims). They believe in God and the Prophet Muhammad (pbuh), but they do not follow Islamic principles strictly e.g. they do not pray five times a day, do not fast in Ramadhan Month, have no desire to make the pilgrimage to



### **3.2.3. Early Christian Development**

During the development of the Christian period, accounting in Indonesia developed rapidly especially in the private sector. However, such development is more related with the spread of Dutch colonialism rather than the spread of Christianity even though both the spread of Christianity and the Dutch colonialism occurred at almost the same time. Unlike during the spread of Islam when it was also followed by the spread of accounting practice, in this period, the spread of accounting did not follow the spread of Christian beliefs but was more related to the colonialist practices in Indonesia.

Dutch colonialism, according to Diga and Yunus (1997) had introduced double entry bookkeeping through its business vehicle namely the East Indies Company (VOC). During that time, the economic activities had rapidly accelerated and the demand for trained accountants and bookkeepers increased. Therefore, some formal and informal education systems were established to introduce bookkeeping education. The Dutch government formally introduced bookkeeping in the schools, meanwhile some Dutchmen who worked for the Tax Office, Audit Office and the Treasury also provided private tutorials with their own exams and certificates. This practice, according to Hoskin and Macve (1986) is one the characteristics of modern accounting whereby examinations become used to legitimate the profession of accountancy.

During this period, the process of separation of religion and worldly activities, such as economics and politics, was introduced. Christian was mainly concerned about the religious rituals while the worldly activities were handled by specialized persons in



The debate on Pancasila continued after the declaration of Indonesian Independence. In his speech in front of the Constitution Assembly, Anshary (1957) one of the Islamic oriented leaders, stated that the Pancasila contradicted the Islamic faith (tawhid) as the substance of Pancasila is 'gotong royong' (mutual cooperation) in which all the principles in Pancasila can be squeezed into mutual cooperation, including the principle of belief in one God<sup>4</sup>. The philosophy and practice of mutual cooperation can be dominantly found in the development of Pancasila. An extreme practice had developed by the time Soekarno promoted the concept of 'Nasakom', a combined concept of Nationalism, Religion and Communism in order to accommodate those three political mainstreams in Indonesia. However, this concept was widely rejected by many Muslim leaders in Indonesia. Further, Anshary (1957) argues that Pancasila has no soul to encourage people to enjoin right and forbid evil.

However, before the constitutional assembly came up with the final result of Indonesian ideology, Soekarno (1959) as the president of Indonesia, issued a decree legitimizing Pancasila as the national ideology. As Pancasila had been decreed as the national ideology, the ruling regimes started to play a significant role in 'harmonizing' the religious interest with the national interest. This 'harmonization' process was not only in the area of politics e.g. the dismissal of 'Masyumi', a progressive Islamic party to participate in the political arena, but also in the area of religious belief e.g. the encouragement of participation in celebrating other people's religious holidays like having 'Natal Bersama' (Christmas Together).

---

<sup>4</sup> This argument is based on his analysis of Soekarno's speech about the Pancasila ideology in June 1945. Soekarno (1945) explains that Pancasila consists of five principles i.e. Indonesian nationalism, humanitarianism, consultative democracy, social prosperity and belief in one God. These principles, ...  
... principles i.e. socio-nationalism, socio-democracy and

The culmination of this harmonization process was the obligation for every organization in Indonesia to explicitly declare Pancasila as the foundation of the organization or as it was popularly called the 'azas tunggal' policy (Syarbaini, 2001). This policy was actually rejected by most of the Muslim organizations in Indonesia, but since the political pressure from President Soeharto was so strong, finally they accepted this policy. However, there were still some progressive organizations which did not apply this policy in their organizations .e.g. the Indonesian Muslim University Student Association (HMI) and the Indonesian Muslim High School Student Association (PII).

The nationalistic spirit of Pancasila, was not only reflected in the government policy towards political affairs but also towards the accounting education and practices. The policy on accounting education and practices was directed to find an alternative to replace the former colonialist accounting. Through active links between Indonesian and American universities, Indonesia moved closer towards the use of US accounting practices (Diga and Yunus, 1997). In his doctoral thesis, Hadibroto (1962), one of an early generation of Indonesian accounting academicians, strongly advocated the 'pragmatic approach' prevalent in the US, as being more appropriate for the Indonesian environment than the Dutch's.

During the period from 1960 to 1975, an increasing number of tertiary institutions in Indonesia began to shift their accountancy programs from the Dutch to the US system. This shift culminated in 1975 with the decision of the Ministry of Education and Commerce, mandating that accounting education in Indonesia was to be modeled solely on the US system (Diga & Yunus, 1997).

Along with the closer relationship with the US accounting practices, in 1967, a US accounting firm, Arthur Young was allowed to operate in Indonesia as the correspondent accountant of Santoso Harsokusumo accounting firm. Then in 1971, some other foreign accounting firms came to operate in Indonesia as correspondents, such as Price Waterhouse, Coopers and Lybrand etc. (Abdoelkadir and Yunus, 1994).

Prior to this development, in 1957, for the first time Indonesia had established a professional accountancy body namely Ikatan Akuntan Indonesia (IAI). Then, in 1973 IAI adopted three sets of US accounting standards i.e. Accounting Standards, Auditing Standards and Accountant Code of Conduct. Later, in the 1994 National Congress, IAI endorsed the use of the International Accounting Standard (IAS) as a basis for domestic financial accounting standards (Diga & Yunus, 1997).

#### **3.4. Islamization Process in the Contemporary Setting**

In contrast with its declining success in the political arena, the Islamic movement in the education area has registered some achievements. The illiteracy rate decreased significantly from 90 % of Muslim in 1945 to 20% in the 1990's (Maarif, 1993). This improvement was also followed by the improvement in the number of Islamic oriented intellectuals at the national level as there are more and more Muslims from the 'pesantren' (Islamic School) background able to reach the university level of education.

Meanwhile, Maarif (1993) asserts that there is also a slow shift from the 'Abangan' Muslim (Muslims who are loosely practising Islam) towards the 'Santri' Muslim (Muslims who are strictly practising Islam). This process, according to Maarif (1993)

is gradually happening and cannot be stopped by any party, even by those who do not

like Islam growing in such a way in Indonesia. In describing its development, Nakamura (1976) notes that, far from being a fading religion, Islam is a vital living religion for the Indonesians.

Some large Islamic organizations such as Muhammadiyah and Nahdlatul Ulama which have already been established since the beginning of the twentieth century, have played a significant role in providing education for Muslims nationwide. Muhammadiyah for instance, a leading Islamic organization in Indonesia, has established thousands of educational institutions ranging from the play groups level to the university level, and it currently has more than thirty universities all over Indonesia.

Besides the efforts of the established Islamic organizations, since the 1980's an extensive effort has also been undertaken on a small scale by the Indonesians who have graduated from Islamic Schools in the Middle East. Although smaller in its scale of activities, this movement has successfully brought closer the ideas of an Islamic resurgence from Muslim thinkers in the Middle East like Hasan Al Banna, Sayyid Qutub, Yusuf Qardhawi etc, to the arena of Indonesian student discussion forums e.g. the idea of and the consciousness about taking Islam as a way of life. The following section would discuss the Islamization process in the accounting education and business practices which take place a decade after the intensive promotion of Islamic resurgence ideas among the students and professionals.

### **3.5. Islamization Process in Accounting Education and Practices in Indonesia**

The development of the Islamization process in Indonesia as we have already

well as in business practices. In this context, the Islamization of accounting in Indonesia is being developed in both the areas of education and business practices.

### **3.5.1. Islamization of Accounting Education in Indonesia**

The islamization of accounting education in Indonesia is being formally conducted by the universities with an Islamic background. In Yogyakarta province for example, there are six higher educational institutions with Islamic backgrounds, which have an accounting department providing bachelor degrees. They are, Universitas Ahmad Dahlan, Universitas Muhammadiyah Yogyakarta, Universitas Islam Indonesia, Universitas Cokroaminoto, STIE (College of Economics) 'Widya Wiwaha' and STIE (College of Economics) 'Syariah Banking Institute'.

At an early stage, this process was conducted by introducing some Islamic related subjects to the students of those institutions (see Figure 1). This policy was possible because the Indonesian government recognized both the national and local content of curriculum. In terms of the local content of the curriculum, the university is allowed to determine the subjects and the number of credit hours for the particular subjects.

Recently, the higher education authority has given a higher portion of credit hours to any university to develop their local curriculum content. However, there is still a general regulation that there should be a minimum of two credit hours to be provided for the religious education in any program at the university level. In this case, other universities in Yogyakarta mainly take the minimum requirement.

From Table 3.1, we can summarize that (1) there is no common standard in the policy

and (2) the Islamic

related subjects are still general and do not specifically touch on Islamic accounting. However, from the variety of Islamic related subjects offered, almost all of the Islamic background higher educational institutions provide Islamic Economics for their accounting students. If we refer to the discussion of Islamic accounting, Islamic economics can be considered as the backbone for developing Islamic accounting. As Hameed (2000b) asserts that different economic systems lead to different accounting, therefore, it can be inferred that those Islamic background institutions have already provided the required knowledge for the further development of Islamic accounting.

**Table 3.1**

**The Islamic Related Subjects and Credit Hours in the Islamic Background of Higher Educational Institutions in Yogyakarta Province**

No	Name of Institution	Islamic related subject and number of credit hours	Total Credit Hours & requirement status
1	Universitas Ahmad Dahlan	<ul style="list-style-type: none"> <li>- Islamic Study 1 (2 CHs)</li> <li>- Islamic Study 2 (2 CHs)</li> <li>- Islamic Economics (3 CHs)</li> <li>- Muhammadiyah &amp; Islamic Thought (2 CHs)</li> <li>- Emerging Issues on the Islamic Movement (2 CHs)</li> </ul>	11 (compulsory)
2	Universitas Muhammadiyah Yogyakarta	<ul style="list-style-type: none"> <li>- Islamic Faith (2 CHs)</li> <li>- Muhammadiyah Movement (2 CHs)</li> <li>- Islamic Economics (2 CHs)</li> <li>- Islamic Law (2 CHs)</li> <li>- Islamic Moral Code (2 CHs)</li> </ul>	10 (compulsory)
3	Universitas Islam Indonesia	<ul style="list-style-type: none"> <li>- Religious Education (2 CHs)</li> <li>- Islamic Economics 1 (3 CHs)</li> <li>- Islamic Economics 2 (3 CHs)</li> <li>- Islamic Thought &amp; Civilization (2 CHs)</li> </ul>	10 (compulsory)
4	Universitas Cokroaminoto Yogyakarta	<ul style="list-style-type: none"> <li>- Islamic Study 1 (2 CHs)</li> <li>- Islamic Study 2 (2 CHs)</li> <li>- Islamic Organization (2 CHs)</li> </ul>	6 (compulsory)
5	STIE Widya Wiwaha	<ul style="list-style-type: none"> <li>- Islamic Study (2 CHs)</li> <li>- Islamic Economics (2 CHs)</li> </ul>	4 (compulsory)
6	STIE 'SBI'	<ul style="list-style-type: none"> <li>- Islamic Social System (2CHs)</li> <li>- Islamic Economics (2 CHs)</li> <li>- Shariah Banking (3 CHs)</li> <li>- Islamic Banking Management (3 CHs)</li> </ul>	10 (compulsory)



In its development, to some extent, those universities have tried to develop Islamic accounting through discussions and publications. STIE Widya Wiwaha for instance, has initiated a regular discussion on Islamic economics and accounting issues, Universitas Muhammadiyah Yogyakarta has already published a handbook on the Qur'anic verses which relate to accounting issues and Universitas Islam Indonesia has published a journal promoting articles on Islamic accounting. Along with the development of Islamization in business practices, such efforts of the educational institutions will possibly continue to be developed in the future.

### **3.5.2. Islamization in Business Practices and the Accounting Profession**

In business practices, the concern for the development of Islamic accounting has arisen along with the development of Islamic banking in Indonesia. The establishment of 'Bank Muamalat', the first Islamic bank in Indonesia implies the need for a specific accounting system to support the bank's operations, due to the significant differences between the operations of the Islamic Bank and the conventional banks (Karim, 1999). Badawi (1986) notes that, unlike the conventional bank, the Islamic bank is required to keep certain transactions separate because there will be a problem in the end as to how to share the profits between the shareholders and the depositors. Since Islamic banks are not based on interest rates, they have to wait until the transaction is completed and ascertain at the end of the year how much profit each of the groups will receive.

According to Arifin (1999), in 1998 there were more than a thousand Islamic Financial institutions in Indonesia, consisting of 1 commercial bank (Bank Muamalat), 73 rural banks, 1300 informal credit institutions (which are called Baitul Maal Wat

crisis, another commercial bank was established namely Bank Syariah Mandiri, followed by the establishment of Islamic Banking units by conventional commercial banks such as Bank Negara Indonesia, Bank Danamon, Bank Bukopin and Bank IFI. Then at the end of the year 2002, for the first time a shariah-based bond was launched in the Indonesian capital Market by the Indonesian Satellite Company (INDOSAT).

To respond to such developments, especially in the banking industry, the Indonesian Institute of Accountants (IAI) issued an accounting standard for Shariah Banking in Indonesia namely the Statement of Financial Accounting (PSAK) no 59 in July 1999. This standard, according to Wibisono (2002) has been established through a significant adaptation of the standard issued by the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) in Bahrain.

Currently an auditing standard for the Islamic banking is also in the process of formulation by the IAI by also referring to the AAOIFI standards. Consequently, the development of Islamic accounting in Indonesia is following the approach of the AAOIFI. i.e. based on the contemporary accounting approach. This approach would adopt the Western financial accounting currently available that is permissible for Islamic business organizations and exclude those elements which violate the *Shariah* precepts. As already discussed in the previous chapter, this approach is basically problematic as the product will still contain un-Islamic assumptions while the norms and hypotheses of the original models are retained even though partial adjustments have been made by integrating some Islamic components into it (Anwar, 1987).

### **3.6. Conclusion**

Accounting in Indonesia has developed in a variety of socio-religious settings. During

descriptions of religious donations. Along with the coming of Islam, accounting then developed in both qualitative and quantitative forms. During this time, accounting was used as the accountability tool of persons who were in charge of tax collection. As the mini Indonesian Islamic states increased their role in public affairs, accounting was developed to support the states in making decisions on their fiscal activities. Later, with the advent of Dutch Colonialism, European modernist and secularist values were then developed in the way that religion should be separated from worldly activities. Accounting at that time was developed for the purpose of the wealth creation of the Dutch companies under a holding namely the VOC.

After Indonesian independence, the development of accounting was reflected in a competitive setting between the religious influence and the nationalist Pancasila ideology influence. Although in general, the ruling regimes successfully used the Pancasila ideology to diminish the Islamic influence in the political arena, Islamic movements achieved significant success in introducing Islamic values in the people's way of life and in the education system.

Islamization of accounting developed both in the education area and in business practices and accounting profession. In this case, the Islamic background higher educational institutions have had a great role both in discussing the emerging issues in Islamic accounting and in the publication of books and journals on Islamic accounting. Meanwhile, some efforts in the business practices initiated by Islamic financial institutions, have resulted in the development of Islamic based financial institutions in Indonesia. This condition has made the accounting profession (IAI) provide separate

... which are different from the

## Chapter 4

### Hypotheses and Research Methodology

#### 4.0. Introduction

In the last two chapters we have discussed the emerging issues on Islamic accounting and the socio-religious settings in the development of accounting in Indonesia. It has been found that the existence of Islamic background educational institutions has supported the development of Islamic accounting. This can be seen from the extent to which they promote Islamic teaching materials in the curriculum and also by means of publication and academic forums.

However, there is no evidence so far as to whether the different backgrounds of institutions could affect the accounting academicians' perceptions on conventional accounting and Islamic accounting. It is not known yet what the overall perception of Muslim accounting academicians is on Islamic accounting and conventional accounting. Therefore this research is conducted in order to obtain sound evidences on these problems. In this chapter, a number of issues related to the construction of this research will be addressed. In section one, we will discuss the research design and methodology. Then in section two, the issue of population and sample will be explained. Following section two, the respondents' demographic profile will be detailed in section three. Questionnaire design and construction will be described in section four. Then data and method of data collection will be discussed in section five. In section six, we will elaborate the research questions and hypotheses development. The reliability and validity will be discussed in section seven. Finally in section eight,

#### **4.1. Research Design and Methodology**

This research uses the survey method using self-administered questionnaires in order to get the data from the selected sample. The survey method is a method of gathering information from a number of individuals in order to learn something about the larger population from which the sample is drawn (Ferber et al, 1980). According to Hoyle et al. (2002), the use of self-administered questionnaires would provide some advantages such as (1) low cost, (2) avoidance of potential interviewer bias, (3) less pressure for an immediate response and (4) giving respondents a greater feeling of anonymity and encouraging open responses.

In order to get more information on the institution's policy on the Islamic approach to develop the curriculum, the researcher used interview techniques. Since it is only related with policy, the interviews were conducted only with the head or the secretary of the department who is also an academician. To accompany the information gathered from the head of department, some information from brochures or handbooks was also used.

#### **4.2. Population and Sample**

This research takes Muslim accounting academicians in Yogyakarta Province as the research population. There are three reasons why the researcher had chosen Yogyakarta province. Firstly, this province is well known as the educational Province of Indonesia. There are about one hundred higher educational institutions in this province including universities and colleges. Twenty-one of the institutions are higher educational institutions, which provide a bachelor program in accounting. The development of higher educational institutions in this province can be regarded as the

oldest state and private universities are located in this province, namely Universitas Gadjah Mada and Universitas Islam Indonesia. Universitas Gadjah Mada is also the largest university student population in Indonesia with more than thirty thousand students.

Secondly, the accounting academicians in this province are involved in the development of the accounting profession and education at the national level. A number of them sit on the accounting standard setting committees of the Indonesian Institute of Accountants (IAI)<sup>5</sup>. At the time this research being conducted, one of the Gadjah Mada lecturers is the Vice Chairman of the IAI, and another one is the chairman of the education department of the IAI. The involvement of Yogyakarta's accounting academicians in developing the accounting profession and education can also be seen from the number of national workshops and seminars on current issues in accounting conducted in Yogyakarta. Besides this, most of the accounting departments in this province are active in publishing accounting journals as shown in the following table.

---

<sup>5</sup> For example, the late Dr Nur Indriantoro (Allahyarham), one of the lecturers of Gadjah Mada

**Table 4.1**

**Lists of Accounting Journals Issued by Higher Educational institutions in Yogyakarta Province**

No	Name of Institution	Name of Journal	Scope of Journal	Accreditation Status
1	Universitas Gadjah Mada & IAI	Jurnal Riset Akuntansi Indonesia	Specific (accounting)	Accredited
2	Universitas Islam Indonesia	Jurnal Akuntansi dan Auditing Indonesia	Specific (accounting)	Accredited
3	Universitas Muhammadiyah Yogyakarta	Jurnal Akuntansi dan Investasi	Specific (accounting)	Process of accreditation
4	Universitas Ahmad Dahlan	OPTIMUM	General (accounting, management & economics)	Not accredited
5	STIE Widya Wiwaha	KOMPAK	General (management, accounting & economics)	Accredited
6	STIE YKPN	Jurnal Akuntansi dan Manajemen	General (accounting & management)	Accredited
7	STIE 'YO'	Kajian Bisnis	General (accounting, management & economics)	Accredited
8	Universitas Gadjah Mada	Gadjah Mada International Journal	General (accounting, management & economics)	International recognition

Although those journals are published in Yogyakarta, many universities and institutions outside Yogyakarta have already subscribed to them. A large number of contributors from other provinces have also participated in those journals as writers. One of the journals, the Gadjah Mada International Journal, has gained International

Thirdly, the universities in this province are established with a variety of organizational backgrounds, which could represent the variety of ideas and values evolving in Indonesia. Some universities are recognized as actively internalizing Islamic values in their curricula e.g. Universitas Muhammadiyah Yogyakarta and Universitas Islam Indonesia. Some others are recognized as active universities in promoting nationalistic values such as Universitas Veteran Yogyakarta and Universitas Janabadra. One university, Universitas Widya Mataram, is known as actively promoting traditional cultural values. Meanwhile, there are also some universities established by Catholic and Christian missionary organizations e.g. Universitas Kristen Duta Wacana, Universitas Atma Jaya Yogyakarta and Universitas Sanata Dharma.

With regard to this research, the researcher will use the classifications of Islamic and conventional background as classification categories for these higher educational institutions. Since there is no Muslim accounting academician in the Christian and Catholic background higher educational institutions, the population of this research excludes these institutions and is confined to the remaining 18 higher educational institutions in Yogyakarta. In total, there are about 235 Muslim accounting academicians as the population of this research and about 30 % of them, are Muslim



**Table 4.2**  
**Number of Permanent Muslim Accounting Academician (MAA) at both Islamic and non Islamic Background Institutions as of August 2002**

No	Conventional background	Number of permanent MAA	No	Islamic Background	Number of permanent MAA
1.	Universitas Gadjah Mada (UGM)	38	1.	Universitas Islam Indonesia (UII)	27
2.	Sekolah Tinggi Ilmu Ekonomi 'YKPN' Yogyakarta	23	2.	Universitas Muhammadiyah Yogyakarta (UMY)	17
3.	Universitas Pembangunan Nasional Veteran (UPN)	21	3.	Universitas Ahmad Dahlan (UAD)	11
4.	Universitas Negeri Yogyakarta (UNY)	16	4.	Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha (STIE 'WW')	10
5.	Sekolah Tinggi Ilmu Ekonomi 'Yogyakarta'	14	5.	Universitas Cokroaminoto (Uncok)	4
6.	Sekolah Tinggi Ilmu Ekonomi 'Nusa Megar Kencana'	13	6.	Sekolah Tinggi Ilmu Ekonomi 'SBI'	2
7.	Sekolah Tinggi Ilmu Ekonomi 'YKP' Yogyakarta	9			
8.	Universitas Wangsa Manggala (Unwama)	9			
9.	Universitas Widya Mataram (UWM)	6			
10.	Universitas Dirgantara Indonesia (UDI)	6			
11.	Universitas Janabadra (UJB)	5			
12.	Sekolah Tinggi Ilmu Ekonomi 'BBANK' Yogyakarta	4			
	<b>Total</b>	<b>164</b>		<b>Total</b>	<b>71</b>
	<b>% of total Islamic+non Islamic background (235)</b>	<b>70%</b>		<b>% of total Islamic+non Islamic background (235)</b>	<b>30%</b>

From Table 4.2, we can see that Universitas Gadjah Mada has the largest number of Muslim accounting academicians, followed by UII, STIE YKPN, UPN and UMY. This means that two out the five largest populations of Muslim accounting

In this research, all the Islamic background institutions are included in the selected research sample. But for the conventional background institutions, only some of them are included. The number of conventional institutions being taken as the sample is determined proportionately to represent the figure of the population. In this case the researcher has classified the figure of the population into three categories; firstly, conventional background under state ownership; secondly, conventional background under private ownership; and thirdly, modified conventional background under private ownership.

There are two institutions under the category of conventional background with state ownership, they are Universitas Gadjah Mada and Universitas Negeri Yogyakarta. These two institutions were initially set up with a different orientation. Universitas Gadjah Mada was established to produce accountants, but Universitas Negeri Yogyakarta was set up to produce teachers in accounting education especially at the high school level. However, current Indonesian Government policy makes no difference between the graduates of both universities. These two institutions were included as the sample of the research as they have specific characteristics in its background.

Meanwhile, in the category of conventional background under private ownership, there are six institutions. These consist of one university namely Universitas Wangsa Manggala and five colleges. The Universitas Wangsa Manggala was selected in the research sample because it has university status. In addition, three colleges i.e. STIE

Finally, in the modified conventional background institutions, four institutions were included in this category. They are UPN, UJB, UDI and UWM. UPN, UJB and UDI have modified their institutions with nationalistic values. This can be seen from the vision and mission of the institutions as well as from the curriculum design. The difference between them is in terms of ownership. UPN is owned by an army foundation, UDI is owned by an Air Force Foundation and UJB is owned by a civil foundation. All of them are considered as having specific characteristics, but since UDI has been in existence for only one year and it is doubtful whether it has already had established values, this institution is excluded from the research sample. Finally, UWM, another modified conventional background institution is also included in the sample, because this institution has also specific characteristics by incorporating traditional cultural values in its education process.

In this research, 87 respondents or 37% of the population will be used as the research sample (see table 4.3). Fifty-six respondents or 64% of total samples are from the

Modified Conventional Background

**Table 4.3**  
**Percentage of Population and Sample Tested**

No	Conventional Background	Number of MAA	Number of respd	% of respd to MAA	No	Islamic Back-ground	Number of MAA	Number of respd	% of respd to MAA
1.	UPN	21	10	48 %	1.	UMY	17	11	65 %
2.	STIE 'Yo'	14	9	64 %	2.	UII	27	8	30 %
3.	STIE 'YKP'	9	9	100 %	3.	UAD	11	6	55 %
4.	Unwama	9	9	100 %	4.	STIE 'WW'	10	4	40 %
5.	UNY	16	7	44 %	5.	STIE 'SBI'	2	2	100 %
6.	UGM	38	5	13 %	6.	Uncok	4	0	0
7.	UWM	6	4	67 %					
8.	STIE 'YKPN'	23	3	13 %					
9.	STIE 'Nusa Megar Kencana'	13	0	0					
10.	UDI	6	0	0					
11.	UJB	5	0	0					
12.	STIE 'BBANK'	4	0	0					
	<b>Total</b>	<b>164</b>	<b>56</b>	<b>34 %</b>		<b>Total</b>	<b>71</b>	<b>31</b>	<b>44 %</b>
	<b>% of conventional background respd to total sample</b>		<b>64%</b>			<b>% of Islamic background respd to total sample</b>		<b>36%</b>	
<b>Total sample = 87 respondents</b> <b>% of sample to population = 37%</b>									

In the above table, we can see that five institutions with the highest number of respondents are taken respectively from UMY, UPN, STIE 'YKP', STIE 'Yo' and UII. This means that two out of the five major groups of respondents are from the Islamic background institutions and the rest are from conventional background institutions. From that table, it can be seen that there is an increase for 6% on the sample proportion of Islamic background institutions of 36% compared to its population proportion of 30%. Meanwhile on the other side, there is a 6% decrease on the sample proportion of conventional background institutions of 64% compared to its population proportion of 70%. This situation occurred as a number of accounting

### 4.3 Demographic Profile of Survey Respondents

Respondents' demographic profile provides some information on the respondents' individual background. This individual background can be viewed from the gender perspective, the working experience and the educational level. The important of such information is to figure out the variability of the respondents so that a better understanding of the selected sample can be attained.

From Table 4.4, it is shown that the number of male respondents, are more than female respondents. Male respondents are 48 persons or 55.2% of the total respondents while the female respondents are 38 or 43.7% of the total respondents. The other one respondent did not specify his or her gender characteristics

**Table 4.4: Respondents' Gender Profile**

	Male	Female	Not Available	Total
Amount	48	38	1	87
Percentage	55.2 %	43.7 %	1.1 %	100 %

In the working experience characteristics of the respondents, it is shown that the largest group of the respondents come from those with 5 to <10 years experience (see Table 4.5). This group of respondents represent for about 37.9 % of the total sample. Then the second largest group is represented by those who have less than 5 years

**Table 4.5: Respondents' Working Experience Profile**

	less than 5 years	5 to <10	10 to <15	15 to <20	20 and above	Not Available	Total
Amount	23	33	15	4	10	2	87
Percentage	26.4 %	37.9 %	17.2 %	4.6 %	11.5 %	2.3 %	100 %

Then from Table 4.6 on the respondents' educational profile, it can be seen that master level of education dominates the number of respondents represented. The number of respondents coming from this group is 43 persons or 55.2%. Other groups of respondents, are those with degree educational level and Ph.D educational level. Some others do not specify their educational profile.

**Table 4.6: Respondents' Educational Profile**

	Degree	Master	Ph.D	Not Available	Total
Amount	37	43	3	4	87
Percentage	42.5 %	55.2 %	3.4 %	4.6 %	100 %

#### **4.4. Questionnaire Design and Construction**

The following section elaborates briefly on how the questions were arranged in the questionnaire. This will include the design of the questionnaire and how the questionnaire was constructed.

##### **4.4.1. The Design of the Questionnaire**

The questionnaire is divided into two parts; the survey part and the demographics part. The survey part of the questionnaire is divided into 3 sections based on the answer type. Section one is used for the questionnaire with a 5-point Likert scale ("strongly disagree" to "strongly agree"). Meanwhile, section two is used for the questions with a

five-point ranking (“not important at all” to “most important”). Finally, section three is used to answer one of the alternatives of the main objective of accounting. Meanwhile, in Part B of the questionnaire, the questions are divided into two sections. Section one will be used for the fill in the blank questions and section two is used for the question answered by ticking the appropriate boxes.

#### **4.4.2. The Construction of the Questionnaire**

The questionnaire of this research went through five drafts before the final 6<sup>th</sup> draft. The first draft of the questionnaire was initially in English. It was then discussed with the supervisor and other academic staff and postgraduate students of the International Islamic University Malaysia (IIUM). Then the revised questionnaire was pilot tested on the accounting lecturers and postgraduate students of the IIUM. After accommodating some feedback from the pilot test, the questionnaire was then translated into Indonesian. Again, a pilot test was conducted for the Indonesian language version on the Indonesian students at the IIUM. The researcher also sent the same draft to some accounting academicians in Indonesia but got no reply at all. This second pilot test resulted in the fifth draft of the questionnaire, which was discussed again with the supervisor. Therefore, in total, there were six drafts of the questionnaire including both the English and Indonesian versions.

### **4.5. Data and Data Collection**

#### **4.5.1. Data**

There are various data required in this research. The primary data are for instance the data on the respondent's demographic information and the data on his or her perceptions on the Islamic accounting. These primary data would then be processed to

Muslim accounting academicians in a particular institution. These data are needed to determine the size of the population and sample of the research.

#### 4.5.2 Data Collection

The researcher directly distributed the questionnaire either to the respondents or to the supervisor of the respondents, the head of the accounting department, to be handed over to the academicians. A week after, the researcher went back for two or three times to collect the answered questionnaires. For uncollected questionnaires, prepaid envelopes were supplied so that the respondents could send them to the researcher by mail.

The total number of questionnaires distributed was 161 and 87 of them were successfully collected (see Table 4.4). Seventy-six of the questionnaires were collected personally while the rest of them were posted by the respondents.

**Table 4.7**  
**Questionnaire Response Rate**

No	Conventional background	No. Quest distrd	No. Quest recevd	Re-sponse rate	No	Islamic Background	No. Quest distrd	No. Quest recevd	Re-sponse rate
1.	UPN	15	10	67 %	1.	UMY	12	11	92 %
2.	STIE 'Yo'	14	9	64 %	2.	UII	21	8	38 %
3.	STIE 'YKP'	9	9	100 %	3.	UAD	10	6	55 %
4.	Unwama	9	9	100 %	4.	STIE 'WW'	10	4	40 %
5.	UNY	15	7	47 %	5.	STIE 'SBI'	2	2	100 %
6.	UWM	6	4	47 %	6.	Uncok	4	0	0
7.	UGM	14	5	36 %					
8.	STIE 'YKPN'	20	3	15 %					
9.	UJB	5	0						
	<b>Total Number</b>	<b>102</b>	<b>56</b>	<b>52 %</b>		<b>Total</b>	<b>59</b>	<b>31</b>	<b>53 %</b>



This research achieved more than 52% response rate in total and almost the same response rate was also obtained for both the Islamic and conventional background of institutions.

#### **4.6. Research Questions and Hypotheses Development**

In order to determine the types of data required, any research should clearly define its research questions and hypotheses. But to define a research question, a researcher needs to consult with the objectives of his or her research. As already discussed in the first chapter, the objective of this research is to ascertain the perceptions of Muslim accounting academicians (MAA) on Islamic and conventional accounting as well as on the socio economic responsibilities of Muslim Business Organizations and how the different background of institutions affect their perceptions. Therefore, as far as we are concerned, there are five research questions that need to be answered in this research.

1. Are the socio-economic principles under which Islamic business organizations operate different from those of capitalist business organizations?
2. Are the Islamic sources adequate to be used for developing an accounting system in the contemporary business organizations?
3. Is conventional accounting appropriate for Muslim business organizations and Muslim users to fulfill their objectives?
4. What are the objectives and characteristics of Islamic accounting?
5. Is there any difference in perception between the academicians in the Islamic

The following sections will discuss briefly each of the research questions and the hypotheses developed in an attempt to answer the questions as well as the data needed to test the hypotheses.

#### **4.6.1. Socio-economic Principles of Islamic Business Organizations**

From the Islamic worldview, the researcher believes that profit maximization or wealth maximization is not the ultimate rationale for the existence of Islamic business organizations. From the Islamic scriptures, belief in the Hereafter is a cardinal doctrine. Unlike the life in this world today, the life in the Hereafter is everlasting. However, one's destiny or one's life in the Hereafter is determined by one's deeds in the world today. If Allah is pleased with one's deeds, one will be rewarded with heaven, otherwise one will be rewarded with hell. Since Allah orders mankind to be just and benevolent, the researcher believes that the equitable treatment of other groups and the general social well being of the community should be more important than profits.

However, this perception might be questionable in the modern world today. In urban areas for instance, there is a tendency to shift from a collective way of life to become individualistic. In the capitalist economic system, which is now practised by many countries including the Muslim ones, people are driven to compete in order to accumulate wealth. This situation is described by the popular motto "survival of the fittest", which means only the strong can live.

Based on that argument, it is important to ascertain the respondent's perceptions as to whether there is a difference between the Islamic socio-economic objectives and the

set up in a hypothesis statistical testing framework with a null hypothesis (Ho) and alternative hypothesis (Ha) as follows.

**Figure 4.1 : Hypothesis 1**

Ho: *Muslim Accounting Academicians (MAA) in Yogyakarta believe that business organizations should only emphasize on profits.*

Ha: *MAAs in Yogyakarta believe that business organization should emphasize both social welfare as well as profits.*

To test this hypothesis, five statements will be given to the respondents on their perceptions of the statements. The statements are as follows.

**Table 4.8: List of Questions for Hypothesis 1**

No.	Statement	Strongly disagree	Dis-agree	Neither agree nor disagree	Agree	Strongly agree
Q.1.1	Muslim business organizations should promote the attainment of success in the Hereafter as well as the attainment of success in this world					
Q.1.2	Muslim business organizations should promote the attainment of social welfare as well as the attainment of profits					
Q.1.3	The objectives of Muslim business organizations should include:					
	a. Ensuring all stakeholders are treated in a just and fair manner even if this means profits are lowered					
	b. Avoiding damage to the environment even in the absence of adequate legislation					
	c. Sufficient payment of wages to their employees for them to live reasonably, even if this means reducing shareholders' profits					

As Muslims, it is expected that the respondents' answers would indicate their agreement with those statements.

#### 4.6.2. Inappropriateness of Conventional Accounting for Islamic Business Organizations & Muslim Users

Since there are different socio-economic principles between capitalism and Islam, the information required for an Islamic business organization may vary from what conventional accounting provides. As already discussed in Chapter 2, conventional accounting is inappropriate because of; 1) its contradiction with Islamic principles; 2) its irrelevance to the Islamic socio-economic objectives; and 3) its insufficiency in meeting the Islamic socio-economic objectives. Since conventional accounting has been widely taught in the Indonesian accounting curriculum and used in practice, there might be a possibility of perceiving it as appropriate for Islamic business organizations and Muslim users. To answer this question, a hypothesis is set up as follows.

Figure 4.2 : Hypothesis 2

Ho: *MAAs in Yogyakarta believe that the financial statement provided under conventional accounting provides appropriate information for Muslim users.*

Ha: *MAAs in Yogyakarta believe that the financial statement provided under conventional accounting provides inappropriate information for Muslim users.*

This hypothesis will be tested by asking the respondents' opinions on some statements regarding the inappropriateness of conventional accounting for Islamic business

**Table 4.9: List of Questions for Hypothesis 2**

No.	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Q.1. 4	Financial Statements prepared in accordance with conventional accounting principles:					
	a. Provide appropriate information to enable Muslim business organizations to properly disclose their Islamic accountability (e.g. <i>Shariah</i> compliance) to all stakeholders					
	b. Impede the fair and proper allocation of wealth between different classes of stakeholders, e.g. shareholders, managers, employees and <i>Zakat</i> beneficiaries					
	c. Hinder the making of appropriate decisions needed to control organizations to ensure the attainment of the Islamic objectives of Muslim business organizations					

#### 4.6.3. The Adequacy of Islamic Sources as a Basis for Developing Islamic Accounting

In a secular society, religious teachings should be put aside as a matter of personal conviction and should not be applied in the political and economic domain. It is commonly perceived that adherence to the fundamental tenets of religion is backward and leads to a primitive state of existence (Hameed, 2000a). As already discussed in chapter 3, the spread of this thinking was popularized in Indonesia during the Dutch colonial period and widely adopted by many Indonesians who got their education from Dutch schools. Although Indonesia has already obtained its Independence, the influence still persists. In fact, the current Indonesian education system including accounting is also based on the secular education of the US education system. In this situation, the researcher believes that it is important to ask the respondents' perception on the viability of their religious sources (Qur'an and Sunnah) to be developed in a

organizations. A strong belief in their viability would make the task of developing an Islamic accounting system easier.

In order to answer the question whether Islamic sources (Qur'an and Sunnah) are adequate as a basis for developing an Islamic accounting and economic system for contemporary organizations, the following hypothesis is set up.

**Figure 4.3 : Hypothesis 3**

Ho: *MAAs in Yogyakarta believe that Islamic teaching sources (Qur'an & sunnah) are not adequate to be used for developing a contemporary accounting system*

Ha: *MAAs in Yogyakarta believe that Islamic teaching sources (Qur'an & sunnah) are adequate to be used for developing a contemporary accounting system*

Based on this hypothesis, some statements would then be given to the respondents in order to capture their perceptions. The statements consist of the aspects of adequacy of the Islamic sources and the applicability of the *Muamalah* principles in the Qur'an and *Sunnah* in developing an accounting system<sup>6,7</sup>.

<sup>6</sup> Muamalah is a general term in Islam for any dealing with other people. This includes the business transaction activities.

<sup>7</sup> The adequacy emphasize on the scope covered by the Qur'an and the Sunnah as the main source

**Table 4.10: List of Questions for Hypothesis 3**

No.	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Q.1.5	Islamic sources ( <i>Qur'an</i> & <i>Sunnah</i> ) are adequate to develop a contemporary accounting system					
Q.1.6	The <i>Muamalah</i> principles in the <i>Qur'an</i> and <i>Sunnah</i> are applicable in developing an accounting system					

If the respondents' perceptions indicate their agreement with the adequacy and the applicability of Islamic teaching sources, it will have a greater chance of developing Islamic accounting in the future and vice versa.

#### 4.6.4. The Objectives and Characteristics of Islamic Accounting

Based on the discussion in chapter 2 we could say that there is a different set of socio-economic principles between the capitalist and Islamic economic systems. This would imply that the objectives and characteristics of Islamic accounting may be different from conventional accounting. However, since the mainstream accounting is based on the capitalist economic system, there is a possibility for the Muslim accounting academicians to perceive it differently from the Islamic economic system. Therefore, it is important in this research to ask respondents' perceptions as to whether there is any difference between the objectives and characteristics of Islamic accounting and conventional accounting.

To answer this question, the researcher proposes some hypotheses. The first

#### Figure 4.4 : Hypothesis 4

<p>Ho: <i>MAAs in Yogyakarta believe that the objectives of Islamic accounting are the same as the objectives of conventional accounting</i></p> <p>Ha: <i>MAAs in Yogyakarta believe that the objectives of Islamic accounting are different from the objectives of conventional accounting</i></p>
--

To test this hypothesis, the respondents were asked to choose one of the alternatives of the main objectives of Islamic accounting. The alternatives are stated in the following table:

**Table 4.11: List of Questions for Hypothesis 4**

No.	<i>Which of the following statement should be the <u>MAIN objective of Islamic accounting?</u></i>		<u>Please tick only one of the following boxes</u>
Q.3.1	a.	To provide information on the amount, certainty and timing of expected cash flows in order for shareholders to make the decision to buy, hold or sell shares (decision usefulness).	
	b.	To provide information which will enable shareholders to evaluate how efficiently management have safeguarded and enhanced their assets (stewardship).	
	c.	To provide information that will enable shareholders to ensure that the organizations have discharged their accountability in accordance with the <i>Shariah</i> and to induce economic behavior in line with Islamic objectives and values (Islamic accountability).	
	d.	To provide information to enable the proper calculation and distribution of <i>Zakat</i> hence reducing the possibility of creative accounting and thereby automatically fulfilling the needs of other users (accountability through <i>Zakat</i> ).	
	e.	Others, please state:	

Alternative (a), decision usefulness, is derived from the current objectives of conventional accounting. To some extent, the AAOIFI as already discussed in Chapter 2 has used this objective in developing accounting standards for the Islamic Financial Institutions. Meanwhile alternative (b), stewardship, is derived from the previous



derived from the theory developed by Hameed (2000a). Finally alternative (d), accountability through Zakat is derived from Adnan and Gaffikin (1997). To capture different opinions from the provided alternatives, the researcher allows the respondents to choose option 'others' and asks them to specify their answer.

The second hypothesis of the objective and characteristics of Islamic accounting relates to the importance of the users of the accounting information. As already discussed in chapter 1, accounting information is widely influenced by the users of the information. Therefore, it is commonly understood that the type of information provided is the result of the various interests of the users of the accounting information. In conventional accounting, there is a kind of classification of users of accounting information whereby shareholder and potential shareholders are regarded as the primary users. This practice is in line with capitalism that views the capital provider as the centre of wealth creation. Since Islamic accounting has a different worldview, it is possible that there is a difference in the level of importance of users of accounting information between Islamic accounting and conventional accounting. Therefore, the second hypothesis can be stated as follows:

**Figure 4.5 : Hypothesis 5**

*Ho: MAAs in Yogyakarta believe that shareholders are more important than other users of accounting information in Islamic accounting*

*Ha: MAAs in Yogyakarta believe that other users of accounting information in Islamic accounting are at least as important as (or if not more than) shareholders.*

To test this hypothesis the respondents will be asked to rank the importance of some other potential users compared to shareholders. The question is stated as follows:

**Table 4.12: List of Questions for Hypothesis 5**

No.	<i>Please show the importance of the following stakeholders as <u>users</u> of accounting information in Islamic perspective (as compared to the <u>shareholders</u>)</i>	Not important at all	Less important	As important	More important	Most important
Q.2.1	a. Managers					
	b. Employees/Trades unions					
	c. Government					
	d. Community					
	e. Creditors					
	f. Customers/consumer groups					
	g. Zakat beneficiaries					

If the answer shows that other users are more important than the shareholders, it would indicate that there exists a difference between conventional accounting and Islamic accounting in terms of the users of accounting information.

The third hypothesis of the objectives and characteristics of Islamic accounting, focuses on the types of information provided. It is argued that Islam emphasizes social and religious concerns i.e. lawful and unlawful aspects of transactions. This implies that there should be some differences in the information to be disclosed between

**Figure 4.6 : Hypothesis 6**

Ho: *MAAs in Yogyakarta believe that Islamic Accounting does not emphasize social and religious information.*

Ha: *MAAs in Yogyakarta believe that Islamic Accounting emphasizes social and religious information.*

To test this hypothesis, the researcher asks the respondents about their perceptions on some Islamic and social information. The questions are organized into two types of statements; type A statement and type B statement. The type A statement is the statement that asks the respondents' agreement to the given statement. Meanwhile the type B statement is the statement in the form of a comparison with the profit figure information, which is regarded as the ultimate information in the conventional accounting information.

**Table 4.13: Type A Statement**

No.	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Q.1.7	Accounting in the Islamic perspective should not be restricted to a mere monetary account rendering					
Q.1.8	Accounting in the Islamic perspective should not only record economic events/transactions but should include socio-economic events/transactions of Muslim business organizations					
Q.1.9	Accounting in the Islamic perspective should attempt to recognize and measure externalities					
Q.1.10	Accounting in the Islamic perspective should use current values in the balance sheet in order to calculate <i>Zakat</i> fairly					
Q.1.11	Accounts and annual reports of Muslim business organizations should be <i>Shariah</i> audited to ensure that the organization has conducted its activities in accordance with the					

**Table 4.14: Type B Statement**

No	<i>Please show the importance of providing the following information in the annual reports of Muslim business organizations (as compared to disclosure of information on profits)<sup>8</sup></i>	Not important at all	Less important	As important	More important	Most important
Q.2.2	a. Impact of the organization's activities on the environment					
	b. Internal employee-employer relationship and working conditions					
	c. Distributions of salaries, perquisites and wages among different levels of managers and employees					
	d. Prohibited ( <i>haram</i> ) activities or financing undertaken by the organization.					
	e. Social responsibility of the organization to the community					

In theory, the characteristics of Islamic accounting would show its preference to the social and religious aspect rather than just a profitability consideration. Therefore, if the respondents show their agreement with the given statements, it could be regarded as an indication that there are differences in the characteristics of the information that needs to be disclosed between the Islamic accounting and conventional accounting.

#### **4.6.5. Impact of Different Background of Institutions on MAAs' Perception on the Characteristics of Islamic Accounting**

In chapter 3, we have discussed the accounting curriculum in Indonesia, especially in Yogyakarta province. It is found that there is a different policy in curriculum development between the Islamic background institutions and the conventional ones. In the Islamic background institutions, there are some efforts made to introduce Islamic values into the curriculum as well as in the seminar and publication activities.

<sup>8</sup> It is assumed that Islamic accounting will be used mostly by Muslim/Islamic business organizations.

Such efforts are found at a minimum level in the conventional institutions although most of their lecturers are also Muslim.

In this case, it is important to ask whether the different backgrounds of the institution will affect the respondents' perceptions on both Islamic and conventional accounting.

In an attempt to answer this question, a hypothesis will be set as follows.

#### Figure 4.7 : Hypothesis 7

*Ho: There is no significant difference in perception on Islamic accounting between academicians in Islamic educational institutions and academicians in conventional educational institutions.*

*Ha: There is a significant difference in MAAAY's perception between Islamic educational institutions and conventional educational institutions.*

To test this hypothesis, the respondents will be classified into two groups; those working at the Islamic background institutions and those working at the conventional background institutions. Then, by using the respondents' answers as to their perceptions on Islamic and conventional accounting, the means of each group will be compared and analyzed.

#### 4.7. Reliability & Validity

Whenever measurement takes place in research, there is always the possibility of errors. These errors could be procedural errors where the way in which the research was carried out was not proper or there might be problems with the measuring itself. In order to be acceptable to the academic community, the validity and reliability of the

The reliability of a measuring instrument refers to the consistency of the scores produced on repeated measurement. Less reliability would occur if the same measure is given repeatedly to the same person whereby it may produce a different result (Guy et al, 1987). Thus, the reliability test is needed to detect how the presence of random errors affects the reliability or consistency of the measuring instrument. However, errors need not be random (Summers, 1977). If an observed score is systematically affected by another variable to which the instrument is not sensitive, it is said to affect the validity of the measurement procedure. Hence measurement of the validity of an instrument measures both random and constant errors, whereas reliability measurements only measure random errors. The reliability of this research was assessed by using the reliability analysis in the SPSS program. Meanwhile, the validity test was conducted by using the hierarchical cluster test of SPSS. The results of these tests will be shown in the next chapter.

#### **4.8. Techniques of Analysis**

The development of software in statistical tests has given a number of alternative programs in analyzing collected data. The Statistical Package for the Social Sciences (SPSS) is widely used for data analysis purposes. Due to its wide use in academic research in the social sciences and its familiarity, the researcher therefore would also use this program in order to analyze data collected from the field research. Hypotheses 1, 2, 3, 5 & 6 will be analyzed by using t-test for one sample. This test is used to

test the null hypothesis that the mean of the population (Duman &

Hypothesis 4 on the main objective of Islamic accounting will be analyzed by using a chi square test. This test is performed if we want to compare the observed frequencies of cases with those expected in a variable which has more than two categories (Bryman & Cramer, 1997). This test is suitable for analyzing this hypothesis as this test could explain the level of significance of the respondents' choice on the main objective of Islamic accounting and how it differs from the main objective of conventional accounting.

Finally, hypothesis 7 on the effect of the different backgrounds of respondents' institutions on their perception on Islamic and conventional accounting will be analyzed by using analysis of variance (ANOVA). The ANOVA is like the t-test with the concern of testing of hypotheses about means. However, ANOVA is more versatile than the t-test (Kinnear and Gray, 1992). In this test, it is expected that the effect of the different backgrounds of respondents' institutions on their perception on Islamic and conventional accounting could be ascertained.

#### **4.9. Conclusion**

Research design is an important aspect that the researcher should adhere to. A rigorous research design will lead to the acceptability of the research and the validity of its findings. Therefore this chapter has discussed briefly the design of the research. The researcher has also shown some efforts to improve the reliability of this research, such as conducting two pilot tests on the questionnaire, developing several drafts of the questionnaire before finalizing, and personally distributing and collecting the questionnaire. The data gathering process, as already discussed in this chapter will result in the findings of the research. Therefore, the following chapter will discuss

## Chapter 5

### Results and Discussions

#### 5.0. Introduction

In the previous chapter, we have discussed a number of issues related to conducting research on the objectives and characteristics of Islamic accounting. We can say that the method selected in conducting the research consists of three phases; before field research, during field research and after field research. As the application of the research method for the period of before and during field research has been discussed in Chapter 4, this chapter will discuss the application of the selected research method for the period after the field research. This phase will include the description of the findings as well as an analysis of the findings by performing some statistical tests. Some discussions will be provided following the outcome of the statistical analysis.

In section one of this chapter, the validity and reliability of the research will be tested. It is expected from this test, that only the appropriate questions will constitute the tested variable. Then in section two of this chapter, a normality test will be conducted in order to ensure the normality of the data for conducting parametric tests. From this test, it is expected that the normality of data distribution and the outliers that influence the normality could be determined. After conducting the above tests, hypothesis testing will then be conducted in section three. Finally, the conclusion will be provided in section four.



## **5.1. Validity and Reliability Testing**

Validity and reliability testing is an important test to be conducted before a variable is used in hypothesis testing. To become valid and reliable, a designed variable should meet the validity and reliability criteria. The discussion below will show how the designed variables meet the criteria of validity and reliability.

### **5.1.1. Test of Validity**

In the previous chapter we have discussed briefly that validity means the ability to measure what is supposed to be measured and to produce accurate results (Guy et al, 1987). For example, if we find in the sample that 75 % of Muslim accounting academicians in Yogyakarta strongly agree on the need for Islamic accounting, then it is actually 75% of the population which are also in agreement, and not, say, 40%.

According to Sprinthall (1997), validity tests could be both statistical and non-statistical. For the non-statistical validity, he said that there are two important types of validity; face validity and content validity. Face validity is determined by simply looking over the test and judging whether it has the look and feel of what it intends to measure. Since face validity is based on the general appearance of the test, a test will have more face validity if it looks and feels consistent with the construct under study. Meanwhile content validity is based on whether the test items are a fair and representative sample of the general domain that the test was designed to evaluate. Like face validity, content validity is also based on logic, intuition and of course common sense rather than on statistical tests of significance.

As already mentioned in Chapter 4, the questionnaire for this research went through

International Islamic University Malaysia (IIUM). One pilot test was in English and the other one is in Indonesian, as this research would be aimed at Indonesian Muslim Accounting Academicians. Besides conducting pilot tests, this questionnaire design was also discussed with a supervisor who had already conducted similar research in Malaysia. Therefore, both the face and content validity of the questionnaire were judged to be adequate.

Bohrstedt (1977) suggests the use of a statistical test of validity by putting the items in the scale after dividing the items into strata. If the items in a stratum correlate higher than with the items in other strata, then the items have content validity for that dimension. In theory, if different items measure the same attitude or trait, then the underlying trait should cause covariance among the items. The higher the correlations, the better the items are at measuring the construct.

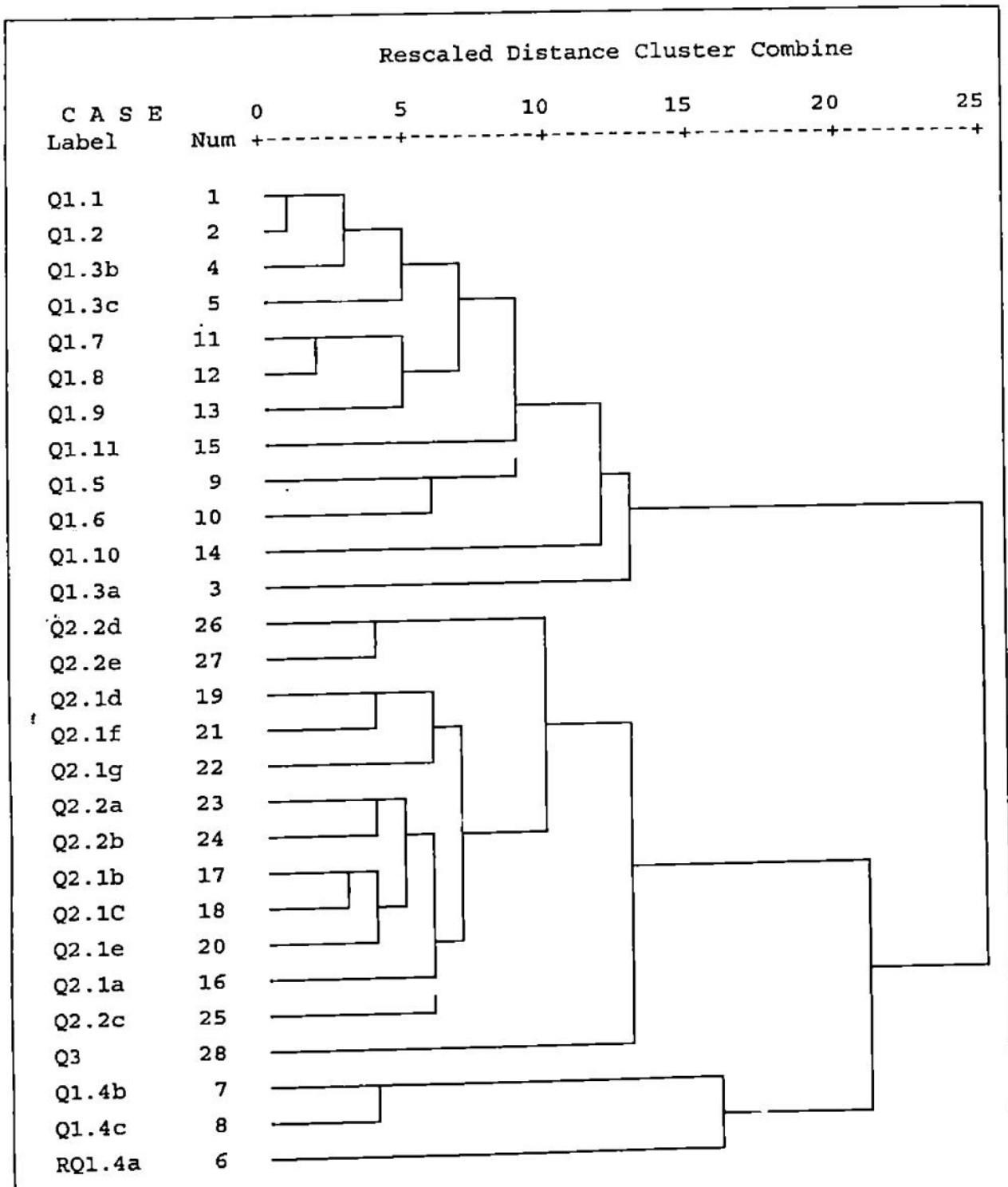
The result of the statistical test of validity for this research is shown in Figure 5.1 overleaf. The test uses dendrogram hierarchical cluster analysis with average linkage between groups. From that figure, we can see that all the questions except Q 1.3.a which aim to test hypothesis 1 on the socio-economic objectives of Islamic business organizations, fall under below five distance cluster. Hence it is suggested that only Q1.1, Q1.2, Q1.3b & Q1.3c be included in order to maintain the validity of the variables used in the hypothesis test. Q1.3a is excluded, as it is considered as measuring different concepts.

This is probably because question Q1.3a explicitly states the possibility of resulting in lower profits, whereas the other questions do not explicitly state this. In terms of

in detailed explanation of shareholders' profits which put it in different understanding from the question Q 1.3a.

Figure 5.1

H I E R A R C H I C A L C L U S T E R A N A L Y S I S  
Dendrogram using Average Linkage (Between Groups)



For question Q1.4a-c, on the inappropriateness of conventional accounting (hypothesis 2), it is found that Q1.4b & Q1.4c fall under the below five distance cluster. Meanwhile question RQ1.4a<sup>9</sup> falls under the slightly below fifteen distance cluster. Therefore, in hypothesis 2, it is suggested that only Q1.4b & Q1.4c be included and that Q1.4a should be excluded. Unlike the included questions, question Q1.4a, is presented in the negative direction towards agreement with Islamic accounting. This has probably affected the respondent's consistency in answering the questions. During the field research, the researcher finds one case of a respondent's unawareness of this negative direction of the question as it can be seen from the respondent's contradictory answer. After confirming it with the respondent, the respondent admitted this unawareness and then changed the answer. Due to the limitations of the research method, i.e. inability to detect all the respondents as only a few of them wrote their names, the process of reconfirmation of the contradictive answer could not be done. Therefore, in testing this hypothesis, the cases with contradictory answers are excluded.

Unlike the previous groups of the questionnaire, questions Q1.5 & Q1.6, which are aimed at testing hypothesis 3, all together fall between the five and ten distance clusters. Therefore, both questions could be used to verify hypothesis 3. Meanwhile, in the group of questions on testing hypothesis 5, it is found that some of them i.e. question Q2.1b-f, fall slightly below the five distance cluster and some others i.e. question Q2.1a and Q2.1g, fall slightly above the five distance cluster. Although they fall under different clusters, they can still be used to test hypothesis five as, their distance is quite close to each other.

Meanwhile, in a group of questions which aims at testing hypothesis 6, questions Q1.7, Q1.8, Q1.9, Q1.11, Q2.2a-e, fall below the ten distance cluster. Meanwhile Q1.10 falls between the ten and fifteen distance cluster. This indicates that with the exception of Q1.10, all the questions in the group can be used in testing hypothesis 6.

### 5.1.2. Test of Reliability

As already discussed in the previous chapter, reliability refers to the consistency of a test to produce the same results on repeated use. Bryman & Cramer (1997) note that reliability can be divided into external and internal reliability. External reliability refers to the consistency of the measure over time. To test external reliability, the same test could be administered twice to the same groups of participants after some lapse for test-retest reliability. Meanwhile, the internal reliability of the items in the questionnaire was tested by using the SPSS alpha model. This test will give us an idea of how reliably a group of questions measure the same concept when they are added together to get an aggregate score or index (namely Cronbach's Alpha). If the alpha is 0.8000 or above, it is said that the items are internally reliable. Reliability tests have a close relationship with validity tests. If a measure is reliable we will get the same result from one measurement to the next.

Figure 5.2 below, shows the reliability of a set of questions which aim to test hypothesis 1 on the socio-economic principles (SOSEC) of Muslim business

Figure 5.2

RELIABILITY ANALYSIS - SCALE (ALPHA) - SOSEC QUESTIONS I		
1. Q1.1	2. Q1.2	3. Q1.3A
4. Q1.3B	5. Q1.3C	
Reliability Coefficients		
N of Cases =	80.0	N of Items = 5
Alpha =	.8414	

However, due to the validity testing, question Q1.3a needs to be excluded from the set of questions as it measures a different concept. This new set of questions gives a higher result of reliability with Cronbach alpha 0.8682 (see Figure 5.3). This means that the new set of questions is more reliable than the initial one to be applied in testing hypothesis one.

Figure 5.3

RELIABILITY ANALYSIS - SCALE (ALPHA) - SOSEC QUESTIONS II		
1. Q1.1	2. Q1.2	3. Q1.3B
4. Q1.3C		
Reliability Coefficients		
N of Cases =	81.0	N of Items = 4
Alpha =	.8682	

In the reliability test of questions RQ1.4a (recoded Q1.4.a), Q1.4b & Q1.4c, on testing hypothesis 2 about the inappropriateness of conventional accounting with Muslim business organizations (APPROPT), it is shown that the result is slightly below the

Figure 5.4

RELIABILITY ANALYSIS - SCALE (ALPHA) - APPROPT QUESTIONS I		
1. RQ1.4A	2. Q1.4B	3. Q1.4C
Reliability Coefficients		
N of Cases =	73.0	N of Items = 3
Alpha =	.7646	

However, if the test is conducted based on the set of questions as suggested by the validity test i.e Q1.4b & Q1.4c, the result shows the Cronbach alpha of 0.8812 (see Figure 5.5). This result is higher than the reliability standard (0.8000)

Figure 5.5

RELIABILITY ANALYSIS - SCALE (ALPHA) - APPROPT QUESTIONS II		
1. Q1.4B	2. Q1.4C	
Reliability Coefficients		
N of Cases =	73.0	N of Items = 2
Alpha =	.8812	

Then, for the set of questions on the 3<sup>rd</sup> hypothesis on the adequacy of Islamic sources in developing a contemporary accounting system, i.e. Q1.5 and Q1.6, the result shows the Cronbach alpha of 0.7569 (see Figure 5.6). This result is slightly below the reliable standard. Since in the validity test this set of question is considered valid, then

**Figure 5.6**

RELIABILITY ANALYSIS - SCALE (ALPHA) - ADEQCY QUESTIONS	
1. Q1.5	2. Q1.6
Reliability Coefficients	
N of Cases = 84.0	N of Items = 2
Alpha = .7569	

In a set of questions on hypothesis 5 on the users of Islamic accounting information, it is shown in Figure 5.7 that the Cronbach alpha is 0.8672 which means above the reliability standard.

**Figure 5.7**

RELIABILITY ANALYSIS - SCALE (ALPHA) - USERS QUESTIONS		
1. Q2.1A	2. Q2.1B	3. Q2.1C
4. Q2.1D	5. Q2.1E	6. Q2.1F
7. Q2.1G		
Reliability Coefficients		
N of Cases = 82.0	N of Items = 7	
Alpha = .8672		

Then for the set of questions on testing hypothesis 6 on the characteristics of Islamic accounting, the results shown in Figure 5.8 indicate the Cronbach alpha obtained is 0.8388 which means it is higher than the reliability standard. However, since it is recommended to exclude Q1.10 by the previous test on validity, another reliability test



Figure 5.8

RELIABILITY ANALYSIS - SCALE (ALPHA)-CHARCT QUESTIONS I		
1. Q1.7	2. Q1.8	3. Q1.9
4. Q1.10	5. Q1.11	6. Q2.2A
7. Q2.2B	8. Q2.2C	9. Q2.2D
10. Q2.2E		
Reliability Coefficients		
N of Cases =	83.0	N of Items = 10
Alpha =	.8388	

In the new set of questions, there is an increase in reliability from 0.8388 to 0.8406 (see Figure 5.9). This shows that the new set of questions is more reliable to test the hypothesis 6.

Figure 5.9

RELIABILITY ANALYSIS - SCALE (ALPHA)-CAHARACTR QUESTION II		
1. Q1.7	2. Q1.8	3. Q1.9
4. Q1.11	5. Q2.2A	6. Q2.2B
7. Q2.2C	8. Q2.2D	9. Q2.2E
Reliability Coefficients		
N of Cases =	84.0	N of Items = 9
Alpha =	.8406	

## 5.2. Test of Normality

The test of normality is used to test the conformity of particular data with the normal curve (Sprinthall, 1982). The normal curve itself is a theoretical distribution which can be used in generating frequencies and probabilities in a wide variety of situations. It means that if the obtained data of a variable conforms to the normal curve, it will have a greater representation of the population. To test the normality of a variable, the

skewness over the standard error of skewness. If the ratio is between negative two and positive two, the variable can be said to be normal (Santoso, 2001). A negative sign means that the resultant curve of the variable is skewed to the left, meanwhile the positive sign is to the right. In Table 5.1 below, it can be seen that three of the variables are normal as the ratio is between -2 and +2 i.e. APPROPT and CHARCT, meanwhile the other variables are considered not normal.

**Table 5.1: Skewness Ratio**

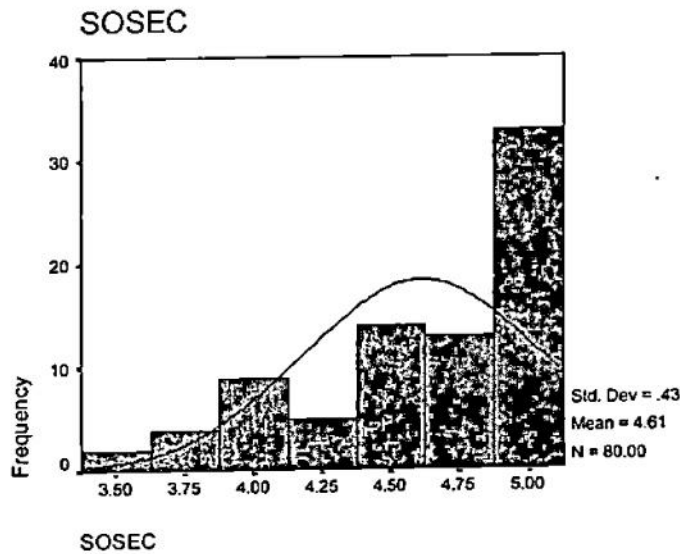
	N Statistic	Skewness	Standard error of Skewness	Skewness ratio
SOSEC	81	-3.081	.267	-11.539
APPROPT	73	.096	.281	.342
ADEQCY	84	-1.129	.263	-4.293
USER	82	1.002	.266	3.763
CHARCT	84	.089	.263	.338

The abnormal curve is probably caused by the existence of the outliers. Hence a Z test is needed to detect the outliers of the cases in the abnormal curve<sup>10</sup>. In this test, to maintain 47.5% curve area, the critical z will be 1.96. It is found then that there is one case of an outlier in the SOSEC variable, three cases in the ADEQCY variable and six cases in the USER variable. After excluding the outliers from the processed data, the skewness ratio shows a significant influence.

The skewness ratio for the SOSEC variable is now reduced to negative 3.368, the ADEQCY variable to negative 1.397 and the USER variable to 2.83. Although the values of SOSEC and USER surpass the standard of skewness ratio of two, the ratio is getting closer to the normal curve ratio as compared to the pre-elimination of the

<sup>10</sup> Z value is based on the difference between the value of a particular data with the mean of the group

**Figure 5.10: Distribution of the SOSEC variable**



The Figure shows that data is skewed to the left of the central tendency, which means there is more variety perception on the left side of mean 4.61.

Hypothesis testing was carried out by using a one sample t-test with test value of 3 as in the following equation<sup>11</sup>.

$$H_0 : \text{mean of SOSEC} \leq 3.00$$

$$H_a : \text{mean of SOSEC} > 3.00$$

From Table 5.2, it is found that the sample mean of the SOSEC is 4.6125, which is greater than 3.00.

**Table 5.2: Mean Value of Socio Economic Principle Variable**

	N	Mean	Std. Deviation	Std. Error Mean
SOSEC	80	4.6125	.4337	4.849E-02

<sup>11</sup> The value of three is used to indicate the separation of Islamic socio economic principle with the non-

From Table 5.3, it can be seen that the  $p$  value is 0.000 which is significant at 95% confidence level. This shows that the probability of the population mean being 3.0 is almost nil. The test also revealed a  $t$  value of 33.252 of which is much greater than the critical  $t$  value of 1.990, which also means that the result is highly significant. Therefore it can be inferred that null hypothesis that Muslim accounting academicians (MAA) in Yogyakarta believe that business organizations should emphasize profits more than social welfare, is rejected. Hence, the alternative hypothesis that MAAs in Yogyakarta believe that business organizations should emphasize social welfare more than profits, is accepted.

**Table 5.3: Level of Significance of Hypothesis 1**

	Test Value =3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence of the Difference	
					Lower	Upper
SOSEC	33.252	79	.000	1.6125	1.5160	1.7090

Since the sample distribution for this variable is not normal, a non-parametric test of one sample Kolmogorov-Smirnov test was applied. The result shows that the obtained mean is 4.6125 and the significance level is 0.001 at 95% confidence level (see Table

**Table 5.4: Non-Parametric Test of the SOSEC Variable**

**One-Sample Kolmogorov-Smirnov Test**

		SOSEC
N		80
Normal Parameters <sup>a,b</sup>	Mean	4.6125
	Std. Deviation	.4337
Most Extreme Differences	Absolute	.227
	Positive	.186
	Negative	-.227
Kolmogorov-Smirnov Z		2.027
Asymp. Sig. (2-tailed)		.001

a. Test distribution is Normal.

b. Calculated from data.

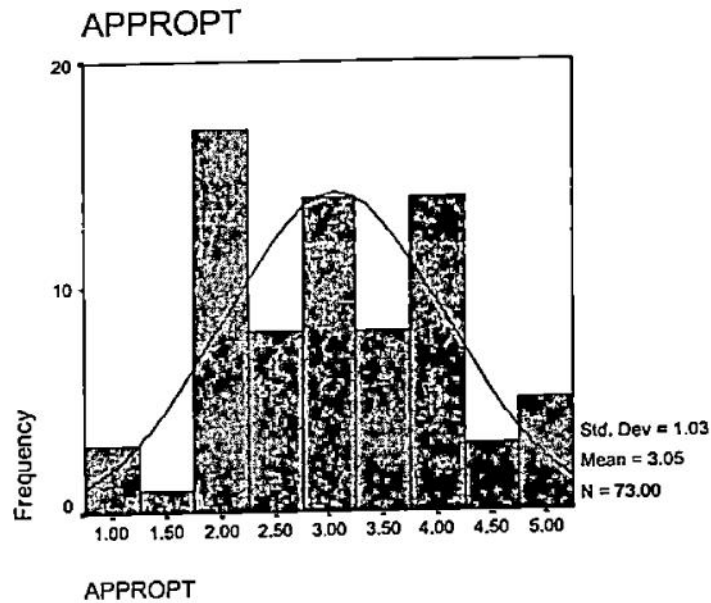
Compared to previous study in Malaysia, this finding is almost similar. Hameed (2000a) in his study also finds that the Malaysian Muslim accounting academicians perceive that Islamic business organizations should concentrate more on social welfare than on profits. He also finds that the acceptance of the alternative hypothesis is significant at 0.000.

### **5.3.2 Test of Perception on Inappropriateness of Conventional Accounting for Islamic Business Organizations & Muslim Users**

In testing the respondents' perceptions on inappropriateness of conventional accounting for Islamic business organizations and Muslim users (APPROPT), questions Q1.4b & Q1.4c constitute the APPROPT variable. The formula for calculating the tested variable is as follows.

$$\text{APPROPT} = \text{mean} (\text{Q1.4b}, \text{Q1.4c})$$

**Figure 5.11 : Distribution of APPROPT variable**



In order to test hypothesis 2, the APPROPT variable was carried out by using a one sample t-test, with test value of three as in the following equation.

$H_0$  : mean of APPROPT  $\leq$  3.00

$H_a$  : mean of APPROPT  $>$  3.00

If the mean of the APPROPT variable is less than or equal to three,  $H_0$  will be accepted, otherwise  $H_a$  is accepted. From Table 5.5, it is found that the sample mean of the APPROPT variable is 3.0548 which is slightly above 3.00.

**Table 5.5: Mean Value of APPROPT Variable**

	N	Mean	Std. Deviation	Std. Error Mean
APPROPT	73	3.0548	1.0259	.1201

Through a two-tail t-test, it can be seen that the  $p$ -value is above 0.05 indicating that there is more than 5% chance that the sample comes from a population with a mean of  $\leq$  3.0. Hence the null hypothesis that MAAs in Yogyakarta believe that conventional

**Table 5.6: Level of Significance of Testing Hypothesis 2**

	Test Value =3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence of the Difference	
					Lower	Upper
APPROPT	.456	72	.650	5.479E-02	-.1846	.2942

The similar finding is also found in Malaysia by Hameed (2000a) that the Malaysian Muslim accounting academicians do not believe that conventional accounting information is inappropriate for Muslim users.

### 5.3.3. Test of Perception on the Adequacy of Islamic Sources as a Basis for Developing an Islamic Accounting

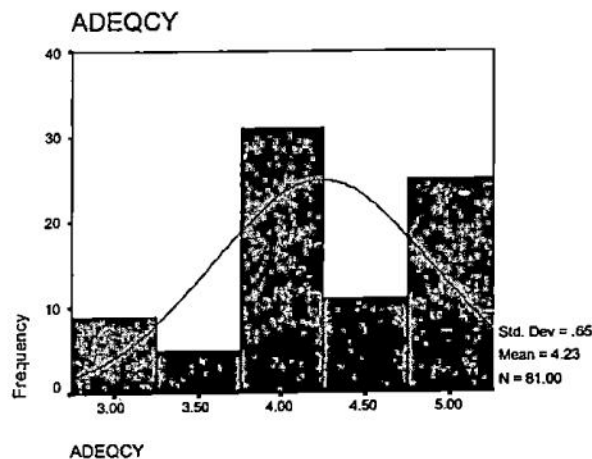
In this test, the perception on the adequacy of Islamic sources as a basis for developing Islamic accounting (ADEQCY) is constituted by questions Q1.5 and Q1.6.

The formula for this variable is as follows.

$$\text{ADEQCY} = \text{mean} (\text{Q1.5}, \text{Q1.6})$$

The distribution curve of the obtained ADEQCY variable is shown in Figure 5.12.

**Figure 5.12 : Distribution of ADEQCY variable**



The established hypothesis will be tested with the following equation.

$$H_0 : \text{mean of ADEQCY} \leq 3.00$$

$$H_a : \text{mean of ADEQCY} > 3.00$$

If the mean of the ADEQCY is less than or equal to three, null hypothesis will be accepted, but if it is more than three, the null hypothesis will be rejected and instead of that the alternative hypothesis will be accepted.

The result of the test shows the mean value of 4.2346 for the ADEQCY variable (see table 5.7).

**Table 5.7: Mean Value of ADEQCY Variable**

	N	Mean	Std. Deviation	Std. Error Mean
ADEQCY	81	4.2346	.6475	7.195E-02

Then, from table 5.3, it can be seen that the  $p$  value is 0.000 which is significant at 95% confidence level. This shows that the probability of the population mean being 3.0 is almost nil. The test also revealed a  $t$  value for this sample is 17.159, which is much greater than the critical  $t$  value of 1.990. This also shows that the result is highly significant.

**Table 5.8: Level of Significance of Testing Hypothesis 3**

	Test Value =3					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence of the Difference	
					Lower	Upper
ADEQCY	17.159	80	.000	1.2346	1.0914	1.3777

Based on the above result, it can be said that the null hypothesis that MAAs in Yogyakarta believe that Islamic teaching sources (the *Qur'an* and the *Sunnah*), are not adequate to be used for developing a contemporary accounting system, is rejected. Instead of that the alternative hypothesis that MAAs in Yogyakarta believe that Islamic teaching sources (the *Qur'an* and the *Sunnah*) are adequate to be used for



Since the sample distribution for this variable is initially not normal, a non-parametric test of one sample Kolmogorov-Smirnov test was applied to support the above finding. Based on the test, the result shows that the obtained mean is 4.2346 and the significance level is 0.004 at 95% confidence level (see Table 5.9). Hence, this result supports the t-test above.

**Table 5.9: Non-Parametric Test of ADEQCY Variable**  
**One-Sample Kolmogorov-Smirnov Test**

		ADEQCY
N		81
Normal Parameters <sup>a,b</sup>	Mean	4.2346
	Std. Deviation	.6475
Most Extreme Differences	Absolute	.197
	Positive	.197
	Negative	-.190
Kolmogorov-Smirnov Z		1.773
Asymp. Sig. (2-tailed)		.004

a. Test distribution is Normal.

b. Calculated from data.

#### **5.3.4. Test of Perception on the Objectives and Characteristics of Islamic Accounting**

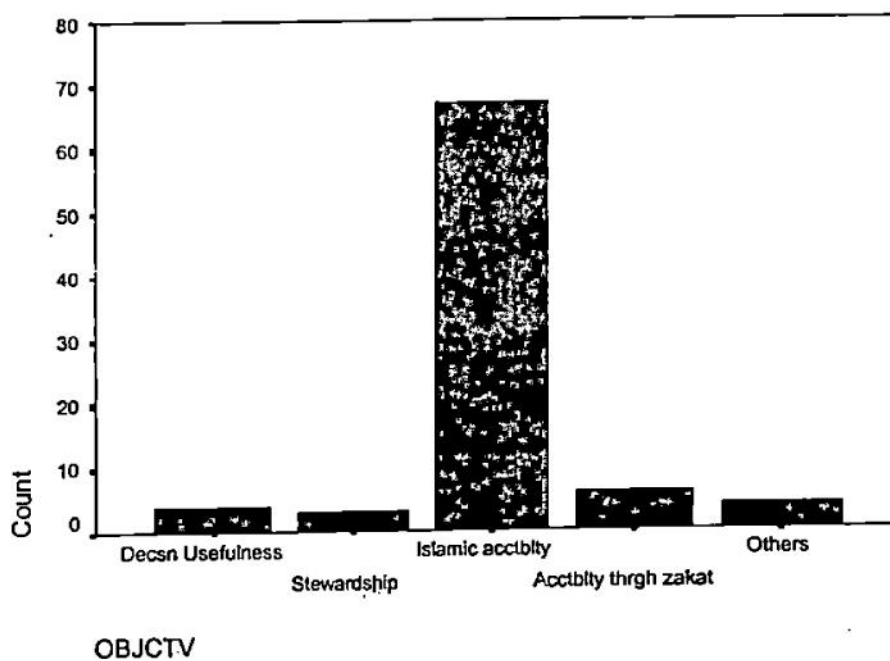
In this part, there are three aspects being tested. They are (1) objectives of Islamic accounting; (2) users of Islamic accounting; and (3) characteristics of Islamic accounting.

##### **5.3.4.1 Objectives of Islamic Accounting**

The objective of Islamic Accounting (OBJECTVE) variable is obtained from the respondents' choice on the main objective of Islamic accounting. As already discussed in the previous chapter, there are five alternatives provided. They are (1) decision usefulness; (2) stewardship; (3) Islamic accountability; (4) accountability through

Based on the data obtained from the field research, it is found that 4.76 % (4 cases) of the respondents choose decision usefulness, 3.57 % (3 cases) choose stewardship, 79.77 % (67 cases) choose Islamic accountability and 7.14 % (6 cases) choose accountability through zakat, while the rest 4.76% (4 cases) choose others. The frequency distribution of the option is shown in Figure 5.13.

**Figure 5.13 : Frequency Distribution of OBJECTVE Variable**



Providing the same expected frequency, the third option (Islamic accountability) occurs more than its expected frequency (see Table 5.10). Meanwhile, other options could not achieve its expected frequency (16.8). Given that Islamic accountability is the majority option of the Islamic accounting, it can be said that the null hypothesis according to which the objectives of Islamic accounting are the same as the objectives of conventional accounting, is rejected. Therefore, the alternative hypothesis that the

**Table 5.10: Chi-Square Test Frequencies**

	OBJECTIVE		
	Observed N	Expected N	Residual
Decision usefulness	4	16.8	-12.8
Stewardship	3	16.8	-13.8
Islamic accountability	67	16.8	50.2
Accountability through zakat	6	16.8	-10.8
Others	4	16.8	-12.8
Total	84		

The difference of the obtained frequency to its expected frequency is significant at 0.000 (see Table 5.11). This means that the probability of the expected frequency being equal is almost nil.

**Table 5.11: Significance of Testing Hypothesis 4**

**Test Statistics**

	OBJECTIVE
Chi-Square <sup>a</sup>	187.786
df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 16.8.

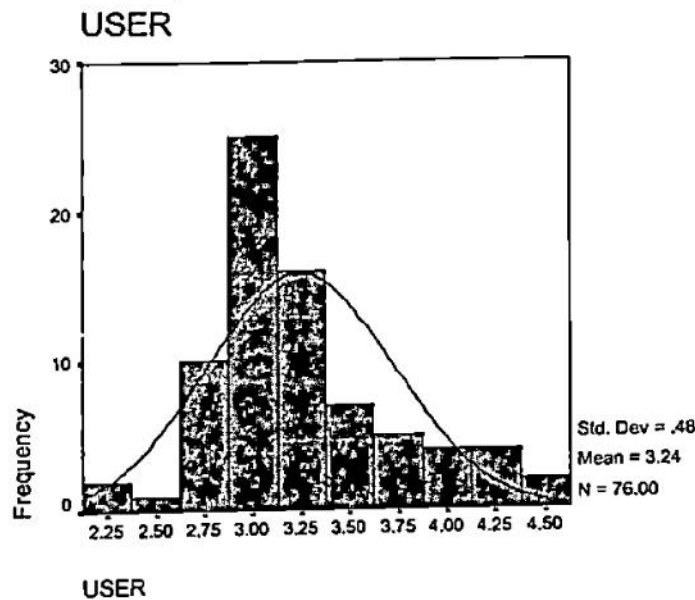
**5.3.4.2 The users of Islamic accounting**

The variable of users of Islamic accounting (USER), is constituted by questions Q2.1a-g as noted in the following formula.

$$USER = \text{mean} (Q2.1a, Q2.1b, Q2.1c, Q2.1d, Q2.1e, Q2.1f, Q2.1g)$$

The distribution of the USER variable is skewed to the right as shown in Figure 5.14

**Figure 5.14 : Distribution of the USER variable**



In testing the hypothesis on users of Islamic accounting, one sample t-test with a test value of three will be conducted. The following equation will be used in testing the hypothesis.

$$H_0 : \text{mean of USER} < 3.00$$

$$H_a : \text{mean of USER} \geq 3.00$$

By looking at the result in Table 5.12, it is found that the sample mean of USER is 3.2444 which is higher than the critical mean of 3.00.

**Table 5.12: Mean Value of the USER Variable**

	N	Mean	Std. Deviation	Std. Error Mean
USER	76	3.2444	.4780	5.483E-02

From Table 5.13, it can be seen that the  $p$  value is 0.000 which is significant at 95% confidence level. This shows that the probability of the population mean being 3.0 is almost nil. The test also revealed a  $t$  value 4.457 of which is greater than the critical  $t$

**Table 5.13: Level of Significance of Testing Hypothesis 5**

	Test Value =3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence of the Difference	
					Lower	Upper
USER	4.457	75	.000	.2444	.1351	.3536

Therefore, it can be said that the null hypothesis that MAAs in Yogyakarta believe that shareholders are more important than other users of accounting information in Islamic accounting, is rejected. Instead of that, the alternative hypothesis that MAAs in Yogyakarta believe that other users of accounting information are at least as (or if not more than) shareholders, is accepted.

Since the distribution of this variable is not considered normal, a non-parametric test of one sample Kolmogorov-Smirnov test was applied. The result shows that the obtained mean is also 3.2444 and the significant level is below .01 at 95% confidence level (see Table 5.14). Hence the result supports the t test above.

**Table 5.14: Non-Parametric Test of the USER Variable**

**One-Sample Kolmogorov-Smirnov Test**

		USER
N		76
Normal Parameters <sup>a,b</sup>	Mean	3.2444
	Std. Deviation	.4780
Most Extreme Differences	Absolute	.195
	Positive	.195
	Negative	-.134
Kolmogorov-Smirnov Z		1.704

In Malaysia, Hameed (2000a) also finds that the accounting academicians believe that other users of accounting information in Islamic accounting are at least as important as (or if not more than) shareholders. In his research, Hameed (2000a) finds the mean of this test to be 3.4130, slightly higher than the Yogyakarta case.

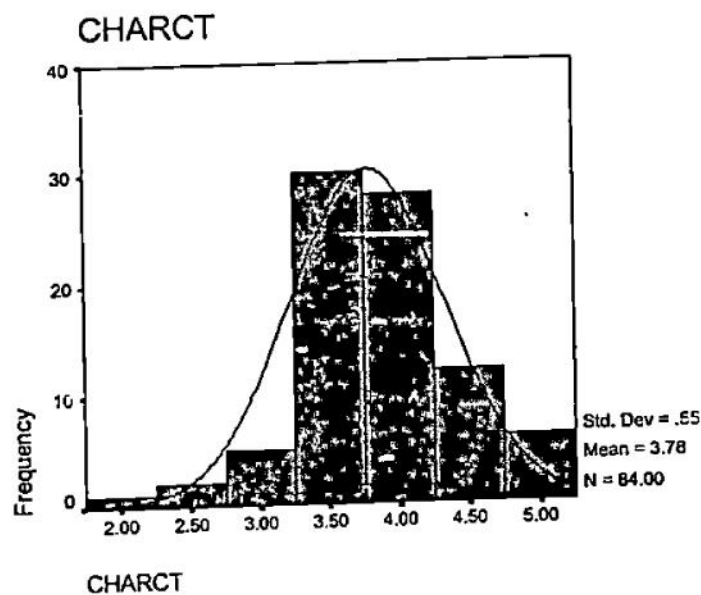
### 5.3.4.3 The Characteristics of Islamic Accounting

The variable of characteristics of Islamic accounting (CHARCT) is established based on questions Q1.7, Q1.8, Q1.9, Q1.11, Q2.2a, Q2.2b, Q2.2c, Q2.2d & Q2.2e. The formula for this variable is set in the following equation.

$$\text{CHARCT} = \text{mean} (\text{Q1.7, Q1.8, Q1.9, Q1.11, Q2.2a, Q2.2b, Q2.2c, Q2.2d, Q2.2e})$$

The obtained value of this variable is shown in Figure 5.15.

**Figure 5.15 : Distribution of CHARCT variable**



The result of the hypothesis testing shows that the obtained mean is 3.7753 which is greater than the critical mean of 3.00.

**Table 5.15: Mean Value of CHARCT Variable**

	N	Mean	Std. Deviation	Std. Error Mean
CHARCT	84	3.7753	.5528	6.032E-02

From Table 5.16., it can be seen that the p value is 0.000 which is significant at 95% confidence level. This shows that the probability of the population mean being 3.0 is almost nil. The test also revealed a t value 12.853 of which is much greater than the critical value of 1.990, which also means the result is highly significant.

**Table 5.16: Level of Significance of Testing Hypothesis 6**

	Test Value =3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence of the Difference	
					Lower	Upper
CHARCT	12.853	83	.000	.7753	.6553	.8953

Therefore, it can be inferred that the null hypothesis that MAAs in Yogyakarta believe that Islamic accounting does not emphasize social and religious information is rejected. Meanwhile, the alternative hypothesis that MAAs in Yogyakarta believe that Islamic accounting emphasizes social and religious information, is accepted.

Hameed (2000a) has also tested a similar hypothesis on Malaysian accounting academicians. He finds that the Malaysian accounting academicians believe that

### **5.3.5. Test of the Impact of Different Background of Institutions on the Characteristics of Islamic Accounting**

As already discussed in the previous chapter, the different backgrounds of institutions are expected to have an impact on the respondents' perceptions on the characteristics of Islamic accounting. This is because the Islamic background institutions have made more efforts than the conventional institutions to promote Islamic values. The efforts are for example in providing more credit hours in the curriculum for the Islamic perspective subjects, in publishing Islamic related journals and handbooks, in conducting seminars and discussion forums on accounting from the Islamic perspective and in providing Islamic understanding courses for their staffs.

For this purpose, a one way variance test will be used in the data analysis. This analysis tool will analyze further the significance level of the difference between two or more groups. In this case, the group will be divided into the Islamic background institutions and the conventional background institutions. As shown in Table 5.17, the significant difference is only found in two testing variables, the APPROPT variable and the USER variable. The APPROPT variable shows that the difference is significant at .087 whereas the USER variable is significant at .062. Therefore, we can



**Table 5.17: Analysis of Variance for Islamic and Conventional Background Institutions**

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
SOSEC	Between Groups	1.978E-02	1	1.978E-02	.104	.748
	Within Groups	14.843	78	.190		
	Total	14.863	79			
APPROPT	Between Groups	3.093	1	3.093	3.021	.087
	Within Groups	72.688	71	1.024		
	Total	75.781	72			
ADEQCY	Between Groups	.204	1	.204	.483	.489
	Within Groups	33.339	79	.422		
	Total	33.543	80			
USER	Between Groups	.793	1	.793	3.590	.062
	Within Groups	16.343	74	.221		
	Total	17.135	75			
CHARCT	Between Groups	.198	1	.198	.644	.425
	Within Groups	25.171	82	.307		
	Total	25.368	83			

In the descriptive data for both groups as shown in Table 5.18, it is found that in the APPROPT variable, the respondents in the Islamic background institutions perceive the conventional accounting differently from the perception of respondents from the conventional background institutions. Overall, the mean of this variable for the Islamic background group is 3.3400. Since the critical mean is 3.0000, we could say that they have perceived that conventional accounting is inappropriate for the Muslim users. However, the mean for the conventional background institution is 2.9063. Since the obtained mean is lower than the critical mean, we could say that overall the respondents from the conventional background institutions have perceived that conventional accounting is appropriate for the needs of Muslim users.

In terms of the USER variable, although there is a significant difference between the two groups, both of the groups perceived the same thing that the level of importance

conventional accounting. However, the difference arises in the level of the perception, whereby the mean for the Islamic background institutions is higher than that of conventional background institutions.

**Table 5.18 : Descriptive Data of Islamic and Conventional Background Institutions**

		Descriptives							
		N	Mean	Std. Deviation	Std. Error	5% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
SOSEC	Islamic background institution	28	4.6339	.3435	.491E-02	4.5007	4.7671	4.00	5.00
	Conventional background institution	52	4.6010	.4781	.630E-02	4.4679	4.7341	3.50	5.00
	Total	80	4.6125	.4337	.849E-02	4.5160	4.7090	3.50	5.00
APPROPT	Islamic background institution	25	3.3400	.9760	.1952	2.9371	3.7429	1.50	5.00
	Conventional background institution	48	2.9063	1.0296	.1486	2.6073	3.2052	1.00	5.00
	Total	73	3.0548	1.0259	.1201	2.8154	3.2942	1.00	5.00
ADEQCY	Islamic background institution	28	4.3036	.5330	.1007	4.0969	4.5102	3.00	5.00
	Conventional background institution	53	4.1981	.7026	.651E-02	4.0045	4.3918	3.00	5.00
	Total	81	4.2346	.6475	.195E-02	4.0914	4.3777	3.00	5.00
USER	Islamic background institution	29	3.3744	.4651	.637E-02	3.1975	3.5513	2.71	4.43
	Conventional background institution	47	3.1641	.4728	.897E-02	3.0253	3.3030	2.29	4.43
	Total	76	3.2444	.4780	.483E-02	3.1351	3.3536	2.29	4.43
CHARCT	Islamic background institution	31	3.8387	.4657	.364E-02	3.6679	4.0095	2.63	4.88
	Conventional background institution	53	3.7382	.5991	.229E-02	3.5731	3.9033	2.13	5.00
	Total	84	3.7753	.5528	.032E-02	3.6553	3.8953	2.13	5.00

The findings in the above analysis will be analyzed further in a correlation test. This test according to Guy et al (1987) is primarily concerned with describing the degree of relationship between the two variables. In this situation the researcher would like to find out whether the inappropriateness of conventional accounting has a relationship

The result of a correlation test will be displayed in a correlation coefficient. The coefficient varies between 0 and +/- 1.00. The extreme values (+/- 1.00) represent perfect correlation (Santoso, 2001). A correlation of + 1.00 means the relationship between two variables is positive. As one variable increase in value, the other variable also increases in value. Meanwhile a correlation of -1.00 means the relationship between two variable is negative. As one variable increase in value, the other variable decreases in value. A correlation of zero means no relationship at all. Hence we have no ability to predict one variable to the other.

The hypothesis will be hypothesized as in the following equation.

$$H_0 : r = 0 ; \quad H_a : r \neq 0$$

r = correlation coefficient

In testing this hypothesis, probability value will be used in determining the acceptance or rejection of the null hypothesis. In this case, the lower the probability value, the greater the likelihood of rejecting the null hypothesis, and vice versa.

From Table 5.19, it can be seen that the probability value is 0.044 which means significant below 5% level at a two tailed test.

**Table 5.19 : Correlation Between the Inappropriateness of Conventional Accounting with the Number of Credit Hours Provide for Islamic Related Subjects**

Correlations

		ISLCREDIT	APPROPT
ISLCREDIT	Pearson Correlation	1.000	.236*
	Sig. (2-tailed)		.044
	N	87	73
APPROPT	Pearson Correlation	.236*	1.000
	Sig. (2-tailed)	.044	
	N	73	73

\*. Correlation is significant at the 0.05 level (2-tailed).

The test also reveals the correlation coefficient of 0.236 indicating that there is a positive relationship between the number of credit hours for Islamic related subjects with the accounting academicians' perception on the inappropriateness of conventional accounting for Islamic business organization and Muslim users. Hence, the more the Islamic related subjects being provided, the more the MAA perceived that conventional accounting inappropriate to achieve the objective of Islamic business organizations.

#### **5.4. Conclusion**

A set of hypotheses tests conducted in this chapter has revealed that all the null hypotheses except hypothesis two should be rejected and the alternative hypotheses should be accepted. It is also found that the acceptance of the alternative hypothesis 1 on the socio-economic principle of Muslim business organizations; alternative hypothesis 3 on the adequacy of Islamic teaching sources (the Qur'an and the Sunnah) in developing contemporary accounting system; alternative hypothesis 4 on the objective of Islamic accounting; alternative hypothesis 5 on the users of Islamic accounting information; and alternative hypothesis 6 on the characteristics of Islamic accounting, are significant below 0.000.

Further, in the test on the impact of different backgrounds of institutions on the respondents' perceptions on Islamic and conventional accounting, it is found that the difference occurs on two issues. Firstly, on the issue of the inappropriateness of conventional accounting for Muslim users, and secondly on the issue of the importance of users other than shareholders. In the issue of the inappropriateness of conventional accounting, MAAs in Islamic background institutions do not perceive

institution do. Meanwhile, for the issue of users of Islamic accounting, the difference is only on the degree of importance of users other than shareholders, whereby the group of respondents in Islamic background institutions perceive it higher than the group of respondents in conventional background institutions. Finally, in the correlation test of a two variable, it is found that there is a positive relationship between the number of credit hours for Islamic related subjects with the accounting academicians' perception on the inappropriateness of conventional accounting for Islamic business organization and Muslim users.

Although the above tests have been properly arranged and undertaken, the results of the tests are subject to a number of research limitations. In the next chapter, those

## **Chapter 6**

### **Conclusions & Suggestions for Further Research**

#### **6.0 Introduction**

A number of the findings of this study have been discussed in the previous chapter. Those findings have also been compared with the research results of other studies. It can be seen that most of the findings follow the same pattern as the research by Hameed (2000a) on Malaysian Muslim accounting academicians and professionals. Although it shows a similar pattern of findings, this study has in addition shown how the accounting academicians from Islamic background institutions perceive the issues differently as compared with those from conventional background institutions.

In this final chapter, to conclude the research, a number of issues will be raised. Section one of this chapter will provide some brief conclusions to the study both in terms of general findings of the overall research and in specific findings of the comparison of the two different backgrounds of institutions. Then in section two, a brief discussion of the original contribution of this study will be exposed. Finally this chapter will be ended by section three with a discussion of some suggestions for further research due to the limitations of this research.

#### **6.1 Conclusions of the Study**

As a way of life, Islam has a great concern for business activities. Through the revelation of the Qur'an and His Apostle, Allah has shown His guidance to mankind on how to be successful in this world and in the Hereafter while doing business. Since

area, a single instrument e.g. *Zakat*, would not be sufficient to solve those problems. In fact, it needs all the necessary instruments that can be used to achieve success (*falah*). Therefore, this would be appropriate to direct Islamic accounting towards the achievement of Islamic socio-economic objective of *falah*. Hence, in designing an Islamic accounting system, its objectives and characteristics should be able to direct the enterprise not only to provide a true picture of the enterprise but also to encourage them to be *Ihsan* (benevolence) and discourage them to be unjust.

However, the above opinion needs to be tested and further compared with other people's perceptions. Therefore, an empirical test needs to be conducted on a group of people who are familiar with accounting and live in a Muslim society like the Muslim accounting academicians in Indonesia. In this case, Indonesia has developed its accounting in a competitive setting between the religious influence and the influence of nationalist Pancasila ideology. Although in general, the ruling regimes have successfully used the Pancasila ideology to diminish the Islamic influence in the political arena, Islamic movements have achieved significant success in introducing Islamic values in the people's way of life and in the education system. Islamization of accounting is developed both in the education area and in the business practices and accounting profession. The higher educational institutions with an Islamic background have a great role to play in both discussing the emerging issues in Islamic accounting and in the publication of books and journals on Islamic accounting. Meanwhile, some of the efforts in the business practices initiated by the Islamic Financial Institutions, have resulted in the development of Islamic-based financial institutions in Indonesia. This situation has led the accounting profession (IAI) to provide separate standards of

In this research, an empirical test on a group of Muslim accounting academicians (MAA) in Yogyakarta province has been conducted. A number of hypotheses which aim to reveal the consensus among them have been set up and tested. In testing hypotheses one on the socio economic principles of Islamic business organizations, it was found significantly that the MAAs in Yogyakarta believe that business organizations should emphasize social welfare as well as profit i.e. promoting the attainment of success in the Hereafter as well as the attainment of the success in this world.

This perception reflects a more Islamic focus on life rather than the conventional focus on wealth, which considers profit as the ultimate objective. It can also be concluded that there is a rejection by the MAAs in Yogyakarta of the capitalistic idea to be applied in a Muslim business organization. In a deeper test on whether there is any different perception between Islamic background institutions and those with a conventional background, it is found that there is no material difference. In other words, both institutional backgrounds have the same perceptions towards the Islamic socio-economic principles of Muslim business organizations. Hence, this finding can become a basic foundation for the further development of Islamic accounting in Indonesia whereby there is a strong consensus among the Muslim accounting academicians on the socio-economic principles of a Muslim business organization that the emphasis is on success both in this world and in the Hereafter.

In testing hypothesis two on the inappropriateness of conventional accounting for Islamic business organizations and Muslim users, it is found that MAAs in Yogyakarta accounting academicians do not believe that conventional accounting



difference between Islamic background institutions and those with a conventional background, it is found that differences exist. Islamic background institutions perceive that conventional accounting is inappropriate for Muslim users. However, the conventional background institutions perceived that conventional accounting is appropriate for the needs of Muslim users. This finding shows that secular education has been so successfully internalized in the conventional background institutions that the conventional accounting is value free and can be used in any society including Muslim society. Unlike in the Islamic background institutions, this would imply that there will be a strong barrier on the MAAs in the conventional background of institutions to shift from the conventional accounting mindset towards the Islamic accounting mindset.

On the testing of hypothesis three on the adequacy of Islamic sources (the *Qur'an* and the *Sunnah*), as a basis for developing Islamic accounting, it is found that MAAs in Yogyakarta believe that Islamic teaching sources are adequate for developing a contemporary accounting system. In a deeper test on assessing the different perceptions between Islamic background institutions and those with a conventional background, it is found that both have the same perceptions that Islamic teaching sources are adequate for developing a contemporary accounting system. This would imply that the use of Islamic teaching sources in developing a contemporary accounting system is possible to be considered and practised to accompany the resources currently used in developing the contemporary accounting system.

Meanwhile in testing hypothesis four on the objectives of Islamic accounting, it is found that Islamic accountability is the main priority of MAAs in Yogyakarta as the

accounting is different from the objective of conventional accounting, which is decision usefulness. Since this consensus is widely supported by the respondents, the development of Islamic accounting could be brought about by providing information that will enable shareholders to ensure that the organization has discharged its accountability in accordance with the *Shariah* and to induce economic behavior in line with Islamic objectives and values.

On testing hypothesis five on the users of Islamic accounting, it was found that MAAs in Yogyakarta believe that the level of importance of users of accounting information is different between Islamic accounting and conventional accounting, in that in Islamic accounting the shareholder is not necessarily the most important user among the stakeholders. In a deeper test on how the institutions with different backgrounds perceive this issue, it is found that both of them also perceive that the shareholder is not necessarily the most important user of accounting information compared to other stakeholders. Therefore, considering the information needed by other stakeholders is obviously important and cannot be ignored.

On testing hypothesis six on the characteristics of Islamic accounting, it is found that MAAs in Yogyakarta believe that Islamic accounting should emphasize social and religious oriented information. This perception occurred in both Islamic background institutions and the conventional background institutions. This consensus would imply that there is a need in an Islamic accounting system to provide information to encourage the business organization to behave in an Islamic manner and discourage any un-Islamic behavior that might probably be undertaken by the organization or the users of information.

On a deeper analysis of whether the efforts of an educational institution to promote Islamic values are related to how their academicians perceived conventional accounting, it was found that there is a positive correlation between the efforts of an institution to promote Islamic values with the perception of the inappropriateness of conventional accounting for Islamic business organization and Muslim Users. In other words, the more efforts that were made to promote Islamic values, the more conventional accounting is perceived inappropriate for the needs of Muslim users. This means that the contradictory view of perceiving that conventional accounting is appropriate for achieving the Islamic objectives of Muslim business organizations, can actually be eliminated by making more effort to promote Islamic values in the institutions where one works.

## **6.2 Original Contributions of the Study**

Previous studies in this area have been conducted by a number of Islamic accounting scholars (Adnan & Gaffikin, 1997, Triyuwono, 1997: Gambling and Karim 1995). However, those studies were mainly on the theoretical aspects and did not elaborate further on the empirical basis. It was Hameed (2000a) who conducted the preliminary empirical research on the objectives and characteristics of Islamic accounting. In his study Hameed (2000a) reveals a number of consensuses among the Muslim Accounting academicians and professionals in Malaysia.

This study extends that research to the Indonesian context. Further, this study breaks new ground in comparing the responses of the faculty of Islamic background institutions with those of the faculty in conventional institutions. In addition, this

values affect one's perceptions on conventional accounting. Such a study, as far as the researcher is aware has never been conducted before in this field.

### **6.3 Suggestions for Further Research**

Despite its contribution, this research can still be considered as a preliminary study as such a number of improvements need to be undertaken for further research. Those improvements are in terms of both methodology and research scope. The purpose of methodology improvement is to produce more valid and reliable research. This research has shown high validity and reliability in terms of using quantitative research methodology. However, to enhance research in this area, qualitative research using interview and observation techniques on how Islamic values are promoted and internalized by the individuals of the institutions needs to be undertaken to support the findings of this research.

Meanwhile, the purpose of improving the research scope is to gain a wider acceptance of the research findings. As already discussed in the previous chapters, this research only takes accounting academicians as the sample and population. In fact, the accounting profession involves not only accounting academicians but also public accountants, management accountants and government accountants whereby those institutions can also be classified as Islamic background and conventional background. The extension of this research in the broader scope would provide a better understanding of the overall perceptions and the partial perceptions of the different backgrounds of institutions. In terms of sample size, this research also needs to be

## **6.4 Conclusion**

This study has revealed that in general the secular ideas have not been successfully internalized among the Muslim accounting academicians in Yogyakarta. Muslim accounting academicians in Yogyakarta are found to have a strong consensus among them on certain principles which can be used later as a basis for developing Islamic accounting. Those consensus are on the perception of the need to achieve social welfare as well as profit for Muslim business organizations, the perception of the adequacy of Islamic teaching sources in developing a contemporary accounting system, the perception of the need to have Islamic accountability as the objective of Islamic accounting, the perception of the need to consider other stakeholders as important as the shareholders, the perception of the need to produce accounting information that could direct the organizations and the users of the information to be in line with Islamic values.

As shown by the result of testing hypothesis 2, secularization has at best caused confusion in the minds of Muslim academicians as to the neutrality, objectivity and inappropriateness of conventional accounting principles. However, it is found that the different perception is because of the different degree of the efforts of the institutions in promoting Islamic values in the institutions. Therefore, the future integration of Islamic values into the curriculum and further application of Islamic accounting and

## BIBLIOGRAPHY

- AAOIFI. 1996. *Accounting and Auditing Standards for Islamic Financial Institutions*. Manama, Bahrain: Accounting and Auditing Organization for Islamic Financial Institutions.
- Abdalati, H. 1976. *Islam in Focus*. Indianapolis: American Trust Publications.
- Abdelgader, A.E. (1994), Accounting postulates and principles from an Islamic perspective. *Review of Islamic Economics*. 3 (2): 1-18.
- Abdoelkadir, K.K. and Yunus, H. 1994. "Developments in Indonesia Accountancy." *Proceedings of the 7<sup>th</sup> International Conference on Accounting Education*. Jakarta, Indonesia.
- Adnan, M.A. and Gaffikin. 1997. The Shariah, Islamic banks and accounting concepts and practices. *Proceedings of the International Conference 1: Accounting Commerce and Finance: The Islamic Perspective*. Sydney, Australia.
- Ahmad, M. 1995. *Business Ethics in Islam*. Islamabad : IIIT (Pakistan)
- Ahmad, S.F. 1988. The ethical responsibility of business: Islamic principles and implications. *Paper of the Seminar on Islamic Principles of Organizational Behavior*. Virginia, USA.
- Ahmad, S.N.S. and Hamad, M. 1992. Accounting Standard and Islamic Banks *Accamedia*. 11 (1): 46-61.
- Ambary, H.M. 1986. Epigraphical data from 17<sup>th</sup>-19<sup>th</sup> century Muslim graves in East Java. Ins. Grijns, C.D. and Robson, S.O. (edit.) *Cultural Contact and Textual Interpretation*. Holland: Foris Publications.
- Anshary, M.I. 1957. "Kami menuju Republik Indonesia berdasarkan Islam" (We are heading towards an Islamic Republic of Indonesia). Ins. Yusran, R. (edit) *Debat Dasar Negara Islam dan Pancasila* (The Debates on Islam and Pancasila as the state ideology). Jakarta: Pustaka Panjimas.
- Anwar, M. 1987. "Islamic economic methodology." *Paper of the Seminar on Islamic Economics*. Washington, USA.
- Arifin, Z. 1999. *Memahami Bank Syariah: Lingkup, Peluang Tantangan dan Prospek* (Understanding Shariah Banking: Scopes, Opportunities, Challenges and Prospects). Jakarta: Alvabet.
- Arnold. P.J. and Cooper, C. 1999. A tale of two classes: The privatization of Medway

- Badawi, S.T. 1986. "Accounting policies and procedures." Ins. *Islamic Banking and Finance*. London: Butterworths.
- Bailey, D.T. 1988. *Accounting in The Socialist Countries*. London: Routledge.
- Baydoun, N. and Willet, R. 1997. Islam and accounting: ethical issues in the presentation of financial information. *Accounting, Commerce and Finance: The Islamic Perspective*. 1 (1): 1-24.
- Baydoun, N. and Willet, R. 2000. Islamic corporate reports. *Abacus*. 36 (1): 21-91.
- Beekun, R. I. 1997. *Islamic Business Ethics*. Herndon, Virginia: The International Institute of Islamic Thought.
- Bible: New American Standard <http://www.searchgodsword.org>
- Bohrnstedt, G. W. 1977. Reliability and validity assessment in attitude measurement. Ins. Summers, G.F. (edit) *Attitude Measurement*. London: Kershaw Publishing Co. Ltd.
- Briloff, A. 1990. Accounting and society, a covenant desecrated. *Critical Perspectives on Accounting*. 1(1): 5-30.
- Bryman, A. and Cramer, D. 1997. *Quantitative Data Analysis with SPSS for Windows, a guide for Social Scientists*. London: Routledge.
- Chapra, M.U. 1992. *Islam and the Economic Challenge*. Herndon, Virginia; IIIT.
- Chaterji, B.R. 1966. *History of Indonesia: Early and Medieval*. 3<sup>rd</sup> Ed. Meerut: Meenakshi Prakashan.
- Chen, R. 1975. Social and financial stewardship. *The Accounting Review*. 61(1): 1-21.
- Chua, W.F. 1986. Radical Developments in Accounting Thought. *The Accounting Review*. Vol. LXI, No.4.
- Clark, F., Craig, R., and Hamid, S. 1996. Physical asset valuation and zakat: insights and implications. *Advances in International Accounting*. 9: 195-208.
- Diga, J. & Yunus. H. 1997. Accounting in Indonesia. Ins. Baydoun, N., Nishimura, A & Willet, R. (edit) *Accounting in the Asia Pacific Region*. Singapore: John Wiley & Sons.
- Dobbin, C. 1983. *Islamic Revivalism in a Changing Peasant Economy: Central Sumatra, 1784-1847*. London: Curzon Press Ltd.
- Al-Faruqi, I. 1982. *Islamization of Knowledge*. Washington: IIIT.
- FASB. 1996. *Statement of Financial Accounting Concepts*. Norwalk, Connecticut: Financial Accounting Standard Board.

- Gambling, T and Karim, R.A.A. 1991. *Business and Accounting Ethics in Islam*. London: Mansell Publishing Ltd.
- Gray, R.H. 1994. Accounting, the accountancy profession and the environmental crisis (or can accountancy save the world?) *Meditari*: 1-51.
- Gray, R., Owen, D and Adams, C. 1996. *Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Reporting*. London: Prentice Hall.
- Gray, S.J. 1988. Towards a theory of cultural influence on the development of accounting systems internationally. *Abacus*. 24 (1): 1-15
- Guy, R.F., Edgley, C.E., Arafat, I and Allen, D.E. 1987. *Social Research Methods: Puzzles and Solutions*. Boston: Allyn and Bacon, Inc.
- Hadibroto, S. 1962. *A Comparative Study of America and Dutch Accountancy and Their Impact on the Profession in Indonesia*. Ph.D. Thesis. Universitas Indonesia.
- Hameed, S. 2000a. *The need for Islamic Accounting: Perception of Its Objectives and Characteristics by Malaysia Accountants and Academics*. Ph.D. Thesis. University of Dundee.
- Hameed, S. 2000b. Nurtured by 'kufr': The Western philosophical assumptions underlying conventional (Anglo-American) Accounting. *International Journal of Islamic Financial Services*. 2(2).
- Hameed, S. 2001. Islamic accounting - accounting for the new millenium? *Paper of the Asia pacific Conference - Accounting in the New Millenium*. Kota Bahru, Malaysia. -
- Hamka. 1984. *Tafsir Al-Azhar*. Surabaya: Yayasan Latimojong.
- Haneef, M.A. 1997. Islam, the Islamic worldview and Islamic economics. *IIUM Journal of Economics and Management* 15 (1): 39-65.
- Haneef, S. 1992. *What Everyone Should Know about Islam and Muslims*. Lahore: Kazi Publications.
- Haniffa, R. and Hudaib, M. 2001. A conceptual framework for Islamic accounting: The Shari'a paradigm. *Paper of the International Conference on Accounting, Commerce & Finance: The Islamic Perspective*. New Zealand.
- Haq, Irfan ul. 1995. *Economic Doctrines of Islam. A Study in the Doctrines of Islam and Their Implications for Poverty, Employment and Economic Growth*. Herndon. Virginia: IIIT



- Henderson, S. & Peirson, G. 1988. "The Conceptual framework and the objectives of financial reporting." Ins. *Issues in Financial Accounting*. 4<sup>th</sup> Ed. Melbourne: Longman Cheshire.
- Hendriksen, E. S. and Van Breda, M.F. 1992. *Accounting Theory*. 5<sup>th</sup> Ed. Illinois: Irwin Publisher.
- Hines, R.D. 1988. Financial accounting: in communicating reality, we construct reality. *Accounting, Organizations and Society* 13 (3): 39-65.
- Hoernle, A.F.R. 1900 An epigraphical note on palm leaf, paper and birch-bark. *Journal of the Asiatic Society of Bengal*. 69 (2): 93-134.
- Holy Qur'an, Original Arabic Text with English Translation & Selected Commentaries* by Abdullah Yusuf Ali. Kuala Lumpur: Saba Islamic Media.
- Hopwood, A. 1974. *Accounting and Human Behaviour*. New Jersey: Prentice Hall, Inc.
- Hoskin, K. W. & Macve, R. H. 1986. Accounting and the examination: A genealogy of disciplinary power. *Accounting, Organizations and Society*. 11 (2): 105-136
- Hoyle, R.H., Harris, M.J. and Judd, C.M. 2002. *Research Methods in Social Relations* 7<sup>th</sup> ed. United States: Thomson Learning.
- Ijiri, Y. 1971. Critique of the APB fundamentals statement. *Journal of Accountancy*. November: 43-50.
- Kam, V. 1990. *Accounting Theory*. 2<sup>nd</sup> Ed. New York: Wiley.
- Karim, R.A.A. 1995. The nature and rationale of a conceptual framework for financial reporting by Islamic banks. *Accounting & Business Research*. 25 (100): 285-300.
- Karim, R.A.A. 1999. Accounting in Islamic financial institutions. *Accounting & Business* July/August.
- Khan, M.A. 1994. Accounting issues and concepts for Islamic Banking. Ins. *Development of an Accounting System for Islamic Banking*. London: The Institute of Islamic Banking & Insurance.
- Khair, M. 1992. Accounting in a changing society. Ins. Harahap, S.S. (edit) *Akuntansi, Pengawasan & Manajemen dalam Perspektif Islam* (Accounting, Auditing and Management from an Islamic Perspective). Jakarta: Trisakti University.
- Kinnear, P.R. & Gray, C.D. 1995. *SPSS/PC+ Made Simple*. London: LEA Publishers.
- Koentjaraningrat. 1975. *Introduction to the Peoples and Cultures of Indonesia and*

- Littleton, A.C. 1933. *Accounting Evolution to 1900*. American Institute Publishing Co.
- Maarif, A.S. 1993. *Peta Bumi Intelektualisme Islam di Indonesia* (Islamic Intellectualism Globe in Indonesia). Bandung: Mizan.
- Madjid, N. 1993. *Islam Kemodernan and Keindonesiaan* (Islam, Modernity and Indonesian). 5<sup>th</sup> Ed. Bandung: Mizan.
- Mathews, M.R. and Pereira, M.H.B. 1996. *Accounting Theory and Development*. Melbourne: Thompson Publishing.
- Maus, M. 1967. *The Gift*. New York: Norton.
- Mirza, M & Baydoun, N. 2000. Accounting policy in a riba free environment. *Accounting, Commerce and Finance: The Islamic Perspective Journal*. 4 (1): 30-40.
- Al Mubarak, M. 1978. *Nizam al-Islam al-iqtisadi: Mabadi' wa Qawa'id Ammah*. Beirut: Dar al-Fikr. Ins. Ahmad, M. *Business Ethics in Islam*. Islamabad: IIIT (Pakistan)
- Nakamura, M. 1976. *The Crescent Arises over the Banyan Tree: Study of the Muhammadiyah Movement in a Central Java Town*. Ithaca: Cornell University.
- Naqvi, S.N.H. 1981. *Ethics and Economics: An Islamic Synthesis*. Leicester, UK: The Islamic Foundation.
- An-Nawawi, Y.S. (1997) *Syarah Hadits Arba'in: 41 Hadits tentang Kaidah-Kaidah Agung Islam serta Penjelasannya* (41 Prophecy explanations on the Islamic teachings). Transl. by Murtadho H. and Salafuddin A.J. Solo: Al-Qowam.
- Perera, M.H.B. 1989. Towards a framework to analyze the impact of culture on accounting. *The International Journal of Accounting*. 24: 42-56
- Al-Qardhawi, Y. 1988. *Fiqh al-Zakat* (The Law of Zakat) Lahore: Al-Faisal Publishing.
- Al-Qardhawi, Y. 1995. *Peran Nilai dan Moral dalam Perekonomian Islam* (The Role of Value and Morality in Islamic Economics). Jakarta: Robbani Press.
- Rashid, S. 1987. Islamic economics: a historic-inductive approach. *Paper of the Seminar on Islamic Economics*. Washington, USA.
- Ricklefs, M.C. 1981. *A History of Modern Indonesia: c. 1300 to the Present*. Bloomington: Indiana University Press.
- Santoso, S. 2001. *SPSS Versi 10. Mengolah Data Statistik Secara Profesional*

- Schrieke, B. 1957. *Indonesian Sociologist Studies, Part One*. The Hague: W. Van Hoeve Publishers Ltd.
- Shihadeh, M.A. 1994. Accounting systems for Islamic banking – An insider's perspective. Ins. *Deveelopment of an Accounting System for Islamic Banking*. London: The Institute of Islamic Banking and Insurance.
- Siddiqi, M.N. 1979. *The Economic Enterprise in Islam*. Lahore: Islamic Publications Ltd.
- Soekarno. 1945. Speech on 1<sup>st</sup> of June 1945 in front of Preparation Council on Indonesian Independence. Ins. Rahardjo, I.T.K & Herdianto W.K. (edit) *Bung Karno Wacana Konstitusi dan Demokrasi*. Jakarta: Grasindo.
- Sombart, W. 1919. *Der Moderne Kapitalismus*. Munich: Dunker and Hurnblot. Ins. Belkaoui, A.R. *Accounting Theory*. 3<sup>rd</sup> Ed. Orlando: The Dryden Press
- Sprinthall, R.G. 1997. *Basic Statistical Analysis*. 5<sup>th</sup> Ed. USA: Ailyn & Bacon Publisher
- STIE Widya Wiwaha, (2002). 2002 Handbook. STIE (College of Economics) Widya Wiwaha.
- Syarbaini, S. 2001. *Pendidikan Pancasila di Perguruan Tinggi* (Pancasila Education for Higher Education Institution). Jakarta: Ghalia Indonesia.
- Sukoharsono, E.G. 1999. Accounting in a historical transition: A shifting dominant belief from Hindu to Islamic administration in Indonesia. *Proceedings of the International Conference 2: Accounting Commerce and Finance: The Islamic Perspective*. Jakarta, Indonesia.
- Sulaiman, M. 1997. *Testing a Theory of Islamic Corporate Reporting: The Case of Malaysia*. Ph.D. Thesis. University of Otago.
- Summers, G.F. 1977. *Attitude Measurement*. London: Kershaw Publishing Co. Ltd.
- Tinker, A.M. 1985. *Papers Prophets: A Social Critique of Accounting*. London: Holt, Rinehart & Winston.
- Tinker, A.M., Merino, B.D. and Neimarck, M.D. 1982. The normative origins of positive theories: ideology and accounting thought. *Accounting, Organizations and Society* 7 (2): 167-200.
- Triuwono, I. 2000. Akuntansi Syariah: Implementasi nilai keadilan dalam format metafora amanah (Shariah Accounting: Implementation of justice in a form of trust metaphor). *Jurnal Akuntansi & Auditing Indonesia*. 4(1): 1-34.

- Universitas Ahmad Dahlan. 2000. University Academic Handbook 2000-2001, Universitas Ahmad Dahlan, Yogyakarta.
- Universitas Cokroaminoto. 2000. Faculty of Economics Handbook, Universitas Cokroaminoto, Yogyakarta.
- Universitas Islam Indonesia. 2001. Faculty of Economics Handbook 2001-2002. Universitas Islam Indonesia, Yogyakarta.
- Universitas Muhammadiyah Yogyakarta. 2001. Faculty of Economics Handbook 2001-2002. Universitas Muhammadiyah Yogyakarta, Yogyakarta.
- Wolk, J.F. and Tearney, M.G. 1997. *Accounting Theory: A Conceptual and Institutional Approach*. 4<sup>th</sup> ed. Ohio: South Western College Publishing.
- Zaid, O.A. 1997. Accounting books and reports in the Islamic State. *Proceedings of the International Conference 1: Accounting Commerce and Finance: The Islamic*

**APPENDIX I:  
RESEARCH QUESTIONNAIRE  
(ENGLISH VERSION)**

**RESEARCH QUESTIONNAIRE  
ON OBJECTIVES AND CHARACTERISTICS OF ISLAMIC ACCOUNTING**

**PART A : SURVEY**

*I. Please tick (✓) the appropriate box. If you are unable to give an answer to any of the questions, please leave the boxes blank.*

No.	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1	Muslim business organizations should promote the attainment of success in the Hereafter as well as the attainment of success in this world					
2	Muslim business organizations should promote the attainment of social welfare as well as the attainment of profits					
3	The objectives of Muslim business organizations should include:					
	a. Ensuring all stakeholders are treated in a just and fair manner even if this means profits are lowered					
	b. Avoiding damage to the environment even in the absence of adequate legislation					
	c. Sufficient payment of wages to their employees for them to live reasonably, even if this means reducing shareholders' profits					
4	Financial Statements prepared in accordance with conventional accounting principles:					
	a. Provide appropriate information to enable Muslim business organizations to properly disclose their Islamic accountability (e.g. <i>Shariah</i> compliance) to all stakeholders					
	b. Impede the fair and proper allocation of wealth between different classes of stakeholders, e.g. shareholders, managers, employees and <i>Zakat</i> beneficiaries					
	c. Hinder the making of the appropriate decisions needed to control organizations to ensure the attainment of the Islamic objectives of Muslim business organizations					
5	Islamic sources ( <i>Qur'an &amp; Sunnah</i> ) are adequate to develop a contemporary accounting system					
6	The <i>Muamalah</i> principles in the <i>Qur'an</i> and <i>Sunnah</i> are applicable in developing an accounting system					
7	Accounting in the Islamic perspective should not be restricted to financial aspect only.					
8	Accounting in the Islamic perspective should not only record economic events/transactions but should include socio-economic events/transactions of Muslim business organizations					
9	Accounting in the Islamic perspective should attempt to recognize and measure externalities					
10	Accounting in the Islamic perspective should use current values in the balance sheet in order to calculate <i>Zakat</i> fairly					
11	Accounts and annual reports of Muslim business organizations should be <i>Shariah</i> audited to ensure that the organization has conducted its activities in accordance with					

II. Please show the importance of each statement by ticking (✓) the appropriate box.

No.	Statement	Not important at all	Less important	As important	More important	Most important
1	Please indicate the importance of the following stakeholders as <u>users</u> of accounting information in Islamic perspective (as compared to the shareholders)					
	a. Managers					
	b. Employees/Trades unions					
	c. Government					
	d. Community					
	e. Creditors					
	f. Customers/consumer groups					
2	g. <i>Zakat</i> beneficiaries					
	Please indicate the need to provide the following information in the annual reports of Muslim business organizations (as compared to disclosure of information on profits)					
	a. Impact of the organization's activities on the environment					
	b. Internal employee-employer relationship and working conditions					
	c. Distributions of salaries, perquisites and wages among different levels of managers and employees					
	d. Prohibited ( <i>haram</i> ) activities or financing undertaken by the organization.					
e. Social responsibility of the organization to the community						

III. Please tick (✓) only one of the provided boxes.

Which of the following statement should be the MAIN objective of Islamic accounting?		Please tick only one of the following boxes
a.	To provide information on the amount, certainty and timing of expected cash flows in order for shareholders to make the decision to buy, hold or sell shares (decision usefulness).	
b.	To provide information which will enable shareholders to evaluate how efficiently management have safeguarded and enhanced their assets (stewardship).	
c.	To provide information that will enable shareholders to ensure that the organizations have discharged their accountability in accordance with the <i>Shariah</i> and to induce economic behavior in line with Islamic objectives and values (accountability).	
d.	To provide information to enable the proper calculation and distribution of <i>Zakat</i> hence reducing the possibility of creative accounting and thereby automatically fulfilling the needs of other users (Social accountability through <i>Zakat</i> )	
e.	Others, please state:	





**III. Please categorize your self into 1-7 score for each of the following aspects. Please answer by putting a circle around the number to indicate your assessment**

No	Aspect	Assessment
1	In fulfilling five times a day pray	lowest - 1 2 3 4 5 6 7 - highest
2	In fasting in <i>Ramadhan</i>	lowest - 1 2 3 4 5 6 7 - highest
3	In paying <i>Zakat</i>	lowest - 1 2 3 4 5 6 7 - highest
4	In understanding Islamic economic system	lowest - 1 2 3 4 5 6 7 - highest
5	In understanding Islamic social principles ( <i>mu'amalah</i> )	lowest - 1 2 3 4 5 6 7 - highest

*Please write down your comment on this topic if any*

*If you want to get a copy of summary of this research, please write down your name address and e-mail address or attach your business card in the box below.*

**Thank you very much for your help in filling this questionnaire  
 May Allah SWT reward you.  
 Wassalamu'alaikum Wr. Wb.**

*L/A/P. DR*

**KUESIONER PENELITIAN  
TENTANG TUJUAN DAN KARAKTERISTIK AKUNTANSI ISLAM**

**BAGIAN A : SURVEY**

*I. Silahkan tandai (✓) kotak yang tersedia untuk menunjukkan pendapat anda tentang pernyataan dibawah ini. Jika anda tidak dapat memberikan pendapat, kotak yang tersedia mohon dibiarkan kosong.*

No.	Pernyataan	Sangat tidak setuju	Tidak setuju	Ragu-ragu	Setuju	Sangat setuju
1	Organisasi bisnis Muslim (organisasi bisnis yang dikendalikan oleh orang yang beragama Islam) seharusnya ikut mendorong pencapaian kesuksesan di akhirat, selain daripada pencapaian kesuksesan di dunia ini					
2	Organisasi bisnis Muslim seharusnya ikut mendorong pencapaian kesejahteraan sosial masyarakat, selain daripada pencapaian laba perusahaan					
3	Tujuan organisasi bisnis Muslim seharusnya meliputi:					
	a. Memastikan semua <i>stakeholder</i> diperlakukan secara adil, meskipun berakibat laba menjadi lebih rendah					
	b. Menghindari kerusakan lingkungan oleh perusahaan, meskipun tidak ada aturan hukum yang memadai					
	c. Membayar upah yang memadai bagi para pekerja untuk hidup wajar, meskipun hal ini dapat mengurangi keuntungan pemegang saham					
4	Laporan keuangan yang dibuat berdasarkan prinsip-prinsip akuntansi konvensional:					
	a. Dapat memberikan informasi secara tepat dan benar untuk menunjukkan pertanggungjawaban perusahaan atas tuntunan Islam (seperti kepatuhan pada syariah Islam).					
	b. Dapat menghalangi pengalokasian kesejahteraan yang adil dan wajar diantara berbagai kelompok <i>stakeholder</i> (a.l. pemegang saham, manajer, pekerja dan penerima Zakat).					
	c. Dapat menghalangi pembuatan keputusan yang diperlukan untuk mengawasi perusahaan agar mencapai tujuan yang diharapkan Islam					
5	Sumber-sumber ajaran Islam (Qur'an & Sunnah) <u>cukup memadai</u> untuk dijadikan sebagai dasar pengembangan sistem akuntansi saat ini					
6	Prinsip-prinsip muamalah dibidang bisnis yang dianjurkan Qur'an dan Sunnah <u>dapat diterapkan</u> dalam mengembangkan suatu sistem akuntansi.					
7	Akuntansi dalam perspektif Islam seharusnya <u>tidak</u> dibatasi pada aspek keuangan semata					
8	Akuntansi dalam perspektif Islam seharusnya <u>tidak</u> hanya mencatat kejadian/transaksi ekonomi tetapi juga meliputi kejadian/transaksi sosio-ekonomi					
9	Akuntansi dalam perspektif Islam seharusnya juga mengakui dan mengukur eksternalitas (seperti dampak lingkungan dan sosial sebagai akibat dari kegiatan organisasi)					
10	Akuntansi dalam perspektif Islam seharusnya menggunakan nilai sekarang ( <i>current value</i> ) dalam neraca untuk menghitung					

No.	Pernyataan	Sangat tidak setuju	Tidak setuju	Ragu-ragu	Setuju	Sangat setuju
11	Rekening ( <i>account</i> ) dan laporan tahunan organisasi bisnis Muslim seharusnya diaudit untuk memastikan bahwa organisasi tersebut telah menjalankan kegiatannya sesuai dengan Shariah Islam (audit syariah)					

II. Silahkan tunjukkan pentingnya masing-masing pernyataan berikut dengan menandai (√) kotak yang disediakan.

No.	Pernyataan	Tidak penting sama sekali	Kurang penting	Sama penting	Lebih penting	Paling penting
1	Pentingnya <u>stakeholder</u> berikut sebagai pemakai informasi akuntansi dalam perspektif Islam (dibandingkan dengan pemegang saham)					
	a. Manajer					
	b. Pekerja/serikat pekerja					
	c. Pemerintah					
	d. Masyarakat					
	e. Kreditor					
	f. Pelanggan/organisasi konsumen					
	g. Penerima zakat/amil zakat					
2	Pentingnya menyediakan <u>informasi</u> berikut dalam <u>laporan tahunan</u> organisasi bisnis Muslim (dibandingkan dengan informasi tentang laba)					
	a. Dampak aktivitas perusahaan pada lingkungan					
	b. Hubungan internal antara pemilik-pegawai dan kondisi kerja					
	c. Distribusi gaji, bonus dan upah diantara berbagai tingkat manajer dan karyawan					
	d. Aktivitas atau kegiatan pendanaan yang dilarang / diharamkan oleh Shariah Islam yang dilakukan oleh organisasi					
	e. Tanggung jawab sosial organisasi terhadap masyarakat					

III. Silahkan tandai (√) satu diantara beberapa kotak yang disediakan dibawah ini.

Manakah diantara pernyataan berikut yang seharusnya <u>menjadi tujuan utama akuntansi</u> dalam perspektif Islam?		Silahkan tandai satu saja diantara kotak berikut
a.	Untuk menyajikan informasi tentang jumlah, kepastian dan saat aliran kas bagi pemegang saham guna pembuatan keputusan untuk membeli, menahan atau menjual saham-saham ( <i>decision usefulness</i> ).	
b.	Untuk menyajikan informasi yang dapat membantu para pemegang saham mengevaluasi seberapa-efisien manajemen telah menjaga dan meningkatkan aset mereka ( <i>stewardship</i> ).	
c.	Untuk menyajikan informasi yang dapat membantu pemegang saham memastikan bahwa organisasi telah melaksanakan tanggungjawabnya sesuai dengan Shariah Islam dan mendorong perilaku ekonomi agar sesuai dengan tujuan dan nilai-nilai Islam ( <i>Islamic accountability</i> ).	
d.	Untuk menyajikan informasi guna membantu penghitungan dan penyaluran Zakat yang secara otomatis memenuhi kebutuhan pemakai informasi akuntansi lainnya ( <i>accountability through Zakat</i> )	
e.	Selain diatas, silahkan sebutkan:	



**III. Mohon kategorikan diri anda ke dalam penilaian 1 hingga 7 dalam berbagai aspek berikut. Jawaban harap dibuat dengan melingkari angka guna menunjukkan penilaian anda.**

No	Aspek	Nilai
1	Dalam menunaikan shalat wajib lima waktu dalam sehari	terendah - 1 2 3 4 5 6 7 - tertinggi
2	Dalam menunaikan ibadah puasa di bulan Ramadhan	terendah - 1 2 3 4 5 6 7 - tertinggi
3	Dalam membayar zakat	terendah - 1 2 3 4 5 6 7 - tertinggi
4	Dalam memahami sistem perekonomian Islam	terendah - 1 2 3 4 5 6 7 - tertinggi
5	Dalam memahami prinsip-prinsip hukum muamalah dalam Islam	terendah - 1 2 3 4 5 6 7 - tertinggi

**Silahkan tuliskan komentar anda terhadap topik penelitian ini jika ada**

**Jika anda ingin mendapatkan salinan ringkasan hasil penelitian ini, silahkan tuliskan nama dan alamat anda beserta alamat e-mail atau lampirkan kartu bisnis anda pada kotak bawah ini.**

**Terima kasih atas bantuan anda dalam mengisi kuesioner ini.  
Semoga Allah SWT membalas kebaikan anda.  
Wassalamu'alaikum Wr. Wb.**

L/A/P. DR