

## Conference Paper

# Study of Financial Accounting Phenomenology of Zakat Institutions

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## Abstract

The purpose of this study is to explore financial accounting in the *zakat* institutions of Malang city, in accordance with PSAK 109 as a guide in the accounting treatment. In Indonesia the majority of the population are Islamic, which has a high potential of *zakat*. The potential of *zakat* is not only on *zakat fitrah* but also on other types of *zakat* such as *zakat maal*, *infaq* and *sedekah*. Therefore, the acceptance of *zakat* in Indonesia has a high potential, if the management of funds perform well and transparently. *Zakat* institutions must make correct financial reports which are audited by public accountants. These audits are particularly important to increase public trust in *zakat* management institutions. Therefore, IAI issued a regulation related to the accounting treatment of *zakat*, *infaq* and *sedekah* - PSAK 109. This is expected to unify and simplify reporting methods. In addition, PSAK No. 109 aims to ensure that *zakat* management institutions comply with sharia principles.

This study used a descriptive qualitative approach with a phenomenological study. Interviews were conducted with the heads of foundations and accountants at the *zakat* institution. The data analysis method uses primary data and secondary data. In which the data obtained directly from respondents regarding financial accounting treatment carried out at *zakat* institutions. Then, secondary data is also collected to support research documents from the institution.

The results of this study found that YDSF Malang and LAZ Yatim Mandiri Malang carried out accounting treatment differently. It is divided into accounting in the receipt, expenditure and reporting of funds. The recognition and measurement of funds acceptance and expenditure is based on the guidelines of PSAK 109. However, the report of funds in the *zakat* institution in Malang in the form of financial statements have not been fully compliant with PSAK 109 terms of disclosure of funds. In the presentation of financial statements, it must be clear and accountable in accordance with those stipulated in PSAK No. 109. This will increase public trust in making the *zakat* institution in the city of Malang the first choice.

**Keywords:** Treatment of Accounting, Financial Accounting, PSAK 109

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## 1. Background

Indonesia is one of the countries with the majority of them is muslim, which have high Zakat potential. According to the data from central bureau of statistics in 2010, from



237.641.326 million people there are 207.176.162 muslims in Indonesia. Hence it can be assumed that 82.7 % of them is a *muzakki*, this indicates that there is a high potential for Zakat in Indonesia. The opportunity of practicing Zakat is not only in *zakat fitrah* but also on the other type of zakat such as *zakat maal* , infaq or charity. Therefore, the execution of zakat in indonesia has a high potential when management of the funds in a good governance, neat, regular, and transparent (Indrarini & Nanda, 2017). So, with proper management it is expected that the income of Indonesian people can be evenly distributed.

Zakat is one of the pillars of Islam that must be carried out by Muslims, where zakat is one of the worship in the field of property that contains such great and noble wisdom and benefits, both relating to people who commit tithe (*muzakki*), recipients (*mustahik*), assets issued by zakat, as well as for the whole community (Mahfud, 2011: 31).

It is important for zakat management institutions to be able to prepare good and transparent financial reports. Because in Islamic reference, Allah will hear the complaints of the *mustahiq* who should receive the part, but do not accept it. Allah also heard complaints from the *muzaki* who had left their property to be distributed to the *mustahiq* but had not been distributed. As explained in the closing of surah At-Taubah, it is stated that "... verily Allah is Hearing and Knower". However, there are still many institutions that have not fully used zakat accounting in accordance with PSAK 109 (Kristin & Ummah, 2011).

Zakat institutions must have a guideline in reporting and channeling zakat funds, one of the references made by zakat institutions is the Statement of Financial Accounting Standards (PSAK) No. 109 concerning zakat, infaq and shodaqoh. PSAK No. 109 this is expected to create uniformity of reporting and simplicity of reporting. Besides that, the application of PSAK No. 109 This aims to ensure that zakat management institutions comply with sharia principles and how far zakat management institutions have a level of compliance in implementing them (Megawati et al., 2014)

Al-Falah Social Fund Foundation (YDSF) Malang and LAZ Independent Orphanage Malang is one of the institutions that was established in Malang where the institution experienced the largest increase in collection during the month of Ramadan and when there was a disaster in Lombok. Natural disasters that occurred in Lombok in August 2019 create a public awareness to help fellow Muslims and its begin to increase by helping in channeling some of their assets to do *infaq*. In the acceptance report, it was seen that in August the receipt of funds reached Rp 1,465,270,906 for YDSF Malang and Rp 10,315,239,116 for Yatim Mandiri, which in the previous July amounted to only Rp 7,968,059,754 and Rp 540,440,274 for YDSF Malang. The increase of the donations

are in *Infaq* humanity. This was also conveyed by the Communication Manager at the Al-Falah Social Fund Foundation (YDSF) Malang, namely Ms. Khairunnisa Rismawati along with the interview quotation results:

”Malang people’s awareness of the importance of zakat is still lacking, Ms., they think faster if it is channeled directly to those who have the right to receive it without going through intermediaries and when there are natural disasters like in Lombok, people’s awareness starts to appear by providing humanitarian information to help the people of Lombok.”

In addition, this is an obstacle in the distribution of funds and in the management of funds when these funds have entered the institution. This is as expressed by the Branch Head of LAZ Yatim Mandiri Malang namely Mr. Eko Budi Setyo who revealed that:

”The funding of funds coming into us has not been able to maximize the distribution and management of funds, because it depends on the awareness of the community”.

Several previous studies have been carried out to examine the form of financial statement accountability based on PSAK 109 made by zakat institutions. Research results (Muhammad, 2006) state that there are three forms of methods used by zakat management organizations in preparing their financial statements. First, the financial statements presented are incomplete because they only prepare reports on sources and uses of funds. Second, amil zakat institutions by compiling auditable financial statements. This is done by LAZ who already has permission from the Ministry of Religion because they have an obligation to publish financial reports audited by public accountants. Third, compiled by the zakat management organization that joins the BMT (Baitul Maal Wa Tanwil) by compiling financial statements that are combined into one in the BMT financial report.

Other research conducted by (Kristin & Ummah, 2011) states that in the process of making financial statements of amil zakat institutions must use the accounting standard of zakat with a correct and transparent accounting system, as in PSAK No. 109 which is the accounting standard of zakat in making financial statements. The process of preparing financial statements is inseparable from the process of collecting evidence such as proof of payment, proof of receipt and others then the evidence is recorded in journals, ledgers and financial statements for each type of fund. Because the report is a joint report of all types of financial reports to find out the financial statements of LAZ DPU DT Semarang as a whole. This recording cycle is carried out when receiving zakat funds from the muzaki, this recording is carried out in a diary and journal which contains information about: The name of the zakat fund provider, the date of receipt of

zakat funds, the address of the zakat donor, the signature of the zakat fund, the amount of funds given.

Further research from (Habib, 2016) states that BAZIS financial reporting is expected and continues to be pursued using standard reporting based on PSAK 109, although in practice there are still many problems that hinder the implementation of reporting based on PSAK 109. Most of the research results from BAZIS in Indonesia show if the preparation of financial statements still uses cash basis method which only reports the income and expenditure of ZIS funds, so that it does not comply with the reporting standards based on PSAK 109.

From this phenomenon, a research was conducted on the financial accounting treatment of zakat institutions in Malang, since an institution in making financial reports must comply with the guidelines of PSAK 109, it is not possible if the obligation of zakat can be realized to the maximum without good management including recording which guarantees the implementation of accountability to those who need information regarding the financial statements. Thus, this research takes the title **"STUDY OF FINANCIAL ACCOUNTING PHENOMENOLOGY OF ZAKAT INSTITUTIONS IN MALANG CITY"**.

## 2. Research Focus

Based on the background above, the focus of the research in this study is "What is the treatment of financial accounting in the zakat institution in Malang?"

## 3. Literature Review

### 3.1. Syariah Enterprise Theory (SET)

Sharia Enterprise Theory (SET) is a theory that has been internalized with Islamic values that try to understand with basic actions in human relations with nature and actions of human relations with fellow human beings as objects and also human relations with the creator (Hernawan & Rini, 2016). The consequences of this balanced value are Sharia Enterprise Theory (SET), which not only cares about the interests of individuals (shareholders), but also other parties. According to the Shari'ah Enterprise Theory (SET) Stakeholders (Triyuwono, 2007) include: (1) To God, Allah is the highest stakeholder because by placing Allah in the highest position will increase human awareness of Godhead and make God the sole purpose of life. So that humans can carry out their activities in accordance with what has been regulated by God without violating the

religious law. (2) To Humans, In this case it is divided into 2, namely direct stakeholders, which are parties who directly contribute to institutions both in the form of money and non-finance such as donors and employees. Whereas Indirect stakeholders are parties that do not contribute at all in the form of financial or non-financial, but in sharia they have the right to establish welfare from institutions such as 8 asnaf who are entitled to receive and assistance for education and health. (3) To Nature, an institution physically founded on earth uses energy that is spread in nature, produces using raw materials from the earth, and provides services to those who need to use energy from the earth. The manifestation of the institution's distribution of nature in the form of maintaining and preserving the environment by replanting and helping to make the waste program successful and right.

Thus the form of accountability in the management of zakat funds is in accordance with the first Syariah Enterprise Theory (SET), related to the contribution to Allah which prioritizes in the religious field such as revamping the mosque, assistance for the implementation of the Qur'an and providing training for missionaries so that the community is motivated in worship. Second, direct stakeholder contributions such as giving magazines or other media to donors to display the results of financial performance from the zakat fund management report. Whereas the direct contribution of stakeholders is a contribution given to parties that do not contribute directly to institutions such as providing assistance in the form of education, health and micro business empowerment (Hernawan and Rini, 2016

### 3.2. Zakat Financial Accounting

Accounting is an information system that measures business activities processing data into reports, and communicating the results to decision makers. Judging from the process of accounting is the process of recording, classifying, summarizing, reporting, and analyzing financial data of an organization (Jusuf, 2011). The process is explained as follows:

a. Recording, is a record of every transaction or activity carried out by each institution. The purpose of this process is to record institutional transactions so that the economic events that occur can be traced for sure. This process is in the form of evidence such as receipts, notes and invoices.

b. Classification is the process of grouping each institutional transactions recorded in the previous process into a group of similar accounts to facilitate the process of preparing financial statements.

c. Summarization is a simplification of transactions transfer that occur, where transactions / business activities have gone through the previous stages of research. The aim is to facilitate the preparation of financial statements because in this process the total balance of all accounts that have been grouped is presented in a concise manner.

d. Reporting, is the preparation of financial statements sourced from the previous stages. This process is the output produced from an accounting process. Financial statements describe the entity's financial position, entity's economic activity, and changes in the capital owned by the entity.

e. Analyzing financial data, is an analysis process carried out by report users, this process is carried out to be used as a basis for decision making.

Accounting is also interpreted, as a business language that provides information about the economic conditions of a company or organization and the results of business at a certain time or period, as management accountability and for decision making (Mafraini, 2006).

In the Qur'an, Allah has outlined that accounting principles are an emphasis on accountability. This can be seen in the word of God, Surah Al Baqarah verse 282. The principles of Islamic accounting are contained in surah Al Baqoroh verse 282 which this verse can be formulated that the general principle of Islamic accounting is justice, truth and accountability. Based on these general principles, the principles of khusus in Islamic accounting (Sharia) are found: fast reporting, made by experts (accountants), bright, clear, containing comprehensive information, information shown to all parties involved vertically and horizontal and there is no manipulation (Nurhasanah, 2004). The purpose of zakat financial accounting is:

a. Provide information needed to manage appropriately, efficiently and effectively the zakat, infaq and alms which are entrusted to zakat management organizations or institutions.

b. Providing information that makes it possible for zakat managers to report on the implementation of responsibilities in managing appropriately and effectively to the public over the use of public funds.

Another objective of accounting for zakat according to AAS-FI (Accounting & Standard Auditing for Islamic Financial Institution) is to provide information on organizational compliance with Islamic shari'ah provisions, including information on revenues and expenditures that are not permitted by the Shari'ah, if they occur, and how to channel it. Based on these objectives, it shows how important the Sharia Council is (Kristin & Ummah, 2011).

### 3.3. Pernyataan Standar Akuntansi Keuangan (PSAK) 109

The Indonesian Institute of Accountants (IAI) states that financial accounting standards are statements or interpretations issued by the Accounting Standards Board of the Indonesian Institute of Accountants and the Islamic Accounting Standards Board of the Indonesian Institute of Accountants and capital market regulations for entities under their supervision (Rachmawati et al., 2018) In PSAK No. 109 regarding the accounting for zakat, infaq and alms there are several components of the financial statements made by amil in full:

- a. Financial Position Report (Balance Sheet)
- b. Fund Change Report
- c. Report on Changes in Managed Assets
- d. Cash flow statement
- e. Notes to Financial Statements (CALK)

The preparation of the financial statements of the amil zakat institution must be in accordance with PSAK No. 109 and if there is nothing related to PSAK No. 109 then zakat institutions may use other standards insofar as they do not conflict with Islamic sharia principles. In financial statements PSAK No.109 the recording of zakat, infaq and alms funds is recorded separately, and amil and non-halal funds are also recorded separately in the statement of financial position (balance sheet) (Rahman, 2015).

The recording of zakat funds is done when the zakat institution receives in the form of cash then recorded according to the amount received, but if it receives in non-cash form it is calculated in accordance with the fair value of the asset, and when the zakat institution distributes funds to mustahiq then recording zakat funds. It is recognized as a deduction from zakat funds when the zakat fund has been received by mustahiq (Rahman, 2015).

Recording for infaq and charity funds is the same as zakat funds which, when received in the form of cash, are recognized according to the amount of funds received, as well as in the form of non-cash it is valued at the fair value of the asset. But in recording infaq and alms non-cash assets are divided into 2, namely non-current assets and current assets. If the asset is smooth, the zakat institution has the right to directly distribute it, usually in the form of basic necessities and consumables. The decrease in the value of the asset is recognized as a deduction from infaq and charity funds, but if the asset is subject to decline due to amil negligence, it is recorded as a deduction from amil funds (Rahman, 2015).

The receipt of non-halal funds is all receipts from activities that are not in accordance with sharia principles, for example the receipt of demand deposits or interest from conventional banks. The receipt of non-halal funds is carried out in an emergency or undesirable condition by the zakat institution because it is in principle prohibited. The receipt of non-halal funds is recorded separately from the zakat, infaq and alms funds, while the non-halal assets are channeled by means of sharia (Ritonga, 2017).

## 4. Research Merits

### 4.1. Theoretical benefits

This research is expected to be able to provide and enrich knowledge related to Sharia Enterprise Theory (SET) which is used in Islamic accounting especially in the management of zakat funds, infaq and alms. This research is also expected to be used as a reference for accounting students to explore knowledge about Islamic accounting. Especially for students who want to do similar research.

### 4.2. Practical Benefits

In addition to the theoretical benefits that are useful for the development of further research, this research also provides practical contributions including:

a. For Institutions

The results of this study are expected to provide advice and input as well as knowledge related to financial accounting in accordance with PSAK 109.

b. For Academics

The results of this study are expected to be used as a reference for further research on related research topics for later development to become new and innovative research ideas.

## 5. Research Methodology

### 5.1. Research Approaches and Research Types

This research is a qualitative research. The approach in this study uses the phenomenological quality approach. Qualitative phenomenology is an approach that examines a particular phenomenon from the perspective of participants (Moedzakir, 2010). This



study is intended to understand the meaning of participant experience of a phenomenon. So the researchers collected various forms of qualitative data ranging from interviews, documents, to audiovisual materials. Because if the writer only use one data source, it is not enough to develop an in-depth understanding.

## 5.2. Researcher's presence

The presence of researchers in qualitative research is very absolute because researchers act as research instruments as well as data collectors. The advantage gained from the presence of researchers as an instrument is that the subject is more responsive to the presence of researchers, researchers can adjust to research settings, decisions related to research can be taken quickly and directed, as well as information can be obtained through attitudes and ways of giving informants information (Bungin, 2001: 56).

Thus researchers only act as observers as participants. Researchers as external parties, not internal organizations that are being studied. Researchers only watch and take notes, record data, without having to be directly involved in the activities in the organization being studied.

## 5.3. Research sites

The research site is the place where the research is conducted. The determination of the location of the study is an important stage in qualitative research, because the determination of the location of the study means that the object and purpose have been established so as to facilitate researchers in conducting research. The locations specified in this study are two zakat institutions in Malang, namely:

- a. Al-Falah Social Fund Foundation (YDSF) Malang which is located at Jl. Kahuripan No. 12 Malang City
- b. Malang Independent Orphanage Alms Zakat Institution located at Jl. Taman Raden Intan No.612, Arjosari, Blimbing, Malang City, East Java 65126

## 5.4. Data source

- a. Primary Data, In obtaining primary data the researcher made observations and interviews, the researchers used a guide to interview questions and a voice recorder.

Interviews are conducted with parties directly related and have more knowledge about accountability in managing zakat funds.

b. Secondary Data, Documentation is information obtained in collecting information data through books, journals, the internet, by conducting research on existing records or documents such as company history (Shanaz, 2015). In this case it is obtained through the side of the poor zakat institution in the form of a website and magazine from the zakat institution of the city of Malang.

## 5.5. Data Collection Method

a. Interview, In this case the researcher conducted an interview with the employee of the zakat institution especially the financial management section and the head of the foundation to explore and obtain clear and complete data and information.

b. Observation, Observation is an activity carried out using the five senses to observe an object of research with the aim of getting information directly. Observations are made to get closer to the object under study to fit the facts. In this study, researchers conducted observations in order to observe directly the situation of the existing zakat institutions in the city of Malang. Therefore, observations need to be carried out systematically or not by chance.

c. Documentation, the document in question is all records in the form of notes on paper or electronically. Documents can be in the form of books, mass media articles, diaries, manifestos, laws, minutes, blogs, web pages, photos and more (Samiaji, 2012). In the process of obtaining research data, the researchers used the archives available at the zakat institution.

## 5.6. Data Analysis Techniques

a. Data Collection, After conducting interviews with the zakat institution and getting the required documents, the interview data is then processed into a sentence that can be understood by the reader.

b. Data Reduction, Reducing data means summarizing, choosing the main things, focusing on the important things, looking for themes and patterns. So that the data that has been reduced will provide a clearer picture and make it easier for researchers to collect data (Sugiyono, 2015: 247). Thus the data that has been reduced will provide a clearer picture, and make it easier for researchers to carry out further data collection, and look for it if needed.

c. Display Data, After the data has been reduced, the next step in analyzing this data is displaying data or presenting data. Miles and Huberman (Sugiono, 2015: 249) states that the most frequently used to present data in qualitative research is narrative text. By displaying data, it will make it easier to understand what happened, plan the next work based on what has been understood.

d. Data Verification, The third step in analyzing qualitative data is drawing conclusions and verification. Conclusions may answer the formulation of the problem formulated from the beginning, but if the conclusions raised at the initial stage are supported by valid and consistent evidence when the researcher returns to the field to collect data, the conclusions put forward are credible conclusions (sugiyono, 2015: 252).

## 5.7. Data Validation and Reliability

In obtaining the validity of the data, then in the research carried out the technique of checking the validity of the data first, namely by triangulation. Triangulation checks data from various sources in various ways and at various times. In this study, the writer is using source triangulation and technique triangulation. Source triangulation is done by checking data obtained through various sources. While for triangulation technique is done by checking the data to the same source with different techniques. For example obtained by interviews, observation and documentation (Sugiyono, 2015).

## 5.8. Research stages

### 5.8.1. Pre-Field Stage

The pre-field stage is the preparation stage or things needed by a researcher before going into the field. Some of the things needed by a researcher include:

a. Prepare research designs

The design of a qualitative study contains at least; background issues and reasons for conducting research, field selection, determining research schedules, selecting research tools and designing research methods.

b. Choose research object

The researcher began to choose the research object according to the theme taken. In this study the object of the research was the zakat institution in the city of Malang with the conditions already recognized by the government and having the SK number.

In addition, zakat institutions that are taken are zakat institutions that have interesting work programs.

c. Managing research permits

Research permits are very important to begin research. Therefore the researcher must start by taking care of the research permit submitted to the department.

d. Assessing field conditions

The purpose and purpose is to make researchers prepare themselves, mentally and physically, and prepare the necessary equipment. In addition to assessing conditions, situations, and conditions whether there is a conformity with the problems and theories that have been thought before.

### 5.8.2. Field Stages

This stage is the stage where the researcher starts his research or looks for and digs up the data in the field. There are several things that must be considered by researchers while in the field, namely:

a. Understanding Research Background

Researchers act as a neutral amid community members. The researcher is not expected to change the situation that occurred in the research setting. In other words, researchers should not interfere in people's problems in research.

b. Enter the field

A researcher must be able to establish a good relationship with the respondent so that the interviewee can answer questions voluntarily or can provide information needed by the researcher. The researcher should also not guess, guess or imagine an expression, event, or event that he heard, he must know for sure.

## 6. Data Exposure and Findings

### 6.1. Overview of YDSF Malang

The Al-Falah Social Fund Foundation (YDSF) Malang was born in 2001, beginning with a momentum of collaboration between the Al-Falah Social Fund Foundation (YDSF) Surabaya. This collaboration is based on a need to be able to help poor people and increase da'wah programs especially in Malang Ahmad Yani Mosque. Through this MOU (Memorandum of Understanding) YDSF Malang was born where in 2001 YDSF Center opened 2 branches at once namely YDSF Malang branch and YDSF Jember branch.

Along with the growth and development of YDSF, as of January 2010 YDSF Malang has been established (no longer a branch) based on the results of the decision of the YDSF Central Board of Directors meeting. In this way the logical consequence is the establishment of a new foundation, called the Al-Falah Social Fund Foundation (YDSF) Malang. By implementing modern management in 2010, in 2016 the YDSF Malang organizational structure was supported by 4 main pillars, namely the Collection Department, the Department of Program and Empowerment and the Operations Department and Business Department. This year, work optimization is focused on improving the quality of human resources, strengthening the data system, accountability and strengthening networks.

The management position at the Al-Falah Social Fund Foundation (YDSF) Malang is appointed in every one period of time that runs once a year. On its time, it will change the management of both the head of YDSF Malang and employees at YDSF Malang. But it does not rule out the possibility that in the middle of the management of the period there will be a rotation or change of tenure depending on the evaluation conducted every 3 months or 6 months.

YDSF Malang has a vision: To become the leading zakat, infaq and shodaqoh (ZIS) management organization in East Java that always prioritizes donor satisfaction and mustahiq. And also has a mission: To provide services to donors through donor service programs that are supported by a broad network of work, neat management systems and trustworthy and professional human resources and carry out the best fundraising activities in the education, da'wah, orphanage, health and social, to support quality improvement and independence mustahiq.

### 6.1.1. Accounting in Receiving YDSF Funds in Malang

Each institution has accountability in the process of managing its funds either with incoming funds or outgoing funds that will be channeled in accordance with the YDSF program. This is stated by the informant:

"In the process of receiving funds in YDSF it is divided into 2 billion, namely zakat funds and infaq funds, alms. Usually the muzakki who come in are asked by the lady to channel their funds to where zakat, infaq or almsgiving, after which the muzakki will be given a receipt".

Accountability for receiving these funds is a process of receiving funds made by YDSF with donors or muzakki. The form of receipt of funds in YDSF is divided into 2, namely the receipt of zakat funds and receipt of alms-giving funds. The revenue distribution was carried out in order to simplify the classification of funds in YDSF Malang. The receipt of funds made by YDSF has several procedures that can facilitate acceptance. As stated by informant 1:

"Here, yes, there are 3 systems in receiving zakat; first, picked up or taken by the officer; second, donors can come to the office; third, via transfer ms."

The system for receiving zakat in the YDSF has 3 mechanisms, the first is where field officers or ordinary officers called jungut officers take donations at home donors. The jungle officer takes according to the date written on the form when he is a regular donor. Donors will be given a receipt in the form of written receipts. Second, donors come directly to the office by depositing a number of donations after which the customer service will ask donors regarding donations to be distributed where, after that donors will be given a receipt printed with duplicate 2 that is white to be brought by donors as proof and green as an archive at YDSF. Furthermore, third, donors can make transfers but that donors must confirm to YDSF that the donation is channeled to zakat, infaq or alms.

### 6.1.2. Accountability for YDSF Funds Expenditures

Expenditures of funds, namely channeling funds in the form of work programs that have been determined by YDSF to channel funds to mustahiq. Distribution carried out at this YDSF for zakat, infaq and alms funds has certain criteria. As stated by informant 1:

"The distribution of zakat funds is already clear in Al-Quran that explained that it is 8 asnaf although it is not fulfilled all because the priority scale in

Malang. Ms., obviously in Malang we are still the priority of the poor, poor and amil mbak ”

Whereas in accountability the distribution of zakat funds or accountability in the zakat utilization program will be channeled to 8 asnaf, namely fakir (people who do not have assets), poor (people whose income is not enough), riqob (slave servants or slaves), gharim (people who have many debt), converts (people who have just converted to Islam), fisabillah (people who fight in the way of Allah), Ibn Sabil (musyafir), and amil (people who manage zakat funds).

Accountability or a form of accountability for funds coming out for infaq and alms funds has been determined at the beginning where YDSF differentiates into two, namely infaq bound and free information. Infaq is bound, namely Infaq, which was indeed issued for programs planned by YDSF, for example humanitarian programs which help disaster victims and other work programs. Whereas for free information that is infaq from a donor who only wants to give alms through YDSF where donors do not ask to be given to whom and where the most important is their funds have been channeled. Therefore YDSF is looking for mustahiq who really needs help but still according to the procedures set by YDSF. As stated by informant 1:

”YDSF searches for mustahiq usually with proposals that come in, or recommendations from people and still conduct surveys first before the funds come out”.

YDSF in searching for mustahiq to channel the funds that really needed it was with a proposal so the proposal went to YDSF after it was examined by the YDSF to be analyzed and a direct survey was carried out to the place. Besides that, it can also be through recommendations from outsiders or it can also be from the employees themselves.

In addition, in terms of expenditures, YDSF also conducts accountability with the environment, although it is not like helping in greening the nature, but rather helping the people who really need help by utilizing nature. As stated by informant 2:

”We have not yet been held accountable with nature, but in other forms we have a water sanitation program or supply resources such as developing a public toilet in the village”

The program carried out by YDSF is referred to as a village friend, in which YDSF facilitates areas that may not have clean water and the construction of toilets and

lavatories to become a healthy and clean village. Whereas for programs to assist in tree planting or reforestation, it cannot be done but if there are companies that want to cooperate in relation to CSR (Corporate Social Responsibility) it may be possible.

### 6.1.3. Accountability for Funds Reporting

Accountability for reporting this fund is in the form of financial statements made by YDSF. Because financial statements are very important for an organization as expressed by informants 2:

“Financial statements are very important because they are in accordance with their functions as a summary of the condition or performance of the institution.”

Accountability in reporting funds that is shown by the making of financial statements is very helpful in making decisions, because financial statements can also be used to see the performance of YDSF. The financial report made by YDSF has applied PSAK 109, but this statement cannot be said to be valid because it has not been proven by the absence of financial report evidence, because YDSF only lists the flow of activities in the magazine published every month. As revealed by Informant 2:

“Alhamdulillah, YDSF has applied PSAK 109, in terms of recording, measuring and presenting it is in accordance with PSAK, but for our disclosures it is not in accordance with PSAK. And it's just that we cannot show the full financial statements because it is an asset from us and we have to consult with the sharia board if we want to show the financial statements. but we are put on the map, but only in the form of activity flow.”

From the statement of the financial section at YDSF that YDSF has applied PSAK 109 as determined by IAI but in terms of disclosure YDSF has not been able to disclose in full its financial statements because it must consult with the sharia council because for YDSF reports the full financial assets of an institution so it's not for just anyone.

### 6.1.4. Zakat Accounting Treatment

In accordance with the provisions of PSAK No. 109 issued by the Indonesian Institute of Accountants (IAI) which regulates Accounting for Zakat, Infaq and Alms, an institution must carry out its operational activities in accordance with applicable regulations. In



PSAK No.109 has been divided into the recognition, measurement, presentation and disclosure of zakat, infaq and alms transactions. And for financial statements made there are 5, namely; balance sheet, changes in funds, reports on assets under management, cash flows and CALK. As stated by Informant 2:

”For the report procedure that we have made is in accordance with PSAK No.109, which consists of balance sheets, changes in funds, assets under management, cash flows and CALK”.

YDSF has made financial statements in accordance with PSAK No.109 and for the YDSF itself PSAK No. 109 this is very easy for zakat institutions because when compared with the financial statements other zakat institutions can simplify and also make it easier for BAZNAS to analyze. Because before there was PSAK No.109 the zakat institution made financial reports in accordance with the Zakat Organization Forum (FOZ) in which each institution would experience differences when compared so that it could also confuse BAZNAS. As stated by informant 2:

”Before PSAK No. 109 We came out with another zakat institution, the report was different, so when it was compared the BAZNAS party had difficulties. Because almost all of the accounts are different, the most visible is the balance sheet, where the assets may be the same, but on the side of the liabilities, there are already different accounts. ”

Thus the regulations issued by the IAI regarding the accounting treatment of zakat contained in PSAK No.109 greatly facilitate the zakat institution and also make it easier for BAZNAS when comparing financial statements.

a. Recognition

Recognition is that the zakat receipts are recognized when cash or other assets are received (IAI, 2016). Accounting recognition of zakat funds carried out by YDSF is poor based on basic cash. Where basic cash is an accounting transaction that records all income that has been received (Kristin & Ummah, 2011). Because the basic cash model is considered based on the understanding that the collected zakat funds are recognized directly as the assets of the amil zakat institution and the increase of zakat funds.

b. Measurement

Measurement is the process of determining to recognize and incorporate each element into the financial statements, receipts from zakat funds through bank services and accounting department to do journaling based on transaction evidence and make ledgers (Kristin. et al., 2011). Accounting measurements for zakat funds carried out by

poor YDSF, namely by collecting evidence of receipt of funds from either the bank or receipts and conducting transactions and making ledgers.

c. Presentation and Disclosures

Presentation and disclosure is providing information to outside parties, which aims to evaluate organizational performance achievements for one period (Kristin & Ummah, 2011). Presentation of financial statements conducted by YDSF Malang is in accordance with PSAK 109 which presents the Balance Sheet, Reports on changes in assets under management, reports on changes in funds, cash flow reports and CALK. Whereas the disclosure of financial statements carried out by poor YDSF appears in financial statements that are made in full with the figures and the attached CALK. It's just that YDSF in the uniqueness report has not fully disclosed as determined by PSAK 109. This disclosure aims to evaluate the performance of the organization's performance for one period and describes the responsibility of the zakat institution in managing the resources and performance produced in one period (Kristin., et al, 2011).

## 6.2. Overview of LAZ Yatim Mandiri

Yatim Mandiri, which was established on March 31, 1994, uses the name of the Foundation for the Development and Development of Islamic Orphanages and Purna Asuh Children (YP3IS), born of an idea of some activists who care about the conditions of orphanages in Surabaya. They are Drs. Hasan Sadzili, Syahid Haz, Bimo Wahyu Wardoyo, Nur Hidayat who wanted to unite orphanages in Surabaya. After experiencing a long journey of 14 years since its establishment, various travel records have been collected. Both those related to legality and daily operations. Among them, in accordance with Law number 16 of 2000 concerning the foundation of the tolerance tolerance adjustment is in 2005, so that in the public interest the foundation must register with the central Depkumham in Jakarta. It turned out that Depkumham refused because the name YP3IS had been used by other parties, the name YP3IS was too long, it could not provide a marketable function of branding in the development of institutional publications to the public.

So with the encouragement of the community and the results of internal analysis, it was transformed into a simple and full of meaning, namely the independent Yatim Foundation, with the Yatim Mandiri acronym. And, with this name registered in the Ministry of Law and Human Rights with number 2413.AH.01.02.2008. Yatim Mandiri head office is located in the city of Surabaya on Jl. Raya Jambangan No. 135-137, Surabaya.

Yatim Mandiri already has 44 branches spreading in Indonesia, for independent orphans itself established since March 2007. The branch offices in Malang are on Jl. Raya Mondoroko 43 Singosari, Malang. Each branch office has a branch head and several managers who manage funds. LAZ Yatim Mandiri has a vision of becoming a trusted institution in building orphaned independence. As well as having a mission as follows: Building the values of orphaned independence, Increasing community participation and supporting resources for orphaned independence and Increasing organizational capacity building

### 6.2.1. Accounting in Funds received in LAZ Mandiri

Accountability is carried out at LAZ Yatim Mandiri Malang in the case of receiving funds the same as other institutions, which when there are funds coming from donors, donors will receive receipt receipts as evidence. As stated by informant 2:

”Yes, when donors come to the office or when our field officers take to donors’ homes, donors will receive receipts which consist of 2 copies, one for the other donors for our archives, Miss, there is also Ms. who is transferring but must confirm to us. ”

LAZ Yatim Mandiri Malang provides evidence in the form of receipt receipts to donors who come to the office or field officers who take donations to their homes. As for donors who pay by transfer, donors must confirm where the funds are distributed.

### 6.2.2. Accountability of Fund Expenditures

The expenditure of this fund is for channeling funds at LAZ Yatim Mandiri Malang to the mustahiq. The distribution of zakat, infaq and alms funds to mustahiq has several specific criteria. As stated by informant 1:

”For the distribution of zakat funds it has been arranged in the Qur’an that it must be distributed in the 8 asnaf we refer to it, Ms. And for the distribution not yet fully 8 asnaf are fulfilled because these independent orphans focus on orphaning and there are only 4 who are still fulfilled ”.

Distribution to mustahiq for zakat funds according to what has been arranged in the Qur’an is 8 asnaf, but in LAZ Yatim Mandiri Malang there are not yet 8 asnaf because these poor orphans focus on their orphans only and 4 groups are fulfilled namely fakir

(people who do not have assets), poor (people with less income), amil (people who manage zakat funds) and orphans (children whose father died). In addition to zakat funds distributed for 8 asnaf, infaq and sedekah are also distributed according to the criteria. As stated by informant 2:

”For infaq and sedekah, we also differentiate into 2 mbak, which is infaq bound and unbound, if the funds are used as agreed contracts”.

In the distribution of infaq and alms LAZ Malang Independent Orphans differentiate into 2, namely bound funds in which the funds are used in accordance with the contract agreed upon with donors in the beginning, for example, donors want their funds for Qurban. As for unrestricted funds, the funds are used according to the needs at that time, for example in helping victims of natural disasters. In addition, LAZ Yatim Mandiri is also spending funds with forms of accountability carried out in the environment that still help a drought area. As stated by informant 2:

”It is a form of accountability with our environment that we have not yet been in Malang, but for the head office we have done it by helping areas experiencing drought. However, this is not a mandatory project of LAZ own independent mother, it is just a coincidence ”.

LAZ Yatim Mandiri Malang in terms of accountability with the environment has not done because it is not a mandatory work program at the institution. But for the head office it has done a form of accountability with the environment even though not by helping to preserve nature. But with other forms of helping villages that experience drought.

### 6.2.3. Fund Reporting Accountability

Reporting of this fund is in the form of financial statements made every month before being reported to the head office. However, what is placed in a magazine is a centralized quarterly report. As stated by informant 2:

”Because we are here a branch office for the financial statements that we make is only the receipt and expenditure journal, after that we have to report to the head office every month. After that the head office will recap from all branch offices and every quarter will come out at magazine. ”

The financial statements made every month by LAZ Yatim Mandiri Malang are only in the form of receipts and expenses because they are only branch offices. Quarterly

headquarters will provide full financial reports after which they will be reported to donors in the form of magazines, although what is on the map is only in the form of activities for receiving and disbursing funds. The financial statements made by the LAZ orphaned Mandiri center are in accordance with PSAK No. 109 regarding the accounting for zakat, infaq / alms / alms, although not yet fully. As stated by informant 2:

”For financial statements made at LAZ itself, it is in accordance with PSAK No.109, but not yet 100% is still 90% made”.

The financial report made by LAZ Mandiri has implemented PSAK 109 even though it is still 90%, but this statement cannot be said to be valid because it has not been proven in the absence of financial report evidence, because LAZ Mandiri only lists the flow of receipts and disbursements in the magazine. As stated by informant 2:

“Because for our full financial report is centralized so we cannot provide the financial statements, we have to get permission first from the central, Mbak, what is publicly available is only in this magazine, it is already centralized”.

From the statement above LAZ Yatim Mandiri has not been able to provide full financial statements because indeed in Malang only branch offices, therefore it is not entitled to provide financial statements.

### **6.3. Zakat Accounting Treatment LAZ Yatim Mandiri**

In accordance with the provisions of PSAK No. 109 issued by the Indonesian Institute of Accountants (IAI) which regulates Accounting for Zakat, Infaq and Alms, an institution must carry out its operational activities in accordance with applicable regulations. In PSAK No.109 has been divided into the recognition, measurement, presentation and disclosure of zakat, infaq and alms transactions. And for financial statements made there are 5, namely; balance sheet, changes in funds, reports on assets under management, cash flows and CALK. As stated by Informant 2:

”Our financial statements are centered on., to just branch in and out. However, the center is in accordance with PSAK No. 109 in acknowledgment, measurement and presentation, but in terms of disclosure we have not fully established Ms. ”

Because LAZ Yatim Mandiri Malang is a branch office, the financial statements made are only the entry and journal entries. Then the branch office will submit the financial

report to the head office. The financial statements made by the head office are in accordance with PSAK No. 109 because indeed PSAK 109 makes it very easy in preparing financial statements because its credibility and accountability are guaranteed. A zakat management organization must make good and correct financial reports, because with financial statements it will increase the trust of independent muzakki to the yatim. So here is a description of the concept of LAZ financial statements that are independently centralized.

### 6.3.1. Recognition

Recognition is that zakat receipts are recognized when cash or other assets are received (IAI, 2016). Accounting recognition of zakat funds carried out by the poor independent orphanage LAZ is based on basic cash. Where basic cash is an accounting transaction that records all income that has been received (Kristin., et al, 2011). Because the basic cash model is considered based on the understanding that the collected zakat funds are recognized directly as the assets of the amil zakat institution and the increase of zakat funds.

### 6.3.2. Measurement

Measurement is the process of determining to recognize and incorporate each element into the financial statements, receipts from zakat funds through bank services and accounting department to do journaling based on transaction evidence and make ledgers (Kristin. et al, 2011). Accounting measurements for zakat funds carried out by independent yatis are by collecting evidence of receipt of funds from either the bank or receipt and the evidence from the branch office will also be collected. And make a trip and make a big book.

### 6.3.3. Presentation and Disclosures

Presentation and disclosure is providing information to outside parties, which aims to evaluate organizational performance achievements for one period (Kristin & Ummah, 2011). Presentation of financial statements conducted by independent yati is in accordance with PSAK 109 which presents the Balance Sheet, Report on changes in assets under management, reports on changes in funds, cash flow reports and CALK. Whereas the disclosure of financial statements carried out by independent orphans appears in

the financial statements made in full with the figures and the attached CALK. It's just that independent orphans in the financial statements have not fully disclosed as stipulated by PSAK 109. This disclosure aims to evaluate the performance of the organization for one period and describes the responsibility of the zakat institution in managing the resources and performance produced in one period (Kristin., et al., 2011).

## 7. Discussion

### 7.1. Financial Accounting of the Zakat Institution in Malang

In accordance with the regulations of Law No. 23 of 2011 that the Amil Zakat Institution (LAZ) must obtain ministerial or official permission and have recommendations from the city / regency Amil National Zakat Agency (BAZNAS). Of the eleven Amil Zakat Institutions (LAZ) in Malang city that have received permission from ministers there are only two LAZs who are willing to be models of this phenomenon, namely the Al-Falah Social Fund Foundation (YDSF) Malang and the Malang Yatim Mandiri Amil Zakat Institution (LAZ) because both the agency is willing to provide information related to this research. From the number of BAZs and LAZs, each zakat management organization should make transparent and correct financial reports. Because with good and correct financial statements, it will increase the trust of muzakki so that it will increase income both in zakat, infaq and alms.

However, the public awareness to pay zakat is still low. The community thinks it is easier if zakat and infaq / sedekah are channeled directly to those in need. This has caused obstacles for an institution because of limited funding so that it has not been able to maximize funds management. Financial accounting made by the zakat institution in the city of Malang is not fully in accordance with PSAK 109 which regulates measurement, recording, presentation and disclosure. Because in terms of disclosure of zakat institutions has not fully disclosed as stated in PSAK 109. In this case, the zakat institution in Malang makes financial accounting in the form of accounting for fund receipts, expenses and and reporting of funds.

### 7.2. Accounting in the Acceptance of Fund

The receipt of funds or service accountability at the Malang city zakat institution is a form of relationship between the institution and the muzakki. For an institution a muzakki has a major influence on the sustainability of fund management in the institution, because

they are a source of funds for the institution (Endahwati: 2014). The form of service accountability provided is in the form of collecting zakat funds, infaq / shodaqoh through jungut services (amil who took zakat) by bringing magazines and explaining programs that are not yet known by muzakki.

The zakat institution in the city of Malang in carrying out its responsibilities in managing funds is by distinguishing between the receipt of zakat funds, infaq / shodaqoh. Because the accounting treatment for zakat funds, infaq / shodaqoh from recognition and measurement is different. This is in accordance with the Statement of Financial Accounting Standards (PSAK) No. 109 that the receipt of zakat funds received by amil will be recognized as an addition to zakat funds, and for receipt of infaq / shodaqoh funds recognized as an increase in infaq / shodaqoh funds: a) if in the form of cash it is recognized in the amount received and b) if it is non cash then is recognized at the fair value of non-cash assets (IAI: 2016).

The form of accountability for receiving funds is by receiving funds from fixed muzakkiyang or incidental muzakkiyang, either by transfer, muzakki comes directly to the office or officers who take their funds to the homes of the muzakki with direct knowledge from muzakki. This is in accordance with Law No. 38 of 1999 concerning the management of zakat article 12 paragraph 1 which states that zakat collection is carried out by amil zakat bodies by receiving or taking from muzakki on the basis of muzakki notification. As well as paragraph 2 which states that the amil zakat body can cooperate with the bank in collecting muzakki assets which are in the bank at the request of muzakki. Thus a muzakklis informs how much assets will be in zakat, infaq / shodaqoh even though it is donated by bank transfer, or by pick-up by the amil officer.

The responsibility for receiving funds made by the zakat institution is the proof of acceptance given by muzakki. Proof of receipt consists of two copies, one of which is for the institution's archive and the other for the Muzakki. Proof of receipt given by muzakki can be a deduction from income tax from a muzakki. This is in accordance with Law No. 38 of 1999 article 11 paragraph 3 which states that zakat that has been paid to the amil zakat body or amil zakat institution is deducted from the income / income of taxable residual income from the taxpayer concerned in accordance with the applicable laws and regulations. Funds that have been received by the zakat institution will be recognized as an addition to the funds for which the acceptance journal will be attached to the financial statements contained in the magazine.



### 7.3. Accounting in Expenditure

The funding is carried out in accordance with the governance set by the institution. The distribution of zakat funds is channeled in accordance with the 8 asnaf that have been arranged in the Al-Qur'an Tawbah Al-Qur'an verse 60. Whereas the distribution of infaq / shodaqoh funds is channeled in accordance with the bound and unbound funds in accordance with the programs made by the institution. This is in accordance with PSAK No. 109 namely mustahiq is the person entitled to receive zakat. Mustahiq consists of: devotee, poor, ghorim, riqb, converts, fisabilillah, ibnu sabil and amil (IAI: 2016).

The responsibility for channeling funds in the Malang city zakat institution is in accordance with PSAK No. 109, but the institution has not been able to give the 8 groups because they are in accordance with the priority of the conditions in the city of Malang. The responsibility for channeling funds from the institution is only channeled to 3 Asnaf, namely the needy, poor and amil, while the other 5 Asnaf cannot be implemented because amil has not yet found a situation that fits these criteria in the city of Malang.

Zakat institutions in Malang city collect zakat funds of 12.5% or 1/8 and 20% of infaq / shodaqoh for the operation of institutions and amil. This is in accordance with the established Islamic law. So that the accountability carried out by the zakat institution in the city of Malang in terms of the expenditure of funds has been accountable and for the amil who manages the funds has done it with trust. As stated (Triyuwono: 2000) which states that trust is something entrusted by another person to the recipient of the trust to be used properly and does not have control over what is mandated.

In addition, the institution also makes expenditures using infaq / charity funds, namely by taking responsibility for the environment. The form of the institution's responsibility for this environment is by preventing pollution of river water by making waterways in a village that experiences drought and also helping the community by building toilets / lavatories so that the community no longer pollutes the river. This is done because an institution or organization is nothing more than an organism that is a living being if it wants to maintain its survival must always interact with its environment (Triyuwono, 2000). Thus an institution must maintain the environment because basically the institution stands on the earth so it needs a form of distribution in the form of organizational concern for natural sustainability.

## 7.4. Accounting in Reporting Funds

Accounting for fund reporting carried out by an institution by making financial statements in accordance with PSAK 109 as a form of accountability of an institution for its performance as a collector and management of funds to parties interested in the institution in the form of financial statements. The parties concerned are BAZNAS, KEMENAG, Head Office and Muzakkin as sources of funds for the institution.

One aspect that influences people's perceptions of paying zakat is the accountability of zakat institutions. And there is transparency in the report which is the institution's ability to account for its management to the public by involving relevant parties such as muzakki and mustahiq, so that good control is obtained on the implementation of zakat management (Rachmawati et al. 2018). This is not in line with those in the Malang city zakat institution, transparent accountability has not been implemented with the absence of full financial report evidence given to muzakki. Institutions only present in the form of reports of revenues and expenditures that are attached to the magazine each month.

The recording of reports carried out by the institution is only given to auditors, administrators, head office, BAZNAS and KEMENAG. Muzakki is not given full financial statement evidence because the institution considers that not all muzakki understand about financial statements. So that the institution only presents in the form of reports on revenues and expenditures which muzakkipasti will understand the flow of funds that they channel through the institution. This is not in line with (Muhammad, 2006) which states that accountability means the obligation of an institution to pay attention to the public or shareholders for their various activities and achievements. This principle guarantees that the community has a right to know and have the opportunity to know and understand how decisions are made with underlying reason.

The disclosure and presentation of financial statements to muzakki and publishing financial statements only as presented in magazines distributed to muzakki's every month, so do not publish audited financial statements. This is not in line with the objectives of PSAK No. 109 which contains accounting for zakat, infaq / shodaqoh to regulate the recognition, measurement, presentation and disclosure of transactions for the management of zakat, infaq / shodaqoh funds (IAI, 2016).

Accounting and accountability are things that have a very close relationship because the accounting function is the provider of financial information for external parties. The need for accounting information is very high along with the increasing demands of public accountability and transparency by public institutions (Renyowijoyo, 2008: 22).

So if you want to see the performance of an institution that is good then it can be seen in terms of recording financial statements in the management of funds.

## **7.5. Financial Accounting in Perspective Shariah Enterprise Theory (SET)**

Accounting is a business language that provides information about the economic conditions of a company or organization and the results of a business at a certain time or period, as management accountability and for decision making. Therefore, it is expected that an institution can provide good and correct accountability or accountability to stakeholders. Accountability is a form of accountability of a trustee to the trustee for the management of the resources entrusted to him either vertically or horizontally (Endahwati: 2014). In accordance with the Shariah Enterprise Theory (SET) concept, the form of accountability is divided into 4 concepts, namely vertical contribution to God, horizontal direct stakeholder contribution, horizontal contribution in direct stakeholders and contribution to nature (Triwuyono, 2007). There are a number of concepts from Shariah Enterprise Theory (SET) which were not carried out at the Malang city zakat institution because the institution considered that not all communities understood the financial statements. Here's the description of the theory:

### **7.5.1. Vertical Contribution to Allah**

Shariah Enterprise Theory (SET), God is the main source, because he is the sole and absolute owner. The resources possessed by stakeholders are basically the mandate from God which is attached to a responsibility to be used with the means and objectives set by the trustee. Because basically God is the highest authority on this earth and Allah is the goal of every human life (Herman & Rini, 2016). Therefore, by placing God as the highest stakeholders, it is hoped that it can raise awareness in acting in accordance with Islamic law. This is in line with what is done by zakat institutions in Malang, where the institution in terms of expenditure of funds is in accordance with Islamic law which only takes 12.5% or 1/8 of the zakats for amil and the rest is full for mustahiq.

### **7.5.2. Horizontal Contribution to Direct Stakeholder**

Direct Stakeholders are parties that directly contribute to companies or institutions, both in financial or non-financial contributions (Triyuwono, 2007). Because they have

contributed to the institution, they also have to get welfare from the institution. This is in accordance with that given to the Malang city zakat institution to its Direct Stakeholders, namely to the muzakki. The institution is providing magazines which are given each month which contain financial performance in the form of reports on receipts and disbursements, as well as displaying programs in the institution. It's just that the institution does not provide full financial reports to the muzakki.

### **7.5.3. Horizontal Contribution to Indirect Stakeholder**

Indirect Stakeholders are parties who do not contribute to the institution either financially or non-financially, but in sharia they are the party that has the right to obtain welfare from the institution (Hermawan & Rini, 2016). The parties included in the Indirect Stakeholders are Mustahiq, which in eight terms there are Sharia groups. But in this case the institution is only 3 groups fulfilled because indeed the situation and situation in Malang city are only a priority on the poor, poor and amil. So that the institution maximizes the expenditure of zakat funds to these 3 groups. And for the expenditure of infaq / shodaqoh funds, the institution allocates according to the distribution of funds, namely bound funds (Qurban, helping disaster victims) and not bound (according to the needs at the time) and also allocated according to programs that can empower the community.

### **7.5.4. Contribution to Nature**

Nature is a party that contributes to the survival of an institution. Physically an institution or company is established on earth using energy that is spread in nature, producing using raw materials from nature, and providing services to other parties using energy from nature (Triyuwono, 2007). But nature does not want the welfare distribution of institutions in the form of money as desired by humans. But the form of distribution for nature is by nature preservation and pollution prevention. This is in accordance with what has been implemented in the zakat institution in the city of Malang, where the institution has prevented river pollution which the community usually does in the river, eventually the institution helps by constructing toilets or wcs, and institutions also build water sources for villages that are experiencing drought, their efforts are made to make the environment healthy, clean and comfortable.

## 7.6. The Treatment of Zakat in Zakat Institution in Malang City

Related to the effort of transparency and accountability reporting amil, a financial accounting standard reporting system has been prepared based on the fatwa of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI). Namely PSAK 109 (Kristin., et al., 2011). With the issuance of PSAK 109 the zakat institution in making financial statements must be in accordance with these rules. Because the financial statements of the zakat management institution must be transparent and correct in recording transactions, it will affect the trust of muzakki. Financial statements by amil zakat institutions with the aim to account for their performance to the general public, especially to the muzakki who have channeled their funds and believe in amil zakat institutions.

Financial statements made by the zakat institution in the city of Malang in terms of recognition and measurement have been carried out at each receipt and distribution of zakat funds, infaq / shodaqoh. The Malang city zakat institution has provided zakat, infaq / shodaqoh and amil funds separately. However, in terms of disclosure of the zakat institution in the city of Malang, it has not revealed matters related to zakat fund transactions, infaq / shodaqoh according to the points presented in PSAK No. 109. Here is the description:

### 7.6.1. Recognition and Measurement

Receipt of zakat, infaq / shodaqoh funds received from muzakki is recognize as an addition to zakat funds, infaq / shodaqoh and funds distributed are recognized as deductions from zakat funds, infaq / shodaqoh. Recognition of zakat funds, infaq / shodaqoh in Malang city zakat institutions is in accordance with PSAK No.109 where zakat, infaq / shodaqoh funds are recognized when the muzakkim states its willingness to pay zakat by filling out the zakat payment form and submitting a sum of money to be distributed to amil officials. Measurements made by the Malang city zakat institution are in accordance with PSAK No. 109 when receiving funds in the form of non-cash which is recognized at the market value of the item, the institution has never received funds in the form of non-cash.

### 7.6.2. Recording

PSAK No. 109 (paragraph 9) states that zakat receipts are recognized when cash assets or other assets are received. Thus the recording carried out by the Malang city zakat institution is carried out at the time of the zakat, infaq / shodaqoh transaction received, then the institution makes a direct recording accompanied by proof of deposit. When channeling funds, the institution will make a recording when the funds have been handled by mustahiq, but if the funds have not yet reached the hands of mustahiq then it is recorded as accounts receivable.

### 7.6.3. Presentation

Presentation made at the Malang city zakat institution, which consists of 5 components of the financial statements in full in accordance with PSAK No. 109 consists of financial position reports, changes in funds reports, cash flow reports, reports on changes in assets under management and notes to financial statements. However, the institution does not present it fully to the community. Institutions only present in the form of reports of income and expenditure that are presented in the magazine each month.

### 7.6.4. Disclosure

Disclosures made by the Malang city zakat institution are not fully in accordance with PSAK No. 109 because amil does not disclose the condition of its financial statements because in the PSAK it has been stated that unlimited disclosures are mentioned in PSAK. However, at the zakat institution in Malang city, Amil only revealed the policy of channeling funds to Mustahiq and Amil and disclosing them according to the priority scale. The rest in terms of disclosure of funds has not been done by the Malang city zakat institution.

Based on the explanation above, the Malang city zakat institution in the preparation of financial statements is not fully in accordance with PSAK No. 109 because there are still nonconformities, namely disclosure. The zakat institution of the city of Malang as a zakat management body should be able to manage zakat professionally, one of which is by applying PSAK No. 109 fully. One of the characteristics of a trusted financial report is a financial report that has fulfilled the conditions set by the government (Rachmawati et al. 2018)

## 8. Remarks

### 8.1. Conclusion

Indonesia is one of the countries with the majority of the population having Muslim religion which has a high potential of zakat. Zakat has a high potential to overcome the nation's poverty and improve the welfare of the people. This potential must be based on all Muslims so that the funds collected through zakat can prosper the people. But the awareness of the Indonesian people about the importance of zakat is still low. This happened because of a lack of accountability and transparency from the zakat institution.

Financial accounting for zakat institutions in Malang consists of accounting receipts and disbursements in accordance with those stipulated in PSAK 109. The financial statements made by the zakat institution in Malang are in accordance with PSAK 109 which is about accounting for zakat which regulates measurement, recognition, presentation and disclosure. It's just that in the disclosure of the zakat institution in the city of Malang, it has not revealed fully in accordance with PSAK 109. The zakat institution in Malang does not publish audited financial statements in electronic media and print media. The zakat institution in Malang city only provides magazines to donors and muzakki which contain reports on the flow of funds activities, namely spending and receiving funds. Whereas, for The financial statement component already has five components consisting of financial position reports, cash flow statements, changes in funds reports, reports on changes in assets under management and notes to financial statements. Thus the zakat institution in the city of Malang has not yet fully accounted for its financial statements.

### 8.2. Limitation

The limitations in this study are related to the institution that will be used as the object of research. Of the eleven zakat institutions that have LAZNAS only two LAZNAS are willing to be used as models of this phenomenon. Because other institutions have reasons for not being able to be the object of research because the leaders of these institutions have not been able to give permission. In addition, the institution as the object of this research could not provide information related to financial statements. So that researchers are difficult to analyze financial statements.

### 8.3. Recommendations

Based on these conclusions, the suggestions given for this study are:

- a. The results of this study are expected to provide an achievement in improving the performance of the Malang city zakat institution by presenting financial reports in accordance with PSAK No. 109. In the presentation of financial statements, it must be clear and accountable by disclosing financial statements in accordance with those stipulated in PSAK No. 109. This will increase public trust in making the zakat institution in the city of Malang the choice of fund collection and management institutions to pay zakat.
- b. The Malang city zakat institution should present a full financial report or audited financial report for publication on the institution's website. So if there is a muzakki who asks for a full financial report, it can be accessed directly on the institution's website. So not only attach financial reports in the form of revenues and expenditures that are presented in magazines.
- c. For further researchers, it is expected to examine the broader scope or more than one zakat institution of at least 3 to 5 institutions so that a form of financial accounting treatment can be obtained at the zakat institution in Malang.

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