

THE IMPORTANCE OF ISLAMIC ETHICS IN ACCOUNTING

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Abstract

Accounting must refer to the value of justice, truth, and accountability, this is because accounting information has the power to influence thoughts, decision making and actions taken by someone. The accounting profession is a profession that requires the trust of the community. Therefore ethics is very necessary in accounting, so that public trust can be maintained and maintained. This paper tries to explain the importance of ethics in accounting, which is described based on the Islamic perspective. Because Islam is a universal religion, which governs all life including accounting problems. In this paper, it is explained how Islam emphasizes the importance of ethics in accounting.

Keywords: ethics, Islam, and accounting.

INTRODUCTION

Islam as a religion has been placed as a choice and at the same time its teaching has become a guideline in the life of humanity who embraces it. So that its existence has provided direction in the development of human civilization. Islam is an open religion, which always gives freedom to the people to think ahead, in order to achieve a level of civilization and better progress (Muhammad, 2005).

According to Triuwono (2006), modern accounting is not able to reflect the non-economic reality created by the company. He is only able to recognize and reflect on economic events that are private costs/benefits and unable to recognize the public costs/benefits. With the orientation of maximizing profit for the benefit of shareholders or for the benefit of management itself such as to get bonuses, management exploits other people and the natural environment (Triuwono, 2006).

Accounting must refer to the value of justice, truth, and accountability, this is because accounting information has the power to influence thoughts, decision making and actions taken by someone. Being an accountant who obeys Islamic sharia is a life choice. Islamic accounting that has developed into an alternative for a prospective accountant as a job field that has its own uniqueness. But the choice is very much influenced by the perceptions and interpretations that are built in the minds of prospective accountants. Humans always regulate their behavior (including choices) in life in accordance with the understanding (perception) it has (An-Nabhani, 2001).

From this description, the author is interested in trying to explain the importance of Islamic ethics in Islamic accounting. In addition, this paper explains how Islam emphasizes the importance of ethics in accounting.

ISLAMIC ACCOUNTING

Islamic accounting (Nurhayati and Wasilah, 2009) is the accounting process for transactions that are in accordance with the rules set by Allah SWT. So it can be concluded that syari'ah accounting is the activity of recording historical data that is monetary based on Islamic values and concepts applied in the Koran and is useful for providing financial information that is used for decision making by users.

The purpose of syari'ah accounting itself in Islamic financial institutions according to Soemitra (2009) are two reasons, namely:

1. Shari'ah financial institutions are run in the framework of Shari'ah, as a result of the nature of transactions that are different from conventional financial institutions.
2. Users of syari'ah accounting information in shari'ah financial institutions are different from users of accounting information in conventional financial institutions.

Islamic accounting is built based on Islamic sharia, so the transcendental value of sharia accounting is clear. This is a strong indication that Islamic accounting is not merely a profane business instrument, but also as an instrument that crosses the profane world boundary. Therefore, accounting has been known as a tool of accountability to the owner of the company, so sharia accounting is more than that, namely accountability to stakeholders and God. With this nature in conducting business and accounting practices, someone involved will always use, or submit to, and surrender to God's will (Islamic ethics). That kind of value is meant by theology. This means that the practice of sharia accounting will deliver the perpetrators in real terms actualized in the form of activities to create and spread welfare for all nature.

According to Antonio (2001) accounting has been practiced in Islamic Governments since the time of the Prophet Muhammad SAW as below.

1. At the time of the Prophet Muhammad the forerunner of accounting began with the function of government to achieve its objectives and the appointment of competent people;
2. The government of the Prophet Muhammad had 42 paid officials, specialized in their own roles and duties;
3. The development of Islamic government to the Middle East, Africa and Asia in the days of Umar bin Khatab has increased state revenues and expenditures;
4. The friends recommend the need for recording for accountability and expenditure expenses of the state;
5. Umar bin Khatab founded an institution called Diwan (dawwana = writing);
6. Reliability of government financial reports was developed by Umar bin Abdul Aziz (681-720M) with the obligation to issue proof of receipt of money;
7. Al Waleed bin Abdul Malik (705-715M) introduced bound notes and registers that were not separate as before;
8. The evolution of the development of management of accounting books reaches the highest level in the Abbasid Daula era;
9. Accounting is classified into several specialties such as livestock accounting, agricultural accounting, treasury accounting, construction accounting, currency accounting, and book checking / auditing.
10. The bookkeeping system uses general ledger models, including:

- a. Jaridah Al-Kharaj (resembling a receivable subsidiary ledger), shows the individual debt of zakah on land, agricultural products, and debt of livestock and installments. Individual debt is recorded in one column and payment installments in the other column;
 - b. Jaridah Annafakat (Expenditure Journal);
 - c. Jaridah Al Mal (Jurnal Dana), records the receipt and expenditure of zakat funds;
 - d. Jaridah Al Musadareen, records the receipt of fines/ seizures from individuals who are not sharia compliant, including corruption.
11. Accounting Reports in the form of:
 - a. Al-Khitmah, shows the total income and expenses made every month.
 - b. Al Khitmah Al Jame'ah, comprehensive financial report combined between income statement and balance sheet (income, expenditure, surplus/ deficit, expenditure for current assets and fixed assets), reported at the end of the year;
 12. In calculating and receiving zakat. Zakat debt is classified in financial statements in 3 (three) categories, namely collectable debts, doubtful debts, and uncollectable debts.

ACCOUNTING IN THE KORAN

Hayashi (in Harahap, 2008) states that according to the explanation of Accounting in Arabic called Muhasabah there are 48 times mentioned in the Koran. Muhasabah has 8 meanings:

1. Yabsaba which means to count, to compute, or measure or to measure.
2. It also means recording and calculating one's actions continuously.
3. Hasaba is completing responsibility
4. To be neutral
5. Tahasaba means keeping
6. Trying to get
7. Expect the reward at the end.
8. Making attention or accountability.

In addition, in the Koran there are also several verses pertaining to the problem of muamalah. Muamalah is a trading activity, debts and leases. One is Surat Al-Baqarah verse 282 which is the longest verse in the Koran which means:

"O you who believe, if you do not spend money for a fixed time, let a writer between you write it correctly. And let not the writers refuse to write it as God has taught it, let him write, and let the debtor dictate what is written, and let him fear the Lord of his Lord, and let him not reduce anything from his debt. If the debtor is a weak or weak person or himself unable to dictate, then let his representative dictate truthfully and witness with two witnesses of the man between you. If there are not two men, then a man and two women will be witnesses to your ridicule, so that if one forgets another remembers him. Do not let the witness refuse to give evidence when they are summoned, and do not tear down the debt, both small and large until the time of payment. That is more equitable in the sight of God and more able to strengthen the testimony and closer to no doubt. (Write your allegiance) unless you are the cash trading that you run between you, there is no sin for you if you do not write it. And watch it when you're trading, and do not let the writers and witnesses be difficult for

each other. If you do that then it is indeed a wickedness for you. And fear Allah. God teaches you and God knows everything. "

According to Surat Al-Baqarah verse 282 above, it is known that Allah commands to record or write transaction (muamalah) correctly and honestly of all transactions that occur during muamalah. Transaction is everything that causes changes to individual assets or liabilities or organizations (companies). Such transaction should be based on evidence such as invoices, bonds, checks, receipts and so forth. An accountant is forbidden to reduce or increase the transaction. It is intended to avoid fraud or dishonesty.

ISLAM AS A VALUE SYSTEM

Value according to Webster's (in Wiyono, 2005) is something (as a principle or quality) whose essence is valuable or needed. While the value system is a collection of items (values) that regularly interact or are interdependent which form a unique unit. Islam with the Koran as its holy book, contains the values of truth, faith, law, ethics, morals and so on. The principles in Islam are very valuable and needed in life in the world and in the hereafter. While Islam as a value system can be interpreted that Islam is a collection of valuable Islamic principles, which regularly interact or are interdependent which form a unique unity.

So in Islam the principles of aqeedah, ethical, moral, moral, and worship are an inseparable unity and dependence on one principle and another. If humans do muamalah then the basis is sharia values, while sharia is inspired by the values of aqeedah or tauhid. If the value of Islam is carried out, it will form human beings who have good morality or noble character. Humans who have noble character will have intention, think and act based on the values of aqeedah, sharia and morality so that their thoughts and actions will provide benefit for all parties. Islam also regulates the aspects and values of the accounting profession. Islam wants accounting not only to think of capitalist interests, not just thinking of the world, but also must be able to deliver all parties, both management, employees, investors, analysts and accountants to safety and the victory of the world and the hereafter (Harahap, 2008).

Meanwhile Triyuwono (in Muhammad, 2005) states that in the Islamic tradition all ethics that are made into a business framework are built on sharia principles. Sharia is a guideline used by Moslems to behave in all aspects of life. In Moslem society, accounting should be influenced by the way the economic system is governed by the underlying philosophy of the system. In contrast to secular Western philosophy as exemplified by Kant, where ethical emphasis is more on the rationality of enlightenment and a strong belief in the power of reason. The Islamic worldview is not only derived from cultural and philosophical elements aided by science, but from one original source namely "Revelation", confirmed by religion, and confirmed by intellectual and intuitive principles (Abdur Rahman, 2003).

The existence of accounting in a society is strongly influenced by many factors such as the economic, social, political, legislative, cultural, perceptual and value systems that apply in society that have a major influence on the form of accounting (Schroeder et al., 2009). This proves that accounting is a whole or entity of information that is not value free because it is influenced by many of these factors. But in the late 1970s there have been major changes to the existence of accounting science towards the harmonization process of accounting implementation (Schroeder et al., 2009).

Islam as a religion that has a comprehensive teaching does not remain silent in developing a scientific paradigm that is in accordance with Islamic values themselves. Because the values that develop in Islamic and Western societies are very big differences. In Islamic society there is a value system that underlies every community activity, private and communal. This is not found in the lives of Western people. This difference in culture and value systems results in different forms of society, practices, and patterns of relationships (Nasution, 2008).

According to Johan (2009), Islam is a source of values and ethics in all aspects of human life as a whole, including business discourse. Islam has comprehensive insight into business ethics. Starting from the basic principles, points of damage in trade, factors of production, labor, organizational capital, distribution of wealth, issues of wages, goods and services, qualifications in business, to socio-economic ethics concerning property rights and social relations.

In addition, in the business organization aspect that plays an important role is accounting, this is because accounting not only affects the behavior of management, shareholders, employees and the surrounding community, but also affects the organization concerned (Muhammad, 2005).

According to Toshikabu Hayashi (1989) in his thesis entitled "On Islamic Accounting", Western Accounting (Conventional) has properties that are made by capitalists based on the philosophy of capitalism, whereas in Islamic Accounting there is a "meta rule" that originates outside the accounting concept must be obeyed, namely Sharia law originating from a God who is not human creation, and Islamic Accounting in accordance with the human tendency of "hanief" which demands that the company also has ethics and social responsibility, even there is accountability in the hereafter, where everyone will be accountable before God who has his own accountant (angel Rakib and Atid) who records all human actions not only in the economic field, but also in the social-community field and the implementation of other Sharia law

CODE OF ETHICS FOR ISLAMIC ACCOUNTANTS

According to Dunn in Harahap (2004) ethics concerns dichotomous selection between values of good and bad, right and wrong, fair and unjust, praiseworthy and damned, positive and negative. Ethics as a thought and moral considerations provide a basis for a person or a community to be able to determine whether or not the right or wrong action is taken. In its development, the diversity of ethical thinking then developed to form an ethical theory. Ethical theory can be referred to as a rational description of the nature and basis of right actions and decisions and the principles that determine claims that actions and decisions are morally ordered and prohibited (Ludigdo, 2007).

According to Ludigdo (2007). Various streams of ethical thought in studying the morality of an action have developed so widely. Historically, developing ethical ideas included classical ethics which originated from Greek philosophical thought, contemporary ethics from medieval European thinkers to the 20th century, and ethics from the thoughts of Moslem religious leaders who always referred to the Koran. and Hadith. Practitioners of sharia accounting as sharia accounting offenders are bound by sharia originating from the Koran and Hadith.

From the Koran and Hadith the practical formulation was revealed in the form of Islamic law, which became known as sharia. In sharia every human action will be classified into five laws, namely obligatory, sunnah, mubah, makruh, and haram. Sharia is

a comprehensive system that covers all areas of human life. Sharia is not just a legal system, but a complete system that includes law and morality. (Harahap 2002). Sharia stated above gives an indication that sharia is not a legal system that tends to emphasize itself on a mere legal system, but also more than that, namely on the side of morality (ethics). Here, there is a link between sharia as positive law, on the one hand, and ethics, on the other, as a "spirit" that provides value of life for sharia itself. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) formulates an ethical code for accountants and internal auditors in addition to external working in Islamic financial institutions. This accountant's code of ethics is an integral part of Islamic sharia. In the value system, Islamic Shari'a is placed as the foundation of all values and is used as the basic considerations in every legislation in Islamic society and State. Some ethical codes according to AAOIFI (2002) are as follows:

1. Trustworthy

Accountants must be honest and trustworthy in carrying out their professional obligations and services. It can also include that accounting must have a high level of integrity and honesty and the accountant must also be able to respect the confidentiality of information he knows during the execution of duties and services to his organization or customers.

2. Legitimacy

Accountants must be able to ensure that all of their professional activities must have legitimacy from sharia law as well as applicable rules and regulations.

3. Objectivity

Accountants must act fairly, impartially, unbiasedly, free from conflicts of interest and free in reality and appearance. Objectivity also includes that he may not delegate his duties and profession considerations to other incompetent parties.

4. Professional competence and diligence

Accountants must have professional competence and be equipped with training needed to carry out the duties of such professional services properly. He must carry out his professional duties and services diligently and try his best at all costs so that he is free from the responsibilities charged to him not only from superiors, professions, public but also from Allah SWT.

5. Behavior driven by religious beliefs (faith)

The behavior of accountants must be consistent with the belief in Islamic values derived from sharia principles and rules. All behaviors and actions must be filtered and driven by Islamic values.

6. Professional behavior and technical standards

Accountants in carrying out their obligations, must pay attention to professional regulations including accounting standards and auditing of sharia financial institutions.

ETHICAL VALUES IN ISLAMIC ACCOUNTING

- 1. Value of Ethics contained in the recording**

Harahap (2001) states that according to Islam what is considered evidence is evidence supported by the characteristics of truth without any fraud. In accounting there are types and levels of evidence that indicate the strength or absence of evidence, namely: Real Evident, namely physical evidence, Evident Testimonials,

namely evidence originating from external witness testimony and Direct Evident, namely evidence obtained indirectly. Evidence obtained from outside the company is stronger than the evidence obtained from within itself. Evidence obtained from good corporate Internal Control systems is stronger than that obtained from weak Internal Control. And the evidence obtained directly by the Accountant is stronger than the evidence obtained indirectly.

In Islam the desired evidence is the correct proof, this is in line with accounting that wants a record with valid evidence. So that the existence of the recording or writing can be used as information to determine what will be done by someone and when there is a dispute between them the recording can be evidence added to be strengthened by the presence of witnesses.

From Surat Al-Baqarah verse 282, it can be seen that Islam emphasizes the obligation to make records in making or transacting so:

- a. The recording will be proof of the muamalah or this transaction and recording is the basis for resolving the next issue.
- b. With this record, it will prevent manipulation or fraud, both in the transaction and the results of the transaction (profit).

This is in accordance with the purpose of accounting records, namely:

- a. Accountability or as proof of transaction.
- b. Determination of income (income determination)
- c. Information used in the decision making process, etc.

Accounting is an effort to maintain justice in society, because accounting maintains records as an accountability and guarantees its accuracy. The importance of this justice can be seen from Koran and Hadith verse 24 as follows:

"Indeed, we have sent our apostles by bringing tangible evidence and we have sent down with them the Kitab and Neraca (justice) so that people can carry out justice."

2. Ethical values contained in the measurement

Accounting is the science that tries to convert evidence and data into information by measuring various transactions grouped in accounts, estimates or financial posts such as assets, debt, capital, results, costs, and profits.

If you read the Koran, you will find a verse stating that a Moslem must measure fairly, should not overestimate and reduce the scale. Regarding this matter, the Al Quran states in various verses, among others in the Ash-Syu'ara letter verses 181-184 which reads:

"Complete the measure and do not be one of those who harm and weigh it with the right scales (right). And do not harm men on their rights and do not run rampant on the face of the earth by making damage and fear Allah who created you and the people who used to."

In accordance with Allah's command in the Koran, as an accountant must perfect the measurement of the posts presented in the Balance Sheet, as described in Surah Al-Israa 'verse 35 which reads:

"And complete the measure when you measure it, and weigh it with the correct balance sheet. That is more important (for you) and better the result. "

According to Chapra (1994) truth and fairness in measuring (measuring) it also involves measurement of wealth, debt, income capital, costs, and company profits, so that an accountant must measure wealth properly and fairly. In order for these measurements to be carried out correctly, it is necessary to have an auditing function. Auditing function in Islam is called "tabayyun" as explained in Surah Al-Hujuraat verse 6 which reads:

"O ye who believe, if come to you the wicked bring a message, then examine it carefully, so that you do not bring a disaster to a people without knowing the circumstances that cause you to regret your actions."

3. Value of Ethics contained in accounting reports

An accounting report is a manifestation of accountability from the management that has been given a mandate to the parties concerned who have an interest. In the Koran itself many explain the process of human accountability as the agent of Allah's trust on the face of the earth (Muhammad, 2002).

Ethics in this accounting report can be seen from Harahap (2001) which states that the use of an accounting system is clearly a manifestation of the implementation of the order of the Shura-shura verses 181-184. Because the accounting system can maintain the assets managed by its accountability so that no one is harmed, honest, fair and to those who are entitled to be given according to their rights.

According to Muhammad (2002) in Surah Al-Baqorah verse 282 there is a word fair and true. The word justice in the context of accounting applications contains two meanings, namely: First, is related to moral practice, namely honesty which is a very dominant factor. Without this honesty, the accounting information presented will be misleading and very detrimental to society. Second, the word fair is more fundamental (and still rests on ethical / sharia and moral values).

While the truth according to Muhammad (2002) cannot be separated from justice. Recognition, measurement and reporting activities can be done well if based on the value of the truth and truth, this will create justice in recognizing, measuring and reporting economic transactions. According to Harahap (2001) accounting reports are supported by evidence (evidence) that no transaction is forgotten or omitted even if the slightest, as seen from the letter Al-Zalzalah verses 7-8:

"Whoever does the good as big as zarrah will undoubtedly see it. And whoever does a crime as big as zarrah even he will see it. "

In Islam, accounting does not only function as a service activity to provide financial information to users and to society in general, but more importantly, these financial statements must be accountable to God and by providing this information allows the public to follow God's commands, which is wrong one is to issue zakat.

CLOSING

Accounting in Islam is included in your business, therefore its development is left to human wisdom, because basically all *muamalah* activities are permissible unless there is a proposition that prohibits it. Because Islam is a comprehensive religion, therefore in carrying out transactions or *muamalah* must not conflict with the Koran and Hadith.

Islamic accounting rules can be defined as a set of standard and permanent legal bases, which are summarized from sources of Islamic shari'a and used as a rule by an accountant in his work, both in accounting, analysis, measurement, presentation, and explanation, and becomes a basis in explain an event or event.

The code of ethics in carrying out the professional profession of accountants is needed to avoid unethical attitudes and behaviors of accountants in carrying out their work. The code of ethics for Islamic accountants includes: 1) Syari'ah aspects as a basic principle of the accountant's code of ethics, 2) Ethical principles for accountants, 3) Regulations of ethical behavior for accountants.

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