

Conference Paper

Review of Zakat Financial Statements from the View of *Ayat Al-Ahkam*

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Abstract

This paper aims to find out and criticize the financial statements made by the National Zakat Agency of East Java which has been made based on SFAS No. 109 and compare it to the point of view of the Qur'an and hadith. Qur'an and hadith concerning accounting for zakat can be found in the interpretation of *Ayat Al-Ahkam*. The method used in this paper is qualitative supported by data obtained from observations on National Zakat Agency of East Java. The results obtained are that there are several accounts indicated that they are not in accordance with the Qur'an and hadith, namely: non-halal receipts, bank interest receipts, conventional bank cash, and current accounts. The author hopes that National Zakat Agency of East Java reviews the accounts in the financial statements not only from the standpoint of financial and accounting standards, but also from the Qur'an and hadith and this research can be useful to be used as a reference in the standard renewal used in making financial statements of zakat. For future research, more in-depth research can be carried out on the overall financial statements.

Keywords: zakat accounting, Qur'an and hadith, national zakat agency

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1. Introduction

A lot of research has only focused on examining zakat accounting with a review of SFAS 109. Whereas there are more fundamental reviews from the Qur'an and hadith. This causes a lot of research with no renewal and only different objects. According to Saad, Aziz, and Sawandi (2014) zakat which is also known as tax in Islam is one of the pillars that must be lived by all Muslims who have fulfilled the requirements. Zakat also has two main goals spiritually and economically to clean up the assets we have [1]. Some researchers have conducted a study to review the accounting side of a zakat/tithe using the interpretation of the Qur'an. This method is able to review the charity's interpretation of *Ayat Al-Ahkam* which includes all elements concerning legal passages in Qur'an. *Ayat Al-Ahkam* lays verses about charity law with very specific and clear rules about *Asbabun Nudzul* which execute commands, the calculation of



charity, persons who are eligible to receive zakat, as well as the punishment for those who relent. Qardlawi (1993) pinpoints that *zakah*/tithe is an obligation called *ijtima'iyah Aaliyah* meaning it has an important, strategic, and decisive position, both in terms of the religion teaching and the development of people's welfare [2].

2. SFAS 109 Based on Other Researchers

Some research review on existing accounting zakat have focused on SFAS No 109 as has been done by many researcher. According to Hanif (2015) Indonesia is a unique country because it has an economic system that is influenced by the environment and because its uniqueness can affect its accounting system. Islamic concepts have developed well in Indonesia in the banking sector in general and other economic fields in particular [3]. Danial (2010) examines the accounting for zakat at the amil zakat area in the city of Gorontalo, Indonesia. The results of the study state that the regional amil zakat agency in Gorontalo has not applied SFAS number 109 accounting standards in terms of recognition, measurement, recording, and reporting [4]. Kristin and Umah (2011) examined the application of zakat accounting at the amil zakat institution in the city of Semarang, Indonesia. The results of the study state that the amil zakat institution in the city of Semarang has not implemented SFAS number 109 as a whole [5]. Ipansyah, Rahmi, and Helmi (2013) examined the application of zakat accounting to the national amil zakat body in banjarmasin city, Indonesia. The results state that only reports of changes in funds use SFAS number 109 [6]. Istutik (2013) examines the implementation of zakat accounting at the amil zakat institution in the city of Malang, Indonesia. The results of the study state that the financial statements of zakat produced do not reflect SFAS number 109 [7]. Shahnaz (2016) examined the application of SFAS 109 in terms of financial reporting of accounting for zakat at the national amil zakat body in the city of North Sulawesi, Indonesia. The results of the study state that the national amil zakat body in the city of North Sulawesi, Indonesia only applies SFAS 109 in only a few aspects, namely: reports on income and distribution of funds [8]. In other words, zakat accounting review of the SFAS 109 has been done by some researchees and it contains SFAS 109 standard on accounting for *zakah*, *infaq*, and *shadaqah*. In fact, those researchers have identical research results, and the financial statements prepared did not optimally apply SFAS 109. According to Puspitasari and Habiburrochman (2013), a spirit to share zakat with other human beings must be the basis of delivering tithe, this can serve as a media that can decrease income distribution and poverty [9]. According Azzuhri (2011), widening social gap between the rich and the poor has led Muslims

scientists to delve into the view of Islam about how the economy should be. The concept of maximum economic empowerment through *zakat* is one of the good and the right ways to reduce social inequalities, especially when we see the true meaning of charity itself [10]. It is simply putting *zakat* accounting functions to make recording and reporting on revenue/acceptance of *zakat*, as well as the allocation of it. Given the importance of accountability and transparency as a public institution, *zakat* requires a reporting standard to the public and to other stakeholders to monitor and evaluate their performance, as well as providing feedback on the accountability report.

3. Zakat Accounting

Zakat is required to be transparent, honest, and trustworthy in its collection/acceptance, management, and distribution. This principle is similar to accounting. Accounting is commonly defined as a process of recording, classifying, processing, summarizing, analyzing, and reporting the events (transaction) of a financial nature. According to Reza (2012), accounting service is defined as an activity to provide quantitative information, primarily financial, to the parties who require some information for decision-making [11]. Accounting can be defined from two perspectives, namely the notion of service users from the accounting standpoint, and from the standpoint of process operations. According to Alim (2015), the implementation of *zakat* in Indonesia has experienced various developments. One of them is the management of *zakat* carried out through an institution called the national *amil zakat* agency. National *amil zakat* bodies can form various programs that can help maximize *zakat* withdrawal. For example *baitul qiradh*. *Baitul qiradh* functions as a microfinance institution [12]. The result of accounting information is needed to make effective planning, monitoring and decision-making by management, as well as the accountability of the organization such as governmental entities for tax purposes, and the other parties concerned to *muzakki* (persons who give *zakat*). According to Ali, Taha, Embong, and Nor (2014) In some countries *zakat* institutions can use many system, for example: BSC to support transparency in recording and distributing to the society / public [13].

Qardlawi (1999) explains that *zakat* which comes from the word *zaka* which means 'holy, blessed, grow, and admirable' [14]. Moreover, according to the terms of *fiqh*, *zakat* is a certain amount of property required by God to those who deserve it, in addition it also means removing certain amount itself. As written in the Al-Baqarah verse 110 and Surah Al-Bayyinah verse 5:

“And perform the prayer, and give alms. Whatever good you forward for yourselves, you will find it with Allah. Allah is Seeing of everything you do”.
(QS. Al-Baqarah: 10)

“They were commanded only to worship Allah, devoting their faith to Him alone, and to practice regular prayer, and to give alms. That is the upright religion.” (QS. Al-Bayyinah:5)

According to the AAS-IFI (Accounting and Auditing Standards for Islamic Finance/ Institution), accounting charity organizations provide some information about the observance of Islamic Shari’a provisions, including information on revenues and expenditures that are not allowed by shari’ah, if there is, and how its transmission [15]. According to Faiz (2011), zakat accounting is a process of ownership recognition and measurement value of a property owned and controlled by *muzakki* for the purpose of determining whether such properties have reached *nishab* and met all the requirements of charity [16]. There are some Islamic principles in accounting, namely: 1) ordered to the believers; 2) the importance to record transactions; 3) doing the recording punctually; 4) completing evidence; 5) the basis of belief, honesty and trust; 6) the importance of Internal Control System; 7) the importance of transparency; and 8) the principle of justice. Allah says in Al-Baqarah verse 282.

According to Al Baqarah verse 282, Allah explicitly told the Muslim Ummah to record every transaction fairly. Recording of accounting journals for *zakah*, *infaq*, and *shodaqah* of Badan Amil Zakat Nasional East Java as amyl when recognized divided into two things: first, when the receipt of the funds will be debited in cash, cash equivalents, as well as credit balances of zakat funds, charity funds, and charity fund balance. Second, when the funds will be debited in the amount of zakat, charity fund balance, and the balance of charity fund and cash credited and cash equivalents.

4. Ayat Al-Ahkam As a Review of Accounting Calculation Zakat

According to Suma (2002), written in Qur’an itself, the main goal and the first of the decline is the holy book of God as a guide (book of guidance), especially for Muslims and people piety, and Muslims in general [17]. As a book of guidance, the Qur’an is full of verses that govern human behavior and attitudes. This is not only in terms of the vertical relationship, but also the horizontal one. The special thing about the revelations of Qur’an is that there are some commonly used terms. The terms in question are:

Ayat al-Ahkam (verses law), *Ayat Al-Fiqhiyyah* (verses about jurisprudence), *Ayat Al-Qanuniyyah* (verses about the law) and *Fiqh Al-Kitab* (jurisprudence of Al-Qur'an). The most commonly used terms called *Ahkam Al-Qur'an* (the laws of the Qur'an) means approximately the same as between one another, which refers to the verses of Qur'an containing legal issues. In Qur'an, there are hundreds or even a thousand paragraphs of the law which signaled the seriousness and attention of the holy book concerning on legal issues, especially for basic legal norms of a general nature. However in the practical level, it depends on situation in field.

5. Methodology

This research is qualitative using a case study approach. The qualitative consideration in this research is employing several factors. First, the obligatory accounting using the review of the interpretation of *Ayat Al-Ahkam* was analyzed in depth and thorough when the researchers went to the field to conduct the research. Second, the social phenomena in the field of accounting charity can be well understood from the perspective of the researcher. Third, qualitative researchers believe that the truth in accounting charity is dynamic and can be found only through a review of the people through their interaction with their social situation. And fourth, the answers to the research questions are dealing with accounting *zakat* viewed from the interpretation *Ayat Al-Ahkam* which cannot be obtained using statistical data and other qualitative methods.

6. Results

6.1. Posts in financial statements that are not in accordance with the interpretation of ayat al-ahkam:

6.1.1. Non-Halal Collection Source

Non-halal collection source can be grouped into haram because of the essence (haram li-zatihi) and haram not because of the essence (haram li-gayirih), Non-halal receipts in the financial statements of zakat are derived from amil zakat transactions as Islamic institutions with conventional banks not using a sharia basis. according to Jaelani, Herwanti, and Hermanto (2017) quoted from the exposure draft of SFAS 109, non-halal receipts come from all dances or income from activities not related to Islamic principles [18]. Receipt of non-halal funds must also be separated from charity funds, infaq and alms giving and must be grouped into virtue funds. Keep in mind that all

transactions containing non-halal funds are vulnerable to the emergence of usury. In financial reports as seen in table 1 and table 2 below, whether sourced from SFAS 109 or financial statements belonging to National Zakat Agency of East Java, there are no merit funds.

“Historical hadith of Muhammad bin Abdullah bin Numair al-Hamdani:

It was narrated from Muhammad ibn Abdullah bin Numair al-Hamdani from my father from Zakaria and Sya'yi from Nu'man bin Basyir saying sara heard the Prophet Muhammad said by whispering to Nu'man 's ear "Verily the law is clear, and the unclean, and between the two things there are syubhat cases, most people don't know it. Whoever keeps himself from the matter of the syubhat, then he has safeguarded his religion and honor, and whoever falls in the matter of syubhat, then he falls on the forbidden thing. Like a shepherd who wanders around the prohibited area, it will gradually enter into it. Know that every king has a prohibited area, while the prohibited area of Allah is forbidden by Him. Know that in fact the body is a lump of flesh, if it is good then all the bodies are good, and if he is bad, then the whole body is bad. Know he is the heart ".

“1) big accident for people who cheat; 2) (i.e.) people who, when receiving a dose from others, ask to be fulfilled; 3) and if they measure or weigh for others, they reduce” (QS. Al-Muthaffifin 1-3)

This verse explains the prohibition of cheating. What is meant by those who cheat here are those who cheat in measuring and weighing. In sharia accounting it is prohibited to cheat.

6.1.2. Collection of Bank Interest

According to Kamla; Gallhofer; and Haslam (2006) the existence of profits obtained from the results of bank interest receipts will clearly harm those who lack, for example: poor people. Harmful things can be categorized as haram [19]. According to Kamla and Alsoufi (2015) The discourse on interest in the field of Islamic accounting has been dominated by various kinds of opinions of scholars in traditional and conservative perspectives. And from the various opinions it can be concluded that in any reason interest is dangerous and harmful [20]. As stated in the table 2 below, there is a bank interest receipt post. As a consequence of the activities in a conventional bank, there will be receipt of bank services in the financial statements or an explanation of financial statements such as

those owned by National Zakat Agency of East Java. Bank interest is similar to usury. ' Literally usury is an increase, excess, growth, or increase. Technically, usury 'means taking extra from basic assets or capital in a nutshell. As strengthened in the verses of the Qur'an below:

"Which forbids humans to eat usury property in multiples "O ye who believe, do not eat usury by multiplying and fearing Allah so that you may have good fortune".(QS. Al-Imran:30)

"Verily Allah commands (you) To be fair and do good, give to the relatives, and Allah forbid from vile deeds, mischief and hostility. He gives teaching to you so that you can take lessons". (QS. An-Nahl:90)

In this verse Allah commands to do justice and kindness. Fairness and righteousness are very important for an accountant in carrying out his duties. Even justice is a principle in Islamic accounting. Fair is to put something in its position. While the opposite of justice is tyranny.

"People who eat (take) usury 'cannot stand but like the establishment of people who are possessed by satan because of (pressure) insane illness. Their situation is because they say (arguing), actually buying and selling is the same as usury, even though Allah has justified buying and selling and prohibiting usury. Those who have reached him a ban from his Lord, then continue to stop (from taking usury '), then for him what he has taken before (before the ban comes); and his business (up to God). People who return (take usury '), then that person is the inhabitants of hell; they abide therein".(QS. Al-Baqarah: 275)

6.1.3. Cash in Conventional Banks

National Zakat Agency of East Java does not explicitly mention cash and cash equivalents in the balance sheet from conventional banks, but in the implementation of financial statements there are several conventional bank accounts that are used to support zakat activities. The storage of zakat in conventional banks has no position according to Islamic law, but in reality many zakat institutions still use conventional banks in the management of zakat, this cannot be justified considering that the deposit of zakat through conventional banks can actually lead to usury like seen as table 1 below.

This is also reinforced in this Surah: "Allah destroys usury and fertilizes alms. And Allah does not like every person who remains in disbelief, and always sins." (QS. Al-Baqarah:276)

As well as clause 2 letter a of the Zakat Management Act which explains that zakat management is based on Islamic law. Additional use of zakat storage obtained from conventional bank interest according to Islamic law raises bank interest (usury). Zakat funds deposited in conventional banks for distribution are permitted provided that the funds to be channeled to mustahik are principal funds deposited with muzakki, but if additional savings on zakat obtained from conventional bank interest are usury , then there is additional deposit interest obtained from conventional bank interest prohibited [21].

6.1.4. Receipt of Current Account

According to Yuliawan (2014), the receipt of current account is additional funds needed by banks originating from sources of funds in the form of deposits [22]. In table 2 below, there are receipts of current account. According to the national sharia council, it is undeniable that the needs of the community in improving welfare and in the investment sector require banking services; and one of the banking products in the field of fundraising from the public is a demand deposit, which is a deposit of funds that can be withdrawn at any time by the use of checks, demand deposits, other means of payment orders, or by book-entry; but the national sharia council also said that the current account activities were not all justified by Islamic law (shari'ah).

"O you who believe! Do not eat each other (take) your neighbor's property in a vanity way, except by commercial means that are voluntary among you". (QS. An-Nisa:29)

"Allah has told you to deliver the message to those who have the right to receive it, and (tell you) if it establishes a law among men so that you determine justly. Surely Allah gives you the best teaching. Lo! Allah is ever Hearing, Seeing." (QS. An-NISA:58)

"Then, if some of you believe in some others, let those who believe carry out their mandate and let them fear Allah Allah" (QS. Al-Baqarah:283)

TABLE 1: Classification of the Account Statement of Financial Position in Accordance with SFAS 109.

CLASSIFICATION OF ACCOUNT STATEMENTS IN SFAS 109
ASSETS
CURRENT ASSETS
Cash in hand
Cash in Sharia banks
Cash in conventional banks
Receivables
Investment
FIXED ASSETS
Electronic equipment
Electronic equipment
Accumulated Electronic devices
Equipment furniture
Hardware furniture
Accumulated depreciation of equipment furniture
Vehicles
Vehicles
Accumulated depreciation of vehicles
LIABILITIES
LIABILITIES
Payables
BALANCE OF FUNDS
Funds of zakat
Fund of infaq/alms
Fund of amyl
Non-halal fund
Distribution accumulated in assets

Source: SFAS 109-zakat, infaq, and charity (the processed data)

7. Conclusion

In *Ayatul al-ahkam*, there are several accounts in the financial statements that refer to SFAS 109 which are not in accordance with the teachings of Qur'an. Those accounts are: 1) Non-halal collection of zakat which is inconsistent with the hadith of Muhammad bin Abdullah bin Numair al-Hamdani, *Al Muthaffifin* verses 1-3, and *An-nisa* verse 29;

TABLE 2: Classification of Accounts Cash Flow Statements According to SFAS 109.

CLASSIFICATION OF STATEMENTS OF CASH FLOWS ACCORDING TO SFAS 109
INCOME
<i>Maal zakat/muzakki as an entity</i>
<i>Maal zakat/muzakki as an individual</i>
Zakat of profession
Zakat <i>fitriah</i>
Fidyah
Results of zakat placement
Infaq, alms bound
Infaq, alms unbound
Management results
Grant income
Bank revenue share
Other incomes
Bank interest income
Current account income
Other non-halal income

Source: SFAS 109-zakat, infaq, and charity (the processed data)

2) Using bank interest which is inconsistent with Al-Imran verse 130, An Nahl verse 90, and Al-Baqarah verse 275; 3) Saving zakat in a conventional bank that is against Al-Baqarah verse 276; 4) Using current account which is incompatible with An-Nisa verse 29, An-Nisa verse 58, and Al-Baqarah verse 283.

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Conflict of Interest

The authors have no conflict of interest to declare.

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