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A New Breed Of Islamic Accountants And Their Role In Islamic Institutions

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Nik Abdul Rahim bin Nik Abdul Ghani, Dr. HayatullahLaluddin, Mat Nor Mat Zain & Zamzuri Zakaria: A New Breed Of Islamic Accountants And Their Role In Islamic Institutions

ABSTRACT

Accountants and accounting have played a very crucial role in Muslim societies. Accountants who were known as al-Katib or al-Muhasib, held very prestigious positions in Islamic institutions. The purpose of this paper is to discuss accountability of accountants from Islamic perspective. Then, this paper attempts to explain the role of Islamic accountants as a new demanded profession in Islamic institutions in order to meet the objective of Shariah.

Key words:

Introduction

The history of Islamic accounting has started since the time of revelation of the Holy Quran to the Prophet Muhammad (pbuh). Since then, the Islamic principles and concepts have been widely applied to the financial system. In fact, it is believed that the common concepts used today such as *mudaraba* and *murabaha* are based on the concepts applied during the early Islamic period. However, since the collapse of Islamic Empire and the growing European influence during the colonialism period, this system has been ignored and most of the Islamic countries have started to adopt the non Islamic economic system. But, since 1960s, with the revolution of Islamic knowledge, the Islamic countries have begun to re-evaluate their economic system and re-introduce the Islamic financial system that adheres to the *shariah* requirements (Hameed, 2001).

Recently, many researchers, in the field of accountancy, have urged vigorously the need for developing an international accounting standard in response to the upsurge of markets and growth of economies. Some argue that devising an international standard will increase comparability and understandability of financial statements, hence, saving time and cost, easing interpretation and improving the credibility of the financial reporting process and profession (Choi & Muller, 1992). Since the domain of international standard-setting is dominated by Anglo-American accounting thought, most of the standards follow the United States' practice. As such, this practice is incompatible for Islamic purposes for an Islamic economics is based on completely different considerations than that of Western economics.

Many researchers have shown why Anglo-American accounting practices cannot be applied in Islamic economies. This is specifically true in respect of *zakat* and interest-free banking. They also stressed on the need for Muslim countries to have a greater input into the international standard-setting process (Hameed, 2000). To professional accountants and those who have received a conventional accounting education and who have been indoctrinated with the idea of accounting as an objective, technical and value-free discipline, the idea of attaching a religious adjective to accounting may seem to be embarrassing and unprofessional (Hameed, 2009).

As stated above there is also a similar perception among conventional accountants, when they hear the idea of attaching an "Islamic" adjective to accountant. In fact, Islam is not merely a set of beliefs and rituals it is rather a complete way of life including involvement in accounting practices. Through the revelation of the Qur'an and His Messenger, Allah has shown His guidance to mankind on how to conduct their daily activities in order for them to be successful in this world and in the Hereafter. The objective of Muslim in his daily routines and activities is to achieve the *falah* in the world, and then *falah* in this world leads to the *falah* in the hereafter. In view of this fact one would not fail to realise the importance of attaching Islamic adjective to accountancy.

Khan (1994) asserted that *falah* is a comprehensive concept and covers the whole man's life. It is an ideal towards which Islam requires the human beings to strive. In order to achieve *falah*, it is crucial to fulfil covenants and trusts. In its simple meaning it stands for honouring personal commitments and promises. Some

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scholars have placed a broader interpretation on the *Quranic* teaching of fulfilling covenants. According to them, it involves meeting all one's social and religious obligations. One is obligated to obey God and His Messenger. One also has obligations towards the family, neighbours and the society. From this it become clear that the Islamic accountants should possess very excellent attitudes and ethics in performing their duties as professionals in any institutions. It is their obligation to ensure well-being of the institutions, stakeholders, people and society as a whole.

Furthermore, accountability is becoming increasingly important and is now being demanded of many institutions in light of recent scandals and problems pervading many accounting firms. Hameed (2009) opined that perhaps, the Enron affair has rekindled an interest in having more honest professionalsthose truly care about the public interest in addition to their pockets. This paper therefore delineate on the role of Islamic accountants,as a new breed of accountants highly demanded, and how their roles can contribute to the added values in relation to Islamic institutions.

Accountability of accountants in Islam:

From Islamic perspective, an accountant is a person who checks the weights justly. It is stated in the Holy Quran:

And give full measure when you measure, and weigh with a balance that is straight. That is good (advantageous) and better in the end (Al-Isra' 17:35).

Give full measure, and cause no loss (to others) (Ash-Shu'ara' 19:181):

Therefore, it is mandatory in Islam for any person whether a business manager, accountant or auditor to measure or weigh with fairness and to be trueand honest in fulfilling the commandments of Allah hence, avoiding themselves from being included among those cursed by Allah (swt) as stated in the Qur'an:

Woe to those that deal in fraud – those who, when they have to receive by measure from people, exact full measure, but when they have to give by measure or weight to people, give less than due (Al-Mutaffifin 83:1-3):

Historically, accountants and accounting have played a verysignificant role in Muslim society. Accountant, also known as *al-Katib* held very prestigious position inthe realm of government, field of business, and in society.The terms *al-Amil*, *Mubashir*, *Muhasib*, *Muhtasib* and *Katibal-Mal* were the common titlesfor the accountant/book keeper/accounts clerk, and were usedinterchangeably in different parts of the Islamic world. Afifuddin and Nabihah (2010) emphasize that accounting has been practiced and organized as a profession since the early stages of the Islamic state in *al-Madinah al-Munawwarah*. There are some evidences of the use ofaccounting and the employment of accountants in Muslim society, which has been developed over a period of time since the establishment of the Islamic state in the first year of H 622AD.

The accounting is normally defined as a process of identifying, measuring, recording, classifying and summarizing business transactions which make it possible to achieve its major goals of financing reporting to the stakeholders for decision making (Amer, 2007).To identify how accountability is related to Islamic accountants, it is necessary to know the meaning of Islamic accounting. Based on the finding of several researches conducted by scholars in this area, Islamic accounting can be defined in many ways. As Napier (2009) held, various meanings can be attached to accounting: First, "Islamic accounting" could be understood in a religious sense with a temporal and spatial implication."

In a religious sense, Islamic accounting refers to a coherent body of ideas and practices based on the Islamic religion. Hayashi (1989) defines Islamic accounting as "theory which deals with the just and fair allocation of the resources. On the other hand, Haniffa and Hudaib (2010) define it as "an assurance function that seeks to establish socio-economic justicethrough its formalised procedures, routines, objective measurement, control and reporting in accordance with the principles of Islamic law, *shari'ah*." Haniffa and Hudaib (2010) then conclude that Islamic accounting plays two important roles as follows:

(1) To provide assurance to users of accounting information through proper recordings and disclosure that transactions do not contravene *shari'ah* principles; and

(2) To ensure that resources are allocated fairly through proper measurements and recognition of assets, liabilities, revenues, and expenses.

Hameed (2009) in his book provides a very inclusive definition for Islamic accounting. He defines Islamic accounting as the accounting process which provides appropriate information (not necessarily limited to financial data) to stakeholders of an entity hence enabling them to ensure its continuous operation within the bounds of the Islamic law, *Shari'ah* and delivery of socio economic objectives.

Based on the definitions given above, it may be concluded that the practice of accounting in Islam could not be detached from *Shari'ah*. The word *Shari'ah* here refers to the clear path that would lead humans to *al-falah*,

i.e. happiness in this world and in the hereafter (Haniffa&Hudaib, 2010). Thus, Islamic accounting is also a tool, which enables Muslims to evaluate their own accountabilities to God (Hameed 2009). It is in this sense that a strong relationship between an Islamic accountant and accountability can be perceived.

During the golden age of Islam, Muslim commerce extended beyond the Arabian Peninsula. The expansion of trade promoted the development of a mechanism for ensuring accountability for all business transactions and also for compliance with *Shari'ah*. *Shari'ah* regulates all aspects of life. It also encompasses criminal as well as civil jurisdiction. Every act of the believer must conform to Islamic law and observe ethical standards based on Islamic principles. These ethical principles define what is true, fair, just, the nature of corporate responsibilities, the priorities to society, along with some specific accounting standards. Islamic accountants must perform their duties in accordance with the rules and regulations of Islam and base their actions on Islamic ethical norms (Afifuddin and Nabiha, 2010).

As a Muslim, an Islamic accountant has a system of belief which can control all his activities performed by him. In the broad sense, accounting is central to Islam because all actions are counted by Allah. In Islam, primary accountability is to God as all of one's action (good and bad deeds) in life will be accounted for on the Day of Judgement:

“Allah takes careful account of all things” (An-Nisa 4:86):

Therefore, Islamic accountants should attempt to enhance accountability through providing appropriate information and make economic or social decisions through a moral framework. This means that an Islamic accountant plays a very significant role in providing information to fulfil the religious duty. Thus, accountability in Islam requires every Muslim including accountant to make sure that their activities in the world are in line with Islamic rule.

Characteristics of Islamic accountants:

Some classic scholars have discussed the characteristics of Islamic accountants. Among them is al-Mawardi, a prominent Shafi'i's jurist, who provided some conditions as a prerequisite for ability to hold an employment. In other words, appointment as an employee requires the fulfillment of certain conditions among which are the ability to perform the job and trustworthiness. Kantakji (2010) building on al-Mawardi's view, provide two types of employee.

1- An employee delegated with full authority of conducting a business transaction. This type of employee can do *ijtihad* (efforts in order to achieve goals). The conditions required of him are to be independent (not a slave) and Muslim.

2- An executive employee only, who is not capable of conducting *ijtihad*. This type of employee is not stipulated with the conditions of independence and Islam (Kantakji, 2010).

Therefore, from the preceding discussion it can be conclude that Islamic accountants are required to have the following characteristics:

i. Having sufficient knowledge of fiqh:

The main source for development of an Islamic accountant is to take advantages of Shari'ah *Islamiyyah*, or Islamic laws. Hence, it is a crucial requirement of Muslim of accountant sufficient knowledge of Islamic law (*fiqh*). This is simply because this constitutes main difference between Islamic institutions and theirs conventional counterparts. For instance, in order to account the transactions executed in the Islamic banks such as *murabahah*, the accountant should have a sufficient knowledge of the concept of *murabahah* and its modern application and practices in accordance to the rulings of *fiqh* Islamic jurisprudence. Such information can only be known through studying *fiqh*. H. Shihata & Abu Ghuddah (2004) hold that, to calculate *zakah* on money for individuals and companies, an accountant needs a guide to help him in defining items of assets, on which *zakah* are due. He also needs to know how to assess the liabilities which should be reduced from assets for *zakah*, in order to reach the *zakah* category, and then how to calculate the *zakah* which are due to paid.

Thus, knowledge of *fiqh* is a fundamental requirement imposed on those seeking employment as an accountant. *Fiqh* is the guide that an accountant needs in his work. It is the foundation, and without this knowledge he can't justify his recommendations or rationalize his judgements'.

ii. Wara' (Devotion):

Muslim accountants must be religiously committed for, religiosity is characteristic that can prevent him from violation Islamic principles and teachings. In addition, the knowledge of the dividing line between lawful (*halal*) and unlawful (*haram*) is also considered as the main characteristic of Islamic accountant. *Wara'*

(devotion) in Islam means leaving the suspicions (shubuhah) so as not to deteriorate in the mud of irregularities, following the guidance of the Messenger of Allah embodied in his saying:

“Halal is clear and Haram is clear. Between the two is that which is doubtful which many people do not know about. Whoever protects himself from the doubtful protects his religion and integrity.” (Narrated by Bukhari (1/28) and Muslim (5/50))

In fact, the issue of religiosity such as devotion, piousness and others related qualities are significantly related to the ethics which a Muslim accountant should stick to in practicing accountancy. As mentioned by Abdul Rahim (2003) that many writers, in essence, argue that ethics should be cohesively implanted in accounting practices, because ethics clearly signal and distinguish right from wrong, good from bad, and justice from injustice.

iii. *Amanah (Trusteeship/trustworthiness):*

Amanah is also one of the characteristics which are related to the ethics. The Muslim accountants are the trustees of financial reporting of an organization (Hossain, Karim & Islam, n.d). Since they are the trustees, they may be characterized by trustworthiness (*amanah*) which is a manifestation of a deep faith in Islam. Thus Allah has singled out the status of “strong” and “trustworthiness” to whom is hired to work (al-Qasas 28: 26). The weak will not be able to achieve the “*amanah*” (Yusuf 12: 55).

As accounting is a profession of trustee of stakeholders of an institution, therefore, accountant should follow a superior ethical code for professional guidance. Indeed, *amanah* plays an important role resolving the ethical problems among accountants. Since Islam is a comprehensive way of life meant for the whole humanity anybody with faith and a sense of accountability can be guided by *amanah*.

iv. *Perfection (itqan) and Precision (diqqah) in work:*

Muslim accountants must be equipped with high level of precision in accounting to meet the objective of justice as stated in the noble Quran (al-Anbiya’ 21: 47). The accountants as suggested by some jurists must be very careful in protecting the rights of others. For instance, al-Nuwayri always take into account the differences between the days of the *Hijri* year and the AD year in doing accounting of salaries and wages of the workers. Al-Mawardi, even, requires a perfect knowledge in the accounting in order to achieve the precision (Kantakji: 7).

v. *Professional science requirement:*

In order to be a professional Muslim accountant, it is necessary to be equipped with all the qualifications and ability as required by accounting. Hiring unqualified persons not capable of carrying out his duty efficiently is a sign of lack of responsibility. Al-Ghazali asserts the assigning of work to those (accountants) capable physically and legally. Non fulfillment of this condition disqualifies one from entitlement to such undertaking. In other words, it is illegal to hire someone weak not capable of performing the work. Therefore, it is strictly required from a Muslim accountant to be wise and intelligent in order to perform his obligation efficiently.

Role of accountants from an Islamic perspective:

Basically, in the sense of conventional accounting, the role of accountant comprises the process of identifying, measuring, analyzing and communicating economic information for financial statement users to make decisions. Thus, the accountant must use a special “language” to communicate financial information about a business to those responsible for decisions making.

Accounting, in a broad sense, is the science which attempts to present and classify the statistics of the properties and property rights in the business enterprise. All valuable considerations coming into the possession of a business concern should be accounted for, and the rights which various individuals and interests have in the business must be protected (Paton&Stevenson 1978:3). Paton (1992) also opined that accounting is the information system designed to provide for different communities related to certain unit of accounting regarding information on this unit that will enable them to make decisions about their dealings with this unit which are leading to direct scarce economic resources to be used efficiently and achieve the objectives of the community and to generate income and provide employment opportunities through investment.

From what preceded it can be observed that accountants’ behaviour affects the public through the preparation of financial reports. Therefore, users of financial report, especially decision makers, expect professional accountants to be highly competent, reliable, and objective. Those involved in the field of accounting must not only be well qualified but must also possess a high degree of professionalism and ethic so as to be able to provide useful information to users (Abdul Rahman, 2003).

In general, accounting process is divided into two main branches, i.e. financial accounting and managerial accounting.

- i. Financial accounting, which is concerned with providing relevant financial information to various external user; and
- ii. Managerial accounting, which deals with the concepts and methods used to provide information to an organization's internal users, that is, its management.

According to the Islamic belief system, God has created man and *jinn* only to worship Him. The word worship (*ibadah*) here has a broad meaning encompassing all permissible human activities and intentions as part of the general act of acceptable *ibadah* (Addas, 2008). Hence, Muslim accountants should realize their role in the society as part of *ibadah*. Abdul Rahman (2003) emphasizes that accountants should be trained and be aware of the fact that they are accountable to many stakeholders. Some of the important roles that Muslim accountants can play in relation to the Islamic institutions are discussed as follow:

i. *Ensuring the accountability of Islamic Institutions:*

Accounting functions to discharge the accountability of the institutions as a result of separation of ownership and the management. The users might be shareholders, creditors, potential investors and the public. From Islamic view point, the concept of accountability is embedded in the basic creation of Man as a vicegerent of God on the earth. Man's mission on earth is to fulfil the purpose of his existence in the universe. Man is thus created as a trustee and is accountable for all his actions. Therefore, accounting should function not only as a service activity providing financial information to the users and to the public at large but, more importantly, accountants should discharge their accountability by providing information to enable society to follow God's commandments (Abdul Rahman 2003).

Muslims also believe that men are vicegerents on earth and directly accountable for all their actions and they are only trustees of God. Therefore, in this sense, accountants should lay formal claim to the status of moral arbiters to ensure the responsibility and transparency of an institution's internal procedures, so that issues of policy and governance are properly debated and recorded with due concern for morality (Abdul Rahman 2003).

The accountant in Islam is not only required to maintain a good relationship with superiors, clients and the management but he is also required to maintain, improve and strengthen his relationship with God by fulfilling his religious obligations. In fact, the relationship with the God (*hablunminallah*) will determine the mode of relationship with fellow servants (*hablunminnas*). Guided by the proper relationship with God, the human accountant would then be inspired by the values of truthfulness, fairness, tolerance, uprightness, etc. (Abdul Rahman 2003)

ii. *Accountants and decision making:*

Accountants are under obligation to communicate relevant information for decision-making clearly. The process of making decisions is generally considered to involve various steps such as a clear understanding of the goal – what are we striving to achieve in the future? A sound grasp of what has happened so far, information about the past, including all varieties of management information, ideas on how the goal can be achieved, bearing in mind the information we have from the past and a decision taken in the present, with a strong commitment to follow it through.

Traditionally, accountants have concerned themselves with past and recorded history whereas the decision making tend to look at the future, based on the information about the past. Accordingly, if the Muslim accountant desires to serve as an active member of the institution or management team, thus providing management with a more effective tool in resolving many of long-range planning problem areas, he will have to reorient his thinking by looking toward the future.

Some people opine that accounting is perceived to be an important tool to the organisations and the practitioners. Accounting system, as felt by practitioners, is a necessary requirement for their effective functioning in the institutions. However, the role of accounting technology and the authority of the accountant is very restrictive. Then, from their point of view, accounting is regarded as no more than a technology to record accounting and financial information. In this sense, the authority of the accountant to manage the financial accountability and control system has been insignificant. The role of the accountant has been subjugated to the role of bookkeeper. Thus, it is understood that the accountant would not be involved in the decision making process.

Even though Islam promotes good governance and accountability, the actual practices leave much to be desired. For example, the findings of Rahim and Goddard's (38) study of Islamic State Religious Councils in Malaysia show that there is a limited accounting role and that accountants play a minimal role in the financial decision making process. Furthermore, the accounting practices in the Islamic religious organizations are less

developed and do not play a central role in the organizational activities. Accounting is regarded as little more than a technology to record financial transactions. In addition, the production of external annual financial statements is not considered an important process nor are the reports themselves considered important documents.

Therefore, the Muslim accountants must be given more authority and should be acknowledged as important players in the government's institutions. The Islamic accountants should be encouraged to take part in decision making especially participating in the financial decision making, even though the final decision made by certain committee of higher authority. There is an awareness that at least, they have to try to take part in decision-making in order to meet the objective of Islamic law *Shari'ah*.

From Islamic perspective, an important aspect of decision making is how a group should go about making a decision. Quran clearly states consensus as important method of decision making (Surah al-Shura 42:38). The significance of consensus in decision making is that if for some reason, a mistake is committed, and then the responsibility is shared by all. Therefore, in decision-making process, the participants should work together freely and frankly in order to arrive at a sound decision (Shaikh, 1988). As a Muslim, an accountant should also participate in decision-making process of institutions by providing accurate information.

However, from practical aspect, most of the institutions have different cultural perspective as regards to the issue of power and authority. Thus, in some institutions the role of accounting and the authority of the accountant are very limited and restrictive (Abdul Rahman & Goddard). At the same time, accounting as a moral discipline requires accountants to keep in mind the impact of their data in the process of decision making hence, be aware of their social responsibility in communicating their data in the process of decision making (Rahman, 2003).

Islam does not separate accounting process from ethics. Therefore, Muslims accountants should free themselves from the secular worldview which treats ethics as an ulterior aspect of professional and worldly life. Muslim accountants have to train themselves to be more humanized and elevate their role as an ethical human being. Islam indeed views the work of accountants as extremely important. For their work enhance a proper management of this world, hence, leading to the achievement of the ultimate blessing of God as His vicegerents (*khalifah*) on the earth. Hence, in order for accountants to be able to act as moral arbiters in a business society they need to be imbued with an Islamic ethical 'filter' mechanism. Therefore, accountants should play active role in decision-making process by contributing positively to those decisions which are in conformity with the religious considerations and public interest.

iii. *Role of accountants in environmental affairs:*

The interaction of business with the environment is of great interest to the community. This is discernable from the growing body of environment related regulations and legislation, for a greater interest of the community, and the continuing focus of the media upon corporate environmental performance. Over an extended period society's awareness of the environmental issues has dramatically risen and there has been a remarkable increase in environmental pressure group membership throughout the world community.

From Islamic angle, the Holy Quran stated the prohibition of fraud in the combination with the prohibition of doing damage to the earth, which implies the existence of a strong relation between environment and the business world.

"...so give full measure and full weight and wrong not men in their things, and do not mischief on the earth after it has been set in order, that will be better for you, if you are believers". (Quran 7:85)

The pollution of the environment presents a huge problem for the world community today, due to its devastating impact on the health and performance of workers as well as society and the nature. Not only is the impact of environment so devastating to the society, but also the impact speculation in the market. For those who determine the objectives of the unit in relation to its profits also have severe effect on the image of the company hence, its profits and its ability of achieving revenue. Therefore, taking the environmental accounting into consideration, especially environmental costs will enable accounting professional to provide relevant and appropriate information for decision makers. This leads to the increased productivity and aversion of environmental damage, due to the lack of information and inappropriate decision.

Most of the countries in the world have enacted laws for the protection of the environment and have established an appropriate agency, authority, or department to oversee their implementation both at the federal and local levels. The main objective of the enactments has been to ensure the protection of environment against both public and private actions that fail to take account of costs or harms inflicted on the environment (Hasan, 2006).

The relationship between Islam and the natural world is relatively unexplored. The rapid deterioration of the environment can closely be connected to a crisis of values. The environmental crisis we are witnessing today is

actually the most striking manifestation of the development of Western civilisation, in the context of which modern science and technology has provided us with a literal and physical capacity to completely destroy ourselves. Yet, relatively little work has been done to reflect on Islamic perspectives as opposed to those of the West. In this respect, scholars noted that safeguarding, protecting and caring for the environment scarcely constitutes a new or a Western concept: rather, such concerns for the environment are deeply rooted in all fields of Islamic teaching and culture (Kamla, Gallhofer&Haslam, 2006).

The environment occupies central position in Islam. Many Islamic concepts or principles in the Quran and in the words and actions of the Prophet, such as *Tawheed* (Unity of God), *Khilafah* (vicegerency), *Ummah* (community), *Adl* (justice), *Ihsan* (kindness), *Hikmah* (wisdom) and *Tawadu'* (modesty) carry substantive implications concerning the relationship between humankind and the natural environment. Islam admonishes its adherents to reflect on such concerns and pay full attention to the protection of environment and the earth planet. It also commands the humanity repeatedly to spread virtue and good deeds, in the Quran:

'That Home of the Hereafter We shall give to those who intend not high-handedness or mischief on earth: and the end is (best) for the righteous' (Quran 28: 83).

According to the Islamic principle of trusteeship, the accountant, and hence accounting, is actually given a very key role hence, presenting a more holistic notion of accounting than is presented by conventional accounting. The meaning of trusteeship in Islam is clearly construed from other Islamic principles that reinforced by the core Unity of God or *tawheed* principle. For this principle have serious implications in terms of the insights for accounting as well as concern for the safeguard of the Earth. The later is suggestive of a macro-level governance incorporating planning and control, and associated accountings

Muhtasib is an appellation used by classic jurists. It means the person who is tasked with the responsibility to ensure that the daily business transactions are done in a manner that is not harming the society. The modern term with the similar signification is accountant. Thus, we can safely say that the accountant's played significant role. Among his responsibilities were to ensure that business activities such as baking and tanning were situated in save areas and were not causing harm to the people, through the emissions and smells they produced.

Furthermore, the accountant was charged with the task of making sure that businesses operators were not jeopardising society's health by disposing their waste in a way that was harmful to the community surrounding them. During 15th and 16th centuries Muslim ruler appointed *muhtasibs* or accountants who used to pay surprise visit to business premises for the purposes of making sure that those activities were in compliance with the best interests of the *Ummah* (Kamla, Gallhofer & Haslam, 2006).

The *accountant's* role in respect of accountability in an Islamic society, therefore, was not limited to technical and financial traditions. It was a social role, whereby the *accountant's* accountability extended to making sure that *Shariah's* social rules in respect of *Ummah's* welfare and interests were enforced and complied with. The accountant thus should seek to ensure, through a system of information, the safeguarding and inculcation of the environmental awareness are appropriately manifested in practice. The accountant should also strive, among other things, to guarantee that individuals, organisations and societies are held to account in relation to the decision making.

Muslim society as a whole is required to form a system whereby people are encouraged to do good and avoid evil. Thus there is a sense of collective as well as individual responsibility. This principle should also be reflected in accounting at the various levels. (Kamla, Gallhofer & Haslam, 2006). Haniffa (2001) highlights types of information that should be disclosed by *Shari'ah* abiding organisations to meet the needs of Islamic societies. This includes, the provision of information regarding lawful and unlawful activities, the reasons for undertaking the latter activities and how the organisation is dealing with them. Other types of information include employee policy, debtors and creditors, the use of resources and protection of the environment. Disclosure of such information being in conformity with the Islamic principles of vicegerency, justice and *Ummah*, therefore should not be viewed negatively.

iv. *Prevention of fraud and exploitation:*

Prevention of fraud and its elimination from all levels of financial management especially that related to accountancy is of a great importance. Therefore, as financial professionals, the accounting staffs establishing cost-effective controls to prevent fraudulent behaviour. It is unlikely that all frauds will be prevented with even the best internal controls. Therefore, every organization should adopt measures that are useful in earlier detection of fraud hence, minimising its financial cost.

The current role of an accountant is limited to compliance with the rules and procedures and completeness of paperwork. It is easy to show the compliance of an organisation with all the rules and regulations without realising that the financial reporting and auditing are fraudulent. Since the responsibility of the accountant is to check only the extent of organization's adherence to the rules and procedures, he cannot contribute to assessing the achievement of the objective of setting up the business in the context of Islam, at the earliest stage. Differing

from the capitalist environment, in an Islamic society with a very heavy social and ethical agenda, this current practice may be considered inadequate (Kasim & Khalid, 2010).

The role of Muslim accountant in the prevention of fraud and exploitation in the Islamic institutions can be envisaged in two different manners. First, as a Muslim accountant his belief system prevent him the fraudulent financial reporting and auditing. Second, as a Muslim accountant he prevent the fraudulent acts by others in the institutions through the concept of *Hisba/Muhtasib* in Islam.

As discussed earlier, Muslim accountant characteristics of *wara'*, *amanah*, trusteeship and awareness of his accountability to God, enable him to provide accurate and true information. In fact these characteristics function as safety valves hence, perverting him from falling prey to any financial scandal. Recent accounting scandals, of companies' fraudulent financial statements, and auditor's issuance of clean opinions on the fraudulent statements, have eroded the trust among participants in the financial markets.

Kasim and Khalid (2010: 72) held that Islam has indirectly laid down a key concept in accounting i.e. "*taklif*" or "accountability" in one of its *surah* in the al-Quran i.e. *Al-Baqarah*, verse 282 (2:282). Islam has developed its own concept of accountability, which is the concept of '*taklif*' where everyone is considered accountable for his deeds hence, receiving punishment or reward depending on the nature of his act, in this world or in the Hereafter or both. *Taklif* is different from its non-Islamic counterparts for it implies insistence on the fact of every one being responsible for his own deeds. This also means that people must accept all their duties whole heartedly along which their presumed liabilities. On the other hand, the final decisions of our actions (right or wrong) will be decided by Allah SWT.

In addition, an Islamic accountant is regarded as a *muhtasib* whose task, often, is to check and review the institution that he attached to. In Islamic history, the institution of *Hisba* and the role of the *Muhtasib*— to monitor, control and prevent fraudulent exploitations on consumers in the market place go back to the time of Prophet Muhammad (pbuh) and four rightly guided Caliphs. Its function and role, as described in the Quranic verses, was to promote right and prevent wrong. For instance in *Surah Ali-'Imran*, verse 104:

"Let there arise out of you, a band of people, inviting to all that is good, enjoining what is right, and forbidding what is wrong: They are the ones, to attain felicity."

Thus, Muslim accountants should play the role of detecting fraud within their respective institutions. For, they are the ones who often have access and knowledge of details of business transaction and dealings, which may go unnoticed or unaudited by external or internal auditors. They certainly have intimate knowledge of financial activities, the corporate environment, and employee actions. This insider perspective can put them in a position to detect many symptoms of fraud that may not be noticed by an outsider, such as an employee who never takes vacations or invoices that come from unknown companies. This is particularly important given the fact that the typical fraudster may not provide obvious, discernable signs of fraud. The majority of white-collar crimes are committed by middle-aged men who are well educated, have been with the organization for several years, are in a position of trust, and have no criminal history. These individuals, however, exhibit noticeable changes in their behaviour at work.

According to Muslim scholars, *hisba* practice must be seen as a *fard kifayah* for Muslims; where every Muslim is expected to play a positive role in the propagation of good (*ma'ruf*) and suppression of evil (*munkar*); however, it has been made an obligation on a section of society to remain engaged in it. In this connection, an Islamic accountant is the official appointed by the institution to implement *hisbah* on behalf of the institution. As an accountant, he is expected to be accountable not only to the society under his control, but more importantly to God. In other words, the audit function in an Islamic state is important and mandatory as it reflects the accountability of the auditor not only to the users of the financial statements, but more important, to the Creator, Allah SWT (the only God).

Conclusion:

The increasing demand for accounting profession, in our modern era, necessitates emergence of a new breed of professional Muslim accountants. The presence of the new breed of Muslim accountants in Islamic institutions is extremely important. As the embodiment of the Islamic values and norms, they can contribute to the well being of society and well functioning of the financial as well as social institutions. The presence of the new breed of Muslim accountant in the institutions is badly needed due to the high level of financial scandal and corruption pervading business world. According to Islamic belief system, God has created man (and *jinn*) only to worship Him, and the word worship (*ibadah*) encompasses all permissible human activities and intentions as part of the general act of acceptable *ibadah*. Bearing this in mind the Muslims accountants should strive to realize their roles in such capacity.

To recapitulate, the new breed of Muslim accountants are duty bound to render their service to the society with honesty and sincerity. By communicating reliable information to the decision makers in the process of

decision making they could contribute marvellously to welfare of the society. Being granted with authority they should pay crucial role in decision making especially those of financial nature. In Islamic terminology, *muhtasib* connote an accountant who traditionally was responsible for the checking of social activities and their compliance with the principles of *Shari'ah*. In the light of the traditional meaning of, *muhtasib* the new breed of Muslim accountants should manifest their concern for protection of social and physical environments through prevention of fraudulent acts and elimination of exploitation. Thus the role of the new breed of professional accountants is not only confined to preparation of financial statement, it also includes accountability, to the Creator, Allah SWT due to their conviction and belief in being always watched by Him.

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