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Exploring the History of Islamic Accounting and the Concept of Accountability in an Islamic Perspective

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Abstract

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The history of conventional accounting dominates the literature on the history of accounting, and it is still rare to find a history that describes Islamic accounting comprehensively. In addition, the concept of accountability is still dominated by financial accountability alone. This paper aims to describe the history of Islamic accounting starting from the period of the Prophet until the 20th century. This paper also attempts to describe the concept of accountability from an Islamic perspective. The research approach used in this paper is categorized as qualitative research. The bibliographic method or library analysis used in this study reviews some of the previous literature on the history of Islamic accounting and Islamic accountability. History proves that Muslims have implemented modern and sophisticated accounting systems and practices. The manuscript by Al-Mazindarani entitled "Halakiyah Kitab as-Syiyaqaf Essay" in 765H or 1363M describes the popular accounting practices applied at that time, namely *jaridah al-kharaj, jaridah an-nafakat, jaridah al-maal, and jaridah al-masadarin.* Even the accounting profession *(al-katib)* should not be held by everyone and only those who have qualifications such as technical competence, understanding of sharia values, being responsible and trustworthy. The history of Islamic accounting is inseparable from the awareness of avoiding usury, the formation of the first Islamic bank, and the role of professional organizations in terms of regulation of Islamic accounting standards. The Islamic accounting conceptual framework is very different from the conventional accounting conceptual framework in terms of meaning and definition, profit perception, going concern assumption, unit of measurement assumption, and disclosure principle. Accountability in Islam views the responsibility of each individual or company to God as the giver of the mandate *(hablum minallah)* and to humans *(hablum minannas).*

Keywords: *Islamic Accounting, Conceptual Framework, Islamic Accountability, Usury, Islamic Accounting Standards*

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I. Introduction

The development of Islamic banking and other Islamic financial institutions that began in the 1970s has encouraged the emergence of Islamic accounting thinking. Even Islamic accounting thinking has progressed very rapidly, although research in Islamic accounting is still lagging behind research in Islamic banking and Islamic finance (Roszaini Haniffa & Hudaib, 2010). This evidence can be found in the literature, which explains that in the 1970s, the Islamic finance industry developed with the existence of Islamic commercial banks and their products, and initially only in the Gulf/Middle East countries. In the 1980s, the Islamic finance industry expanded to the takaful insurance industry and Islamic investment companies. Islamic bank products and takaful insurance products also developed rapidly in the Asia Pacific (Suandi, 2013).

Napier (2009) proposed three aspects that are closely interrelated history-oriented sense, practice-oriented sense and principle-oriented sense. The history-oriented sense is associated with ideas and practices that occurred in most Muslim countries in the past. Practice-oriented sense focuses on how an entity describes itself as an Islamic entity and reports occurring transactions and activities. Principle-oriented sense relates to fundamental accounting concepts and forms of the method according to the ideas and practices based on religion.

Islam recognized that existence in history had brought a sparkle in improving human civilization, especially science and technology. The development of Islamic financial institutions is a consequence of efforts to grow the economy of the people. Economy people can be nurtured through activities in economic, social and environmental. It requires recording and reporting of all transactions and social activities of the company. In other words, a relevant accounting system is needed. This statement supports Napier's (2009) explanation associated with the practice-oriented flavor.

The need for accounting procedures and processes that are relevant to Islamic financial institutions is absolutely necessary. This will result in consequences on behavior changes of all elements within the company, not only the management but also the owners of capital, employees, and other organizations associated with the company. In addition, there are other factors such as the economic system, social, political, regulatory, cultural, perceptions, and values that are run by the community, as these factors affect the shape of an organization's accounting.

The holistic footing of Islamic accounting is regulated in Surah al-Baqarah verse 282, where Allah says, "O you who believe, if you do not pray in cash for a specified time, you should write it down. Furthermore, let a writer write it down. Furthermore, let the writer not be reluctant to write it down as Allah taught him, let him write, let the debtor obey (what is to be written), let him fear Allah his Lord, and let him not reduce anything; from his debt..." In this verse, although the terms accountability and transparency do not exist textually, contextually, it contains the values of accountability and transparency (Waluya & Mulauddin, 2020).

Accounting Islam contains principles and laws governing accounting operations, social transactions or trade transactions. In the history of thought, Islamic accounting has been implemented in the economic unit, institutions and government offices in the early establishment of the Daulah Islamiyah. Accounting when it is applied to regulate cooperation such as mudaraba, syirkah al-'inan, syirkah mufawadhah, joint ownership and Baitul Maal (Murtiyani, 2009). The description of the accounting history of Islam will be explained in further discussion. Before describing the accounting history of Islam, this article will describe some Islamic accounting thoughts that are very important for the conceptual framework of Islamic accounting, accounting ethics and social responsibility, as well as Islamic accounting overall.

Based on this background, this paper seeks to answer research problems regarding the history of Islamic accounting and the concept of accountability from an Islamic perspective. This paper aims to explore the history of Islamic accounting from the Prophet's period to the 20th century. In addition, this paper also aims to describe the concept of accountability from an Islamic perspective, starting with the conceptual framework of Islamic accounting.

II. Methodology

This paper applied a qualitative approach through literature study to better understand the history of Islamic accounting and accountability from an Islamic perspective. This study covered forty years (1981-2020), which is considered a period long enough to reflect publications covering the history of Islamic accounting and the concept of accountability. The type of qualitative research used in this research was library research, where the researcher collects data in books and manuscripts relevant to the research object. The discussion study referred to Berg & Madsen (2020) synthesizing a lot of literature on accountability from an Islamic perspective and the history of Islamic accounting taken from various academically-oriented sources. The history of Islamic accounting is also identical and cannot be separated from the development of Islamic accounting standards developed by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI). Likewise, in Indonesia, the literature review also found that Islamic accounting standards greatly influenced the development of Islamic accounting.

III. Analysis and Discussion

3.1. History of Islamic Accounting

The history of Islamic accounting in this study is classified into several periods, namely the Prophet's period, the period of the Companions, the Umayyad period, and the Abbasid period. This paper also describes the history of Islamic accounting in the 19th and 20th centuries.

Period of the Prophet

Based on historical data, Islamic accounting was practiced at the time of the Prophet *sallallaahu 'alaihi wa sallam.* Accounting in the time of the Prophet has been applied both individually and collectively through syirkah. On 1st Hijri or 622 AD, when the Messenger of Allah and his companions moved to Medina, accounting was practiced in the scope of Baitul Maal. Baitul Maal is an institution tasked with managing assets acquired by the State and allocating them to the poor. Or in other words, Baitul Maal is an organization that accumulates and allocates state revenue assets (Murtiyani, 2009).

Baitul mall, as a state institution, has different characteristics for every age. During the time of the Prophet, there was no special house/office as Baitul Maal, but the financial system was implemented then. Some of the Companions of the Prophet were appointed by the Prophet to be clerical personnel tasked with recording the incoming assets and the assets that came out and were separated according to the type of assets. Among them is Muaiqid ibn Abi Fatima who is tasked with recording the assets of the spoils of war, Zubair bin Awwam, tasked with recording the assets of zakat, Hudzaifah ibnul Yemen is tasked with recording agricultural assets from the Hijaz region, Abdullah ibn Rawalah tasked with recording agricultural assets from the Khaibar region, Mughirah bin Syu'bah tasked with recording credit disbursements, and social transactions carried out by the State, and Hanzhalah bin Shaifiy tasked with recording food assets.

Period of the Companions

Baitul Maal's management system was then continued by the caliph Abu Bakr al-Shidiq, may Allah bless him (11-13H / 632-634M). At the time of the caliph Abu Bakr, Baitul Maal already had his own office, and the house of Abu Bakr himself was used as the office of Baitul Maal. Furthermore, at the time of the caliph Umar bin Khattab when more countries were under the authority of Islam, the State's assets were increasing. This condition requires the establishment of the Baitul Maal division called ad-Diwan. Diwan or Institution in Baitul Maal is divided into two divisions, namely (1) the institution that records the State revenue, which is the inflow of assets to Baitul Maal, and (2) the institution that records State expenditure which is an outflow of assets for various kinds of expenses.

Period of the Bani Umayyah

In the period of the Umayyads, led by the Caliph Al-Walid bin Abdul Malik, may Allah have mercy, the recording of files was applied. These records are used as documents for the management of Baitul Maal. Later in the Abbasid period, the caliph at that time, Abul Abbas as-Saffah, may Allah have mercy on him, developed and created accounting books. This task was charged to Khalid bin Barnak as Diwan al-Kharaj to categorize accounting based on specialization.

Period of the Bani Abbasiyah

During the Abbasid period, there was a remarkable development in the practice of the world of Islamic accounting. A figure named Abdullah bin Muhammad bin Kayah Al-Mazindarani, who is better known as Al-Mazindarani, has written manuscripts that explain the application and development of government accounting. The manuscript was famous with the title "Halakiyah Kitab as-Syiyaqaf Essay" and dated 765H or 1363M. This manuscript is stored in the Sultan Sulaiman al-Qanuni Library in Istanbul, Turkey. In addition, Al-Mazindarani also wrote a book entitled "Mafatieh Al-Uloom," which means keys of sciences written in 365H. One of the chapters discussed in the book is about secretarial, technical terms that are common in Muslim societies that are related to secretary duties (Macve, 1996).

Al-Mazindarani explained that the accounting system was popularly used at that time, and bookkeeping had been applied individually in each accounting system. At that time, the accounting system was mostly applied to buildings, agriculture, storage accounting, money creation, and animal care. Special bookkeeping, known as *jaridah,* begins with the phrase *"Basmalah". Jaridah* is an individual journal developed by the Islamic State such as *Jaridah al-Kharaj* (zakat journal), *Jaridah an-Nafakat* (expenditure journal), *Jaridah al-Mal* (finance journal), and *Jaridah al-Masadarin* (reversing journal). *Jaridah al-Kharaj* is used to record zakat on land, agriculture and livestock. The preparation of *Jaridah al-Kharaj* is similar to the subsidiary ledger and arranged according to alphabetical letters, there are reference numbers and indexes, and there is planning and monitoring of expenditure in accordance with its geographical area. Each of these fingerprint pages contains two debit and credit columns where the debit shows accountability and credit shows payment.

In the Al-Mazindarani treatise, it is known that at that time, there were several types of accounting books used to record financial transactions. The journal *(al-Yamiyah List)* is used to record *al-kharaj* expenses, in which there are transaction dates, receipts (vouchers/*as-shahid)* authorized by *Diwan*, as well as the use of manual books *(al-Tauhijat list)* to control regional finances and guarantee budget allocation. Some types of budgets used include operational budgets *(makarrariyah),* financial budgets *(inflakiyah),* and transfer books *(at-Tahwilat)* are used to record transfers of funds from the local/regional government to the central government. One of the advancements in the application of accounting at the time was the application of *Al-Khitamah Jamiah* as a method to deal with shortcomings and advantages. *Al-Khitamah* is a monthly financial report made at the end of each month detailing the types of income and expenses and the end-of-month balance.

Al-Mazindarani stated that another book discussed accounting practices in Muslim societies and Middle Eastern countries in particular, which was written before the manuscript he wrote in 1363M. Al-Mazindarani further acknowledged the benefits gained from the initial work when writing a book or treatise (Lewis, 2001). Solas & Otar (1994) wrote a treatise entitled "Risale-I Felekiyye" which took many references from the writings of Al-Mazindarani. The Minutes explained that the accounting system applied at the time of the Ottoman Kingdom was a "rudimentary double-entry" system that accommodated primary records and subsidiary documents.

Accounting practices in the history of the Muslim world are also written by Hamid et al. (1995). The author uses a written government manual from the 10th century, which explains the practices and methods of accounting at that time. In addition, there is a record of tax revenues and expenditures managed by the tax department called *Diwan al-kharaj* at the provincial government level, which is tasked with carrying out checks and controlling records. Other researchers, such as Zaid (2000), used a 15th-century manual that explains the specific qualifications expected from an al-kateb, a government official responsible for finance. Among these qualifications are technical competence, understanding of Islamic values, especially those related to fiqh al-mu'amalat, and being responsible and trustworthy.

It is interesting to examine further whether double-entry accounting has emerged in the history of the Muslim world first compared to the discovery of Lucas Pacioli. From the history that has been previously reviewed and also explained by Shehata (1998) that the manuscripts written by Al-Mazenderani and several other Muslim experts occurred before the double entry written by Lucas Pacioli in Italy in 1494. Even Hamid et al. (1995) said that before double entry Lucas Pacioli found it had already appeared that the more sophisticated Arabic double entry became the foundation for business development in Europe in the mid-term.

The 19th Century

The history of accounting developments and practices in Muslim societies should reflect Islam as a comprehensive spiritual and material guide. Ambashe & Alrawi (2013) explained that accounting and accountant terms had not been used in Islamic countries both in the early and middle stages. The exact date when the two terms are used is unknown but is likely to be traced to the effects of colonialism and the introduction of western culture in the 19th century. The term *al-amil, mubashir, al-katib,* or *katib al-maal* is used as a name that matches the accountant. However, of all these terms, the name *al-katib* is the most dominant name and is used to name someone who is given the responsibility for writing and recording financial or non-financial information (Zaid, 2000).

The development of Islamic accounting thinking cannot be separated from the increasing public awareness of Islamic principles. Awareness that Islamic principles are not only a matter of worship rituals such as prayer, zakat, fasting, and pilgrimage, but Islamic teachings can also be embodied in every aspect of human life, such as in muamalah relationships, and Islamic accounting practices are included in muamalah transactions (Sawarjuwono et al., 2011). In the rules of muamalah, it is stated that the original law of muamalah cases is permissible unless there is an argument that prohibits it. Because accounting is part of the science of muamalah, the original law is permissible, even recommended, because it brings benefits to users of accounting information.

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The establishment of the Islamic bank is inseparable from the increasing public awareness of the perfection of Islamic teachings and the belief that Islamic teachings can be used as the basis for muamalah relations. However, the most important thing is that the idea of establishing a sharia bank is aimed at freeing Muslims from usury which is forbidden (Sawarjuwono et al., 2011). The first Islamic bank to be established in Indonesia was Bank Muamalat Indonesia (BMI) on November 1, 1991, and it only started operating on May 1, 1992. The establishment of this Islamic bank was the beginning of a change in the era of the Islamic economy at that time and, at the same time, became the starting point for the change from a capitalist economy to a sharia economy. After that, other sharia entities emerged, such as sharia pawning, sharia insurance, and the development of sharia economic concepts and their branches, including sharia management and sharia accounting.

Period of the 20th Century

For 7 years, BMI operated from May 1, 1992, until the issuance of Statement of Financial Accounting Standards 59 concerning Accounting for Islamic Banking on May 1, 2002. BMI still used conventional accounting practices because there were no Islamic banking accounting standards. The prevailing practise at that time was that *murabahah* contracts were recorded and presented conventionally so that they did not reflect the proper principles of *murabahah* contracts (Sawarjuwono et al., 2011). This condition triggers awareness of the importance of Islamic accounting that supports sharia business management in Islamic banks.

The accounting standards in force at that time were still limited to transactions and conventional bank entities. In contrast, transactions in Islamic banks are based on the principles of Islamic law, where transactions must be avoided from tyranny, usury, and *maysir.* Likewise, account naming and accounting policies and financial statements must reflect contracts that are in line with sharia principles. This condition led to the emergence of the need for the regulation of sharia accounting standards in Indonesia. The regulator, namely the Indonesian Institute of Accountants (IAI) through the Financial Accounting Standards Board, responded well by setting up Islamic banking accounting standards in Indonesia. This fact shows politically that there is an alignment of the accounting profession towards sharia accounting in particular and the development of sharia economics in general (Sawarjuwono et al., 2011).

If we look at the process of issuing accounting standards, the discussion and preparation of Islamic banking accounting standards began one or two years before the issuance of Statement of Financial Accounting Standards 59 on May 1, 2002. The due process started from identification of issues, discussion of materials, approval and publication of exposure drafts, public hearings, discussion of results with public opinion, to ratification and review of sharia compliance. On January 17, 2002, IAI submitted a request for a review of Statement of Financial Accounting Standards 59 and the Basic Framework for the Preparation and Presentation of Sharia Bank Financial Statements to the National Sharia Council of the Indonesian Ulema Council so that the National Sharia Council of the Indonesian Ulema Council would provide a covering letter stating that the transactions contained in Statement of Financial Accounting Standards were in accordance with sharia principles. Three months later, the National Sharia Council of the Indonesian Ulema Council issued a covering letter on April 17, 2002, which states that the Statement of Financial Accounting Standards 59 does not conflict with sharia provisions and fatwas that have been issued by the National Sharia Council of the Indonesian Ulema Council (Salman, 2020).

From a regulatory perspective, starting with the issuance of Statement of Financial Accounting Standards 59 concerning Accounting for Islamic Banking on May 1, 2002, then followed by the issuance of Islamic Accounting Standard concerning Presentation of Islamic Financial Statements, Murabahah Accounting, Salam Accounting, Istishna' Accounting, Mudharabah Accounting, and Musyarakah Accounting on June 27, 2007. Two years later, on April 21 and April 28, 2009, Islamic accounting standards concerning Accounting for Ijarah and Accounting for Sharia Insurance Transactions were issued. At the time these Islamic Accounting Standards were issued, they were still issued by the Financial Accounting Standards Board IAI. Furthermore, Islamic Accounting Standard 109 concerning Accounting for Zakat and Infaq/Alms was issued by the Sharia Accounting Standards Board IAI on April 6, 2010. This board also issued Islamic Accounting Standards 110 concerning Accounting for Sukuk on October 26, 2011. The authority to issue all sharia accounting products was previously carried out by the Financial Accounting Standards Board IAI, then transferred to the Sharia Accounting Standards Board IAI (Salman, 2020).

3.2. Islamic Accounting Conceptual Framework

Integration of Islamic religious principles in an economic activity initiated by Islamic banking in the 1970s gave rise to new issues in the world of accounting. In the absence of a standard as a guide at the time, Islamic banks must develop their own accounting policies. Financial statements of Islamic banking reflect the different revenue recognition methods and practices of different classification and disclosure (Simpson & Willing, 1996). The increase in the industry directly impacts increasing attention to the sharia implications of accounting and auditing in Islamic financial institutions.

The conceptual framework is seen as a very important tool to guide practitioners in making decisions. The important question to be answered is, "Why should be made a separate conceptual framework that is separate from the conventional accounting conceptual framework?" This can be explained because Islamic accounting is different from western accounting. Khoramin (2012) elaborates on the twelve conflicts between Islam and traditional accounting.

Khoramin (2012) described traditional accounting as an objective process to ensure optimum utilization of scarce resources on a limited number of income-generating activities through the information available in the market and certainly not in accordance with sharia law. Instead, Islamic accounting is an objective process to ensure transparency, accuracy and adequacy of financial information in every company activity and its compliance with sharia law, as well as social and economic regulation. In addition, Khoramin (2012) explains that traditional accounting is derived from economic rationality while Islamic accounting is fundamentally derived from God, prioritizes unity and a commitment to respect the rights of others and avoid making mistakes on the use of assets belonging to another person.

In terms of normative and positive accounting theory, some economists and accountants have made an effort to theorize the concept of accounting. Positive accounting theory is related to the description of reality, behavior and performance, such as the relationship between unemployment and inflation. Instead, normative accounting theory is based on considerations of values and moral principles. In view of the capitalist system, there is a difference between the two theories, while in the Islamic accounting view, there is no difference between the two theories (Khoramin, 2012).

Shaltout (2000) outlines the terms of earnings between Islamic accounting and traditional accounting. Traditional accounting profit view in the form of materialism, profit maximization and welfare regardless of the legality of the contract, whether lawful or unlawful. Instead, Islamic accounting looks at profits in the form of precise profit and the legality of a contract based on the rule of law.

Abdel-Magid (1981) describes the accounting problems faced by Islamic financial institutions. Abdel-Magid (1981) explained how Islamic principles could be applied to Islamic banking transactions and concluded on the importance of accounting treatment separately in this transaction. Islamic banks must develop policies and accounting practices of their own and desperately need guidance on whether the transaction actually complied with Islamic principles. Referring to Abdel-Magid (1981), Islamic accounting standards are needed to meet the needs of Islamic financial institutions in recording transactions, as well as reporting accounting information to stakeholders.

In Indonesia, guidelines for sharia banking accounting practices refer to Statement of Financial Accounting Standards (SFAS) 59, which subsequently underwent changes with the stipulation of a number of sharia accounting standards such as SFAS 101 to 112 so that SFAS 59 is declared null and void. The accounting standards are made based on sharia contracts, including Statement of Financial Accounting Standards 102 governing accounting for *murabahah* contracts, SFAS 103 concerning accounting for greetings, SFAS 104 concerning accounting for *istishna* contracts, Statement of Financial Accounting Standards 105 concerning accounting for mudharabah agreements, Statement of Financial Accounting Standards 106 concerning accounting for musyarakah contracts, Statement of Financial Accounting Standards 107 concerning accounting for ijarah contract, SFAS 108 concerning accounting for sharia insurance transactions, SFAS 109 concerning zakat, infaq and alms, SFAS 110 concerning sukuk accounting, SFAS 111 concerning wa'ad accounting, and SFAS 112 regarding waqf accounting. Specifically, regarding waqf accounting, it will be implemented as of January 1, 2021 (Salman, 2017, 2020).

Operationally, Islamic banking uses a kind of sharia consultant called the Sharia Supervisory Board (SSB). SSB's duty is to assist in the design of directors of Islamic banking transactions and provide religious rules to ensure the suitability of the transaction with

Islamic principles. Motivated by the growing desire for Islamic financial institutions can expand into the market globally. In 1991, it established a standard setting board in Bahrain called the Financial Accounting Organization for Islamic Banks and Financial Institutions (FAOIBFI), which subsequently changed its name to the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI). The Committee of the board consists of bankers, accountants, academics, scholars and members of the Sharia Supervisory Board (SSB). AAOIFI is tasked to develop an approach for goals and concepts of financial accounting for Islamic financial institutions and see the need for a conceptual framework specific to Islamic accounting.

In terms of language, the word sharia is derived from Arabic, which means "way" or "path to the water source". In the context of Islam, sharia refers to the clear and straight path that brings people to the al-Falah and is interpreted as happiness in this world and in the hereafter. Islamic perspective on accounting has been written by Haniffa (2002), which presents a holistic view of the principles and values of sharia in all aspects of life. Accounting Islam is expected to help achieve social and economic justice (al-'adl) and be a means of worship that help meet the duty of every Muslim to God and society and help achieve rewards or reward in this world and the hereafter.

Studies on traditional accounting principles in the Islamic perspective elaborated by Khoramin (2012). Traditional accounting principles recognize effort sustainability assumptions, which explains that the individual economic units will continue operating the business until an unknown time (unlimited) in the future. These assumptions form the basis of the classification of assets and liabilities into assets or short-term debt and assets or long-term debt. The measurement basis of these assumptions uses historical cost. According to the Islamic perspective, only an infinite God (eternal), while activities of sustainability efforts there is no guarantee until an indefinite period. On the other hand, using the zakat calculation basis of the present value of wealth so that the use of Islamic accounting basis as opposed to the current value basis in traditional accounting. Zakat issues will be discussed in the Islamic accountability section.

Measurement unit assumptions in traditional accounting imply that the events, transactions and financial operations as a whole can be measured, reported and assessed with the money. In practice, the actual value of money will be lower due to inflation resulting in price increases and weakening purchasing power, therefore, opening up the most controversial assumptions in accounting. As explained by Napier (2009), there are several advantages of an economy without interest that are not represented in the context of value for money, such as low environmental damage caused by the company's operations (Stiglitz, 2003).

Islamic Shariah recognizes the principle of disclosure in the form of full disclosure and social accountability. Rahman (2012) explains the concept of accountability in the view of Islam associated with full disclosure in order to secure the interests of the stakeholders. One way to provide full disclosure in accordance with Islam is through social and public reporting. Therefore, should the overall information about the company be disclosed in reasonable and complete financial statements? Traditional accounting is more emphasis on the use of the information requirements, while accounting in Islam prioritizes moral accountability. In addition, the financial statements should be disclosed in a transparent and free from manipulation.

As a complete religion, Islam governs the relationship between the Kholiq and His created beings, the relationship between humans and the environment, and between humans and the community. Islam teaches Muslims the practice of goodness among various types of fairness, honesty, awareness, and other virtues in all aspects of life. Referring to it, Kamla (2009) explains that the practices of Islamic accounting should emphasize social justice, working with local communities, the environment, accountability and transparency.

The initial contribution to Islamic accounting literature was conducted by (Gambling & Karim, 1993). Both researchers are influenced by social accounting literature written by the Gambling (1974). Gambling & Karim (1993) emphasized that the ideas and methods of accounting and business developed in the western environment influenced Christian ethics, which is very different from a Muslim environment. The Muslim environment stresses the need for the implementation of Islamic accounting in accordance with Islamic law. That article identified the obligations of the organization which is responsible to the Muslim community and discussed the factors that may affect Muslim user needs related to financial reporting. There are two key factors, namely the prohibition against "riba" and "zakat". Riba is usually interpreted as an additional benefit received in the form of interest received by a person from a conventional bank. Zakat has been understood as a fundamental obligation for all Muslims who are considered by law to have fulfilled their obligations as mandatory zakat payers *(muzakki)*. Gambling & Karim (1993) wrote a detailed study of Islamic business ethics.

In Islamic law, every human being is responsible to God in every action and word. To clarify this, Askary & Clarke (1997) conducted a study related to accounting mentioned in the Qur'an that found the word "hisab" which means accounting, more than 80 times in different verses in the Qur'an. Two ethical concepts are very important in Islamic accounting is that the absolute ownership of all the resources that are in the hands of God and the human role as a representation of God (khalifa) on earth. Both of these concepts, if it is profoundly understood in fact very supportive of contemporary ideas about sustainability. Murtuza (2002) put more emphasis on how financial accountability and social justice can be achieved through compliance with Islamic principles, including the absence of riba, compliance with the obligation of zakat and hisab term that refers to the institutional mechanisms that emphasize the positive requirements and prohibitions of the sharia.

Haniffa et al. (2004) introduced the concept of a contract in Islam termed aqd (singular) or Uqud (plural). The article explores the principles of how Islam should be able to influence the accounting and reporting policies for accountants and managers Muslims. Given the importance of the contract or agreement between the parties to a transaction, Surah Al-Maidah explains the various types of contracts or agreements and how those obligations should be met by the parties of the obligation. *Al-'Aqd* or contracts can be classified into *tijarah* and *tabarru'* contracts. *Tijarah* contract aims to generate profit, while *tabarru'* contract is a contract that does not aim to generate profit. Examples of *tijarah* contracts are *murabahah, salam, istishna', ijarah, mudharabah,* and *musharaka.* Examples of *tabarru'* contracts are *qardh,* infaq, alms, zakah, endowments, and gifts/grants.

3.3. Islamic Accountability

Accountability in an Islamic perspective must refer to accountability to humans and God, who is entirely obedient to Islamic law. Accountability is closely related to the trust to manage resources, including the measurement and reporting all transactions. Islamic law has regulated how a business is run, including how financial and non-financial information is reported by measuring specific accounting methods.

One important aspect of accounting is accountability. Gray et al. (1996) define accountability as "the duty to provide an account or reckoning of those actions for which one is held responsible." The definition can be explained in relation to the principal and agent relationship. The principal empowers agents to manage their resources while the agent responds by taking certain actions in managing these resources to meet predetermined goals and provide useful information to the principal. Unlike Gray et al. (1996), Hameed (2000) expanded by adding a metaphysical dimension of accountability, accountability to God, as well as social accountability. Hameed (2000) suggests that the accountability of Islam can be treated as the main objective of Islamic accounting. The first or primary accountability arises through the concept of the *"Khalifah"* that man is the recipient of the mandate to manage the resources owned by God. The main accountability is transcendental, can not be reached by common sense but has been described in many verses in the Qur'an and the hadiths of the Prophet. The second accountability established by the contract between the investor or the owner and the manager. In order to meet the first and second accountability, an Islamic entity should be able to identify, measure, and report the activities of social, economic, and environmental.

Accountability Islam has a clear distinction from the accountability of the west in terms of philosophy and principle. Differences in philosophy and principles have an impact on different types of information that should be disclosed in the financial statements. Baydoun & Willett (2000) developed a theory about the shape and content of Islamic corporate reports, both of which are consistent with the principles of Islamic ethics. Baydoun & Willett (2000) identified the presence of two important criteria in Islamic accounting social accountability and full disclosure. Islamic entities should use a model of Islamic corporate reporting which consists of a current value balance sheet (CVBS) and a value added statement (VAS) rather than historical cost balance sheet (HCBS) and the profit and loss account (PL).

Accountability Islam can not be separated from the presence of zakat. Adnan (1997) states that the primary objective of Islamic accounting information is to provide information to meet the obligations of accountability to God. Therefore, the overall accountability can be considered to be better realized if the obligation of zakat has been fulfilled. In this case, accounting is viewed as a medium to record and report all the wealth for a particular year to determine the calculation of the payment of zakat is reasonable and feasible. This shows that Islamic accounting and reporting practices can ensure fair redistribution of wealth and profits naturally through the payment of zakat (Badshah et al., 2013).

A similar opinion by Triyuwono (2000) explains that Muslim organizations should prioritize zakat as a substitute for profit. Zakat is expected to replace the role of profit in measuring the performance of a company. Therefore, the company is directed at efforts to achieve greater zakat payments. For this reason, an accounting system that is oriented towards zakat is needed. From the explanation of Triyuwono (2000), zakat is not only required for individual muzakki, but corporate muzakki such as Islamic banks, sharia insurance, and other Islamic financial institutions are also required to pay zakat on the profits generated.

The use of a zakat-oriented accounting system, according to Triyuwono (2000), will have implications for Islamic organizations. First the transformation from maximizing profits to maximizing zakat. In this case, profit is only seen as an intermediary goal, while zakat is the main goal. Second, company policies and activities must be in accordance with the values of Islamic law. This is because the company has made zakat the main goal. Third, creating a balance between individual character and social character. This is because the concept of zakat can encourage every Muslim to generate profits based on Shari'a rules and to distribute some of these profits in the form of zakat representing the company's concern for social welfare. Fourth, companies will be encouraged to participate in freeing people from economic, social and intellectual factors and freeing the environment from human exploitation. Fifth, as a bridge between the world and the hereafter, because zakat plays a role in awakening humans that every activity in the world is related to the ultimate goal in the hereafter.

Corporate accounting reporting is also influenced by social and environmental factors. Some Islamic accounting researchers and experts have described the importance of these two factors as Maali et al. (2006) conducted, which examined social and environmental reporting in Islamic banks. They developed a disclosure benchmark that is consistent with the Islamic basis of Islamic banks that were used as research samples. Actual data is obtained from the social disclosure of Islamic banks, and further explanations are made from the data obtained. Other researchers such as Haniffa (2002) and Haniffa & Hudaib (2007) use broader disclosure benchmarks to examine how effective Islamic banks are in communicating their ethical identity as Islamic institutions through disclosures in annual reports. The findings of Haniffa (2002) dan Haniffa & Hudaib (2007) are a substantial gap between ethical disclosures in reports and what they consider as "ideal" ethical identities. They use the term Islamic Social Reporting to describe the disclosure of corporate social responsibility from an Islamic perspective.

Kamaruddin and Auzair (2019) seek to construct measurement instruments to capture Islamic accountability values from the aspect of "accountability for what". The developed instrument considers the social and economic nature of Islamic social organizations. The instrument for measuring Islamic accountability for Islamic social organizations includes 25 items that are recognized and validated under four dimensions of accountability, namely input accountability, output accountability, procedural accountability and accountability for Islamic principles and values. This study is broader than previous studies because the division of accountability is quite comprehensive.

IV. Conclusion

This paper attempts to address research gaps related to the history of Islamic accounting and the concept of accountability from an Islamic perspective. This paper contributes to the development of studies on Islamic accounting, especially concerning the history of Islamic accounting, which has not been well explored. This paper also contributes to the development of the concept of accountability from an Islamic perspective, which is responsible to stakeholders *(hablum minannas)* and accountable to Allah *(hablum minallah).*

Islamic accounting regulates the principles and laws in every transaction as well as reporting information to interested parties. The Islamic accounting conceptual framework has been separated from the conventional accounting conceptual framework because of the very basic differences between Islamic accounting and conventional accounting on the dimensions of meaning and definition, positive and normative accounting theory, income perception, business continuity assumptions, unit of measurement assumptions, and disclosure principles. Based on Islamic accounting, every individual or company must be responsible not only to the people *(hablum minannas)* but also to Allah *(hablum minallah).*

Islamic accounting places great emphasis on aspects of social accountability. One form of social accountability is through reporting the amount of zakat that must be paid by individuals or companies. Islamic accounting also emphasizes the importance of the natural method of calculating zakat so that the accounting system is directed at a zakat-based accounting system. Islamic accounting emphasizes the maximization of zakat because zakat is the main goal while profit is the goal of the intermediary.

Looking at the history of sharia accounting, it turns out that sharia accounting was practiced at the time of the Prophet Muhammad through the application of accounting at the Baitul Maal and then continued by the next caliphs. The Muslim community during the Abbasid era, as written by Al-Mazindarani, turned out to have implemented accounting systems and practices that were more sophisticated than the double-entry system invented by Lucas Pacioli. The terms journals, general ledgers, subsidiary ledgers, operating budgets, financial budgets, book-entry books, and financial statements were well known at that time. The accountant profession, or what was known at that time as al-katib, should not be held by just anyone and only people who have qualifications such as technical competence, understand sharia values, are responsible and can be trusted.

In Indonesia, the history of Islamic accounting begins with the increasing awareness of the Islamic community about usury and the history of the formation of Islamic banking. The role of professional organizations (Indonesian Accountants Association) is very large in the development of Islamic accounting in Indonesia, especially in terms of regulation of Islamic accounting standards. Many Islamic accounting standards have been published to date that regulate the accounting for *murabahah, salam, istishna', mudharabah, musharaka, ijarah, sukuk*, and other contracts.

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