
Religion as a Source of Islamic Ethics and its Impact on the Islamic Accounting System

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Abstract

The Islamic religion teaches about ethics and shows how religion shapes the Islamic accounting system and the ethical behavior of Muslim accountants. Cultural differences are becoming an increasingly important factor to be taken into account in running a business. They are also the subject of scientific research, for example in the context of their influence on the development of accounting systems in various cultural circles. Relevant reference literature, Al-Qur'an and Hadith were used for qualitative analysis which was carried out by induction and deduction methods. The analysis conducted shows that even though the scope of the code of ethics is in a Muslim-majority country, Indonesia, its message is reinforced by the Islamic religion which is seen as a source of law as well as professional ethics. That is, the legal sanctions given to violators of the rules are accompanied by the fear of punishment from Allah SWT on the Day of Judgment. It is hoped that this article will fulfill an informative role, enabling readers to understand the reasons for some of the differences in understanding ethical issues and ways of doing business in an Islamic cultural environment.

Keywords: *Islamic Ethics, Sharia, Islamic System Accounting*

INTRODUCTION

Accountability refers to accountability for all activities to interested parties who are stakeholders (Mardiasmo, 2018). This can be in the form of providing, presenting, reporting activities through financial reports to the principal. This publication contains five sections on general ethical requirements. This includes integrity, professional competence and due care, confidentiality and professional conduct, emphasizing the importance of candor, honesty, fair dealing and truth. An accountant must also exercise professional judgment without prejudice, conflict of interest or undue influence of others. In terms of competence, accountants must maintain professional knowledge and skills, and seriously apply all standards in their services. An accountant must also maintain confidentiality without disclosing any information to outsiders and not using it for personal gain. In Islam, the notion of accounting is accountability and the concept of accountability is fundamental (Napier, 2009; Noor Lela, Ahmed, Wan Salmuni, 2017). Being '*ac countable*' from an Islamic point of view means individual responsibility to Allah in all endeavors. This gave rise to the notion of a trustee (khalifah or caliph), because everything in

this world is provided by Allah SWT for mankind, so humans are responsible for how they benefit from it (Alani, Alani, 2012). justice has been repeatedly mentioned in the Qur'an (for example, surah Al-Baqarah verse 282 mentions the need to record debts for a certain period but also the responsibility of the clerk), which proves that ethical or moral issues were present in Islamic economics 1400 last year. Currently, the code of ethics established by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) applies to internal accountants, and other additional codes can only be applied if they do not contradict Sharia rules and principles. The code was introduced as a measure 'aimed at developing accountants' ethical awareness of current practices and their adherence to Sharia principles, and ensuring the accuracy and reliability of accounting information presented in financial reports. According to this, the code contains three parts: the shariah foundations of accountant ethics, the ethical principles of accountants, and the rules of ethical behavior for accountants. In Sharia, morality (or ethics) is highly valued because it is consistent with the hadith: 'I have been sent to complete the highest morals' (Alani, Alani, 2012: 28). Therefore, the International Federation of Accountants (IFAC) has established International Standards of Ethics for Accountants (IESBA) to develop and enforce high-quality ethical standards that are used worldwide for professional purposes.

METHODS

Relevant reference literature from the Al-Qur'an and Hadith were used for qualitative analysis which was carried out by induction and deduction methods. The analysis shows that although the scope of the code of ethics in Muslim and non-Muslim countries is very similar, in this case Islam, the message is reinforced by Islam which is seen as a source of law as well as professional ethics.

RESULTS AND DISCUSSION

Islamic ethical behavior has a much more spiritual dimension, this is understandable considering the background of these actions is the Islamic religion. Much more emphasis is placed on individual conscience and adherence to religious precepts, and the pressure is much stronger than in the case of other religions, for breaking the rules excludes the individual from the circle of believers, and thus from the whole community (umma). Because all social and economic life in Muslim countries, especially Indonesia, is based on the people, this threat is very serious. There is also an element of fear of punishment not only in mortal life but also in the afterlife. It must be remembered, however, that Islam is a religion of non-compromising – there are no 'bad Muslims' who do bad voting duties. Everyone who violates the rules is ostracized by this act and is no longer entitled to be called a Muslim (*automatic act of apostasy*). Also, external control is significantly more extensive in the case of Muslims because of the way in which interpersonal and legal relations are shaped in the Islamic state of Indonesia, in fact the whole society is interested in monitoring the actions of individuals. Again, there is an element of

spiritual threat – the supervision of God (Allah), making the restrictions on right behavior even more categorical.

CONCLUSION

The ethical values of accountants are very important for an organization. This is due to the fact that they are responsible for preparing comprehensive financial reports that show the performance of the organization. In addition, they are required to comply with the code of ethics imposed by IFAC (for non-Islamic companies) and AAOIFI (especially for IFIs). After comparing the ethics of Islamic and traditional accountants, it can be seen that the ethical codes adopted by traditional and Islamic accountants are actually very similar (trust, legitimacy, objectivity, competence and diligence). The main difference is that in the case of the Islamic code of ethics its source is the Qur'an, and the Hadith, and the specificity of Islam means that it influences deeply in every area of life the Indonesian Muslim community, as well as its economic activities. This makes ethics a very effective way of dealing with moral corruption and fraud in the accounting profession in Muslim countries more than anywhere else. In this way, religious principles are very consistent in their messages with legal sanctions (the importance of such principles is clearly shown in the reservation made by AAOIFI that the code of ethics practiced by traditional accountants around the world can be practiced by Muslims as long as they do not conflict with sharia principles.).

Religion shapes not only laws but also ways of doing business and maintaining social ties in Muslim-majority Indonesia. This affects the role of accounting, shaping the accounting system so that it meets the expectations of users of information (value-oriented policies, static approaches, the scope of disclosure aims to catch illicit, operations prohibited by Allah SWT). Also, the ethical principles of accountants are controlled not only by their superiors, or the professional community, but also by the entire human race (and also God himself, from their perspective), so they have a strong sense of responsibility to society and God.

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