

## **PERSPECTIVES ON THE SHARIA-COMPLIANT ACCOUNTING PRACTICES IN INDONESIA**

**Rizal Wira Pamungkas**  
Universitas Negeri Tidar  
E-mail: [rizalwira310@gmail.com](mailto:rizalwira310@gmail.com)

### *Abstract*

*This research was carried out with the intention of illuminating, with reference to the Qur'an and Hadith, the theoretical underpinnings as well as the practical applications of accounting in Indonesia. The process of conducting this investigation involved conducting a review of previous research that had been published in a number of books and journals in the same field. The purpose of this research is to investigate the theology behind Islamic accounting, as well as the interpretation of Islamic accounting theory and the accounting procedures used in Indonesia. The Holy Qur'an and the Hadith are both relevant to the subject of this research. According to the findings of this survey, the Hadith and the Qur'an are the primary sources of information for sharia accounting theory. When it comes to applying the theory of sharia accounting, the Maslahah and Maqasid al-Shari'ah scale applies not only to the world but also to other areas. According to the Islamic theoretical framework, Islamic accounting necessitates placing the interests of the group ahead of one's own personal interests. The Islamist account can be conceptually broken down into three different concepts: rahmatan lil' alamin, the spiritual concept, and ukhuwah islamiyah.*

**Keywords:** Accounting, Finance, Islamic Perspective, Sharia

### **1. INTRODUCTION**

The condition of the majority Muslim population in Indonesia has played a significant role in the dynamic of accounting theory's development, leading to the emergence of sharia accounting. In Indonesia, the implementation of sharia accounting has progressed at a breakneck pace and has received support from both the general public and the government. The government's response includes the establishment of applicable guidelines and standards for Islamic financial institutions. Both conventional and sharia accounting are founded on fundamental assumptions, concepts, explanations, descriptions, and lines of reasoning that constitute the field of accounting theory. These concepts are present in both conventional and sharia accounting. Consequently, it is essential to explain the various fundamental assumptions that apply to Islamic accounting practices in Indonesia. The Islamic accounting approach has been utilized to comprehend and make sense of the sharia accounting practices implemented in Indonesia. The Islamic accounting method differs from the standard accounting method. Therefore, we require an explanation of the Indonesian accounting practices that adhere to Islamic law.

Both practitioners and academics have their own unique points of view on how far along the discussion of Islamic accounting has progressed. Some people look at it from a more pragmatic standpoint, investigating various aspects of the fundamental ideas that led to the development of Islamic accounting as opposed to conventional accounting. Since the 1990s, Indonesia has seen an increase in the number of businesses that use

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accounting. The practice of Islamic accounting can be broken down into two distinct categories: practical sharia accounting and philosophical-theoretical sharia accounting (Triyuwono, (2006) in (Sulistiyo, 2015)).

Sharia Practically focuses on the practical needs of Islamic accounting financial statement suppliers and consumers, which seem to only change how traditional accounting is done. On the other hand, philosophical-theoretical sharia accounting focuses on the ideal type by investigating and applying Islamic philosophical principles as a foundation for developing sharia accounting theory. This type of sharia accounting was developed by scholars in the 20<sup>th</sup> century. Accounting in accordance with Islamic law is typically practiced within Islamic banks and other types of Islamic financial institutions. In the meantime, the implementation of philosophical-theoretical sharia accounting will be beneficial to all corporate organizations. As a result, many practitioners need a formula in order to prepare financial statements, specifically accounting that accommodates the Islamic financial sector. This is because of the rapid growth of sharia banking and sharia financial institutions, such as sharia insurance, sharia pawnshops, sharia capital markets, and other sharia-based financial institutions. Sharia banking and sharia financial institutions are both growing rapidly.

Previous research on Islamic accounting was extremely limited; therefore, this demonstrates that Islam is where accounting originated. The growth and expansion of accounting coincided with the growth of Arab trade, which can be interpreted as representing the development of Islam. When they engage in trading, they are instructed on how to simultaneously record their trading activities; this practice was subsequently recognized as the precursor to trade accounting (Masulah, 2014; Raharjo, 2013). In recent years, it has become much simpler to locate seminars, workshops, discussions, and various trainings that talk about various sharia accounting activities such as banking, education, insurance, and pawnshops. The introduction of accounting theory's meaning, its application in practice, and the emergence of awareness among managers of accounting organizations, particularly the Financial Accounting Standards Board, which plays a role in sharia regulation, were all the result of a struggle. This process began with the introduction of the meaning of accounting theory and continued with its application into practice. norms for monetary and fiscal accounting (Muzahid, 2014; Rivai et al., 2017).

This research takes into consideration research journals that apply accounting based on the Qur'an and Hadith in order to study sharia accounting and accounting practices that have been applied in Indonesia. This research focuses on the study of sharia accounting and accounting practices that have been applied in Indonesia. In the next step of the investigation, the researchers investigate the emergence of writings in the form of articles, lectures, symposia, workshops, and book publications. The research will focus on both the ideology of Islamic accounting as well as the standards of Islamic accounting. The primary objective of this research is to examine accounting theory and practice in light of its relationship to the Qur'an and Hadith. The findings of this research will be incorporated into future learning processes as a review and guideline related to the review between accounting theory and practice. This is significant not only for those individuals conducting research on accounting theory and practice in Indonesia, but also for those individuals conducting research on accounting theory and practice in general. It is hoped

that this research will result in the production of documents or references that other researchers will be able to investigate further.

## **2. LITERATURE REVIEW**

### **2.1. Accounting and Theory Development**

The fundamental concept of accounting by relating it to accounting theory: "Does it only require one fundamental concept that can be applied to all accounting entities, or are there numerous forms of business entities that require different concepts?" Ownership theory, entity theory, and firm theory are the stages of the three theories. The three theoretical perspectives can provide an overview of several fundamental accounting concepts and their practical implications in financial reporting (Al Arif, 2012). When the proprietor has a vested interest in the success or failure of a business owned by the company, propriety theory becomes the focal point of accounting. System for reporting can be presented (Biduri, 2018).

The idea of entity theory has some parallels with the ownership theory, and those parallels make it possible for accounting information to be presented in order to ascertain the amount of capital invested and the maximum profit sharing allowed for profits invested in a business (Tara & Adityawarman, 2014). Accounting positions become crucial for capital owners and lone company decision-makers to control (Zainul Arifin, 2012). Accounting tends to reinforce the exploitative culture of stakeholders. In addition to the company, stakeholders must be considered in the form of exploitation practical implications for the company's sustainability.

Prior to the beginning of the twentieth century, Ownership theory was central to economic interest in corporations in the United States, and owners sought to increase the net equity value. Due to the rapid changes in the industrial environment during the evolution of global capital markets and the consequences of the growing dependability of accounting information, proprietary theory is no longer utilized in the evolution of the business world. Additionally, entity theory shifts the emphasis from the individual to the economic unit and differentiates and distinguishes ownership between entities and individuals (Rosmanidar & Hidayat, 2021). The concept of entity theory is similar to the Proprietary theory, which uses accounting information to figure out how much money was put in and how much money could be made back. In a capitalist economy, where the capitalist is the only one with power, the accounting position becomes an important tool that can be used to control things. Accounting tends to reinforce the culture of exploitation among stakeholders and the exploitation of other people and things, such as nature. This kind of exploitation means that the company's long-term success must take into account more than just the company itself (Putri, 2018). The Enterprise Theory was created because the first two theories couldn't explain why the company's goals changed when it paid attention to its stakeholders. The company theory is based on the idea that the company is a social community. Businesses have to think about more than just shareholders when making decisions. Accounting is set up to make reports for and send them to different groups of stakeholders. The company theory says that everyone has an interest in the company, whether it's direct or indirect. This must be taken into account when the company presents its financial information (Pontoh, 2013).

The presentation of financial data is not limited just to the company's owner, but also to other stakeholders who contribute to the company's continued existence. The corporate theory perspective is predicated on the notion that business entities function as

expansive social institutions with complicated economic consequences that ultimately lead to social responsibility. This determines the purpose of the business entity, which is to provide welfare to multiple groups with an interest in the company, so that the report does not concentrate on the income statement but rather on the concept of added value to measure profits as a means for management to carry out accounting tasks from multiple interest groups by providing better information. compared with the balance sheet and income statement (Raditya, 2012). The accounting status of each corporate entity is explained using a theoretical method. Accounting provides financial information to interested parties using the fundamental concepts inherent in each theory. In discussions on the application of conventional accounting, these three theories are frequently paired.

## **2.2. Accounting and Islam**

Allah states in Surah Al-Baqarah 282 verses that are frequently cited as one of the pillars of Islamic accounting: “Oh you who believe! When you are in debt for a certain period of time, write it down. Let a writer write it down truthfully. Let not the scribe refuse to write as the God has taught him, so let him write it. Let the debtor dictate, and fear Allah, his God, and do not take anything away from him. If the debtor is in poor health or is unable to dictate his own position, then his guardian must dictate it properly. And testify with two male witnesses from among you...”

The meaning of this verse, as well as its etymology, is extraordinarily complicated and encompasses a number of different dimensions. By means of this verse, Islam is quickly expanding into the realm of economics, particularly with regard to the significance of documenting a variety of economic events. Because this procedure is not only a form of human responsibility, but also a form of responsibility to the creator, who will unquestionably be held accountable in the hereafter, Muslims are obligated to perform it as an important part of the muamalah ritual. The reason for this is because it is not just a form of human responsibility. Accounting can be defined as a number of functions, including business language, a negotiation tool, the main script in dramaturgy, and other functions that make accounting a tool for each party. Business language is one of these functions. Other functions include: Each function serves to demonstrate a different aspect of the human condition as it exists in the wider world (Djamhuri, 2011).

In three distinct ways, according to Maulana (2017) secularism influences both theory and practice. First, natural disillusionment can be seen in the personal interests of accountants, standard setters, shareholders, bureaucrats, and politicians who are all trying to maximize the expected utility. Second, the difference between the private and public interests of those who set standards. Third, the loss of respect for values by rejecting normative values as legal certainty (Yusuf, 2017). Islam emphasizes the role of science in enhancing the degree and caliber of humanity, and in providing safety and peace for life in this world and the next. Muslims regard the Qur'an and Hadith as the source of absolute truth, which is always sought and always able to provide solutions to diverse problems. The systematic and methodical attempts by humans to discover the truth about an object are known as epistemology.

## **3. RESEARCH METHODS**

### **3.1. Types of research**

The research method used is to look at several journals about accounting theory and practice. Choosing this method based on the focus of the study between theory and practice is meant to show how studies between theory and practice of Islamic accounting have changed over time.

### **3.2. Data Collection Process**

Reviewing a number of relevant journals is an integral part of the data collection process. And then, additional research will be directed toward a number of relevant journals. The primary focus of the conversation is an examination of the Hadith and the Qur'an as they relate to the theory and practice of accounting. The conclusions for some of the reviewed journals are drawn from the contents of those journals. In order to properly categorize the findings of the review, the research must first conduct an analysis of the connections between the various occurrences. The significance of these events was reorganized into an analysis of the discussion in the description of the research results so that they could be described in a chronological order as part of the process of the development of Islamic accounting theory. The events described in the journal are analyzed and connected to the primary focus of the study, which is on the application of sharia accounting principles in Indonesia. In order to make accounting theory and practice in Indonesia more comprehensive, the reviews of a number of journals that were obtained were reorganized according to the findings of reviews of other journals that were related to one another. Additionally, the procedure for developing the theory and practice of the Qur'an and Hadith was rewritten. into more structured forms of theory and practice. On October 18th, 2005, the Accounting Committee met. Since the early 2000s, there has been a dearth of written material that addresses sharia accounting in an official capacity. The existing documents provide a summary of the accounting and practices that are based on the Quran and the Hadith.

## **4. RESULTS AND DISCUSSION**

The results of this study show that the review of accounting theory and practice is meant to create an economy that is based on the Qur'an and Hadith and supports Islamic economics. Accounting theory and practice were looked at, and that's how this conclusion was reached. This way of thinking is in line with what is said in the Qur'an and in the Hadith. Understanding accounting theory is an important part of good accounting practice. In particular, it is this understanding of accounting theory that will help accounting grow toward more reliable practices. The problem of traditional transactions that don't fit with Islamic values can be thought of as having a solution in the form of sharia accounting, which is a practice that exists in the world today. This part of traditional accounting can't be used in places that follow Islamic principles, which are based on both accounting theory and accounting practice that comes from the Qur'an and Hadith. The Qur'an tells us how to deal with a wide range of problems and gives us answers to those problems. as well as the Hadith. Together, these two things make up the moral code that Muslims should follow. This is very different from the way answers to normal accounting problems are usually found, which is by using tricks, thinking logically, or reasoning.

Both conventional accounting and sharia accounting seek to uphold sound and ethical business and financial practices. Good and sound accounting theory is required for good and sound accounting practice. In the Islamic legal system known as sharia, a sound and beneficial theory is derived from the Qur'an, the Hadith, and the Prophet

Muhammad's sunnah, which consists of his various deeds, sayings, and actions as a guide for human life. Sharia accounting is the solution to today's economic problems, and it is not only intended for Muslims due to the *rahmatan lil'alamin* qualities of the Qur'an and Hadith. Sharia accounting is the solution to the current economic issues. On the basis of this explanation, it is not unheard of for non-Muslim communities to adopt sharia economics, with the result that accounting policies must comply with sharia accounting standards for transactions involving sharia. Because non-Muslim communities are more likely to have access to sharia accounting standards, this is the case. In conventional accounting practice, problem-solving is accomplished by employing intelligent strategies for simple problems and wisdom for complex problems. This strategy has a substantial effect on accounting practice. Standard-setters' short-term vested interests are frequently incorporated into the solutions to these problems. The tendency of practitioners and professionals in the accounting field to rely solely on their practical experience in the resolution of accounting practice problems and to be satisfied with gaining practical experience is a common example. While the growth of the accounting profession is dependent on practical experience, it must also be supported by theory in order to serve as the basis for accounting research.

On the other hand, problem-solving in sharia accounting must be devoid of conflicts of interest and intended solely for the right purpose, in accordance with the Qur'an and Hadith. In addition, sharia accounting problem-solving must be long-term oriented, not just short-term oriented. With the appropriate theoretical approach, one should be able to see the problems from a broader perspective based on Islamic accounting theory and a normative deductive approach. This should be possible due to the normative orientation of Islamic accounting theory. Since Muslims are required to apply sharia principles to all aspects of life, including economic life, a deductive normative approach is used. This method is used in the process of establishing accounting standards, which may include instructions on how to understand the objectives of financial statements, accounting formulas, and definitions of sharia principles. An examination of the sharia's role as a compass in the evolution of accounting theory is one factor that contributes to the expansion of Islamic accounting. Consequently, any new accounting theory that is developed should be based on sharia or should adhere to Islamic principles. The principles of sharia accounting should not contradict any accounting theory developed to comprehend sharia accounting practices.

#### **4.1. Islamic Economic Design Concept**

The history of accounting has been shaped by a variety of factors, including ideological factors and the economic system of the country in which it was developed. The growth of accounting in a country will be influenced both by the evolution of the nation's political ideology and its economic climate. Occasionally, the expansion of Islamic religious ideology in Indonesia has an effect on the development of accounting in that nation, which in turn promotes the expansion of Islamic economics as a kind of ideological reflection. Consequently, the growth of sharia economics has a significant impact on the progression of accounting, resulting in the eventual emergence of sharia accounting. Islamic accounting is necessitated by the rise of Islamic financial institutions, multinational corporate scandals, the Islamic banking system, and accountants' growing

awareness of the need to work honestly, fairly, and in accordance with Islamic sharia. To address these challenges, Islamic accounting was developed.

Islamic accounting procedures are becoming increasingly popular due mostly to the expansion of Islamic financial institutions. The establishment of these institutions is accompanied by obstacles that the Islamic financial system has met or overcome. One of these problems is the accounting treatment utilized by Islamic financial institutions, which is a challenge for the Islamic economy and Islamic financial institutions in particular. Due to the presence of specific elements, Islamic economics faces obstacles in the theoretical, operational, and practical realms. The theoretical obstacles that Islamic financial institutions must surmount necessitate the establishment of the underlying principles, philosophies, and functions of a system for the reporting of financial statements based on the sharing of profits and losses. At the operational level, one must focus on innovation, intermediation, and risk management. At the implementation stage, it is required to implement a system for the presentation of financial statements in order to comply with the applicable rules and the prevailing social conditions.

Accounting is not a newly developed art or science in Islamic tradition. When Islam was first beginning to take shape, the practice of accounting was referred to as *baitul mal*. It is an institution that both protects the welfare of the people and serves in the capacity of the state treasurer. When accounting was first introduced in that era, it was referred to as the *kitab al amwaal*, which literally translates to "the recording of money by the public." Accounting was also the term that Muslim scholars used in 1949 when they introduced double entry. This was done using the term accounting. *Risalah falakiah kitab as siyaqat* is the name of one of the manuscripts that was written in 1363 AD by Abdullah bin Muhammad bin Kayah Al Mazindarani. This particular manuscript was one of the first to contain accounting and accounting systems that were used in Islamic countries.

#### **4.2. A New Era of Islamic Accounting Awakening**

In Indonesia, the evolution of sharia accounting has been influenced by a number of reasons. The accounting controversy that happened in huge corporations, such as Wordlcom, highlighted the necessity for accountants to conduct their duties in a manner that is more honest, fair, and not in conflict with Islamic principles. Qur'an in addition to Hadith. Other issues that have contributed to the expansion of Islamic accounting studies include the harmonization of international accounting standards in Muslim countries, proposed Islamic business entity report formats, and a review of the philosophy of ethical construction in accounting knowledge and use of sharia. These are only a few of the numerous factors that have contributed to the growth of Islamic accounting studies. This will serve as a basis for the development of sharia accounting theory.

#### **4.3. Islamic Accounting Theory**

Aspects of accounting that are relevant to accounting include the recording of financial transactions, recognition, valuation, and disclosure in financial statements. Sharia accounting is a social science in which all sharia accounting laws are normatively derived from verse 282 of the al-Baqarah chapter of the Quran. This is a reference manual for numerous accounting processes. Not surprisingly, the sharia dictates the way in which accounting practice should develop. According to the above argument, the researcher might underline that the statement of financial position (balance sheet), specifically accounts payable, already serves as a reference for performing transactions in the Qur'an

and Hadith. The preceding explanation makes this possible. The recording of financial transactions in accordance with the spirit of Islam is the recording of transactions by recording officers who are free from the harmful impact of financial transactions. In other words, transactions are recorded when they are suited to the spirit of Islam.

When applied to the discipline of accounting, the concept of fairness can be interpreted in two different ways. Both of these interpretations pertain to sharia-based moral and basic behaviours. To satisfy the requirements of all parties with an interest in the topic, not only the interests of select parties, but the compilation of financial statements must also be conducted in an honest and transparent manner. If accounting data is prepared for the benefit of parties who have a propensity to be unjust, the broader public will be misled. This notion of truth is derived from the interpretation of al-Baqarah verse 282, which indicates that Allah demands the right writing of every transaction that occurs in the context of *muamalah*.

The idea of Islamic accounting incorporates two different channels of power, one that is shaped by the environment and the other that can have an effect on the environment. Accounting can have an effect on the environment and using Islamic accounting will have an effect on economic actors, including transaction actors, causing them to behave in a more transparent manner. The ethical principles of Islam are applied to all aspects of human behaviour, including economic activity, and form the basis of Islamic accounting. Information obtained from accounting has the potential to affect not only thoughts and actions but also choices made in business. Because of this, the formation of a superior business will be encouraged.

#### **4.4. Sharia Accounting Principles**

Islamic accounting theory is based on the normative accounting commands in the Qur'an, which are in line with human nature and can be carried out by humans using all the abilities that Allah has given them. Allah has given humans three basic potentials: the potential of the *ruhiah* (soul), the potential of *fikriah* (sense), and the potential of the *jasadiyah* (physical). With these three possibilities, people can easily use sharia accounting. Humans have a lot of spiritual power because they are close to Allah, who made them. Humans have the ability to do accounting based on what Allah has told them to do, which is the reason they were made. This power is the main thing that can get someone to act in a way that is in line with sharia, even when it comes to accounting. If a person doesn't feel close to God or has a weak spirit, it will be easier for them to do bad accounting practices that aren't in line with sharia. He would break the rules that the Qur'an says should be followed.

People will find it easier to do accounting because of the way they are made. People can tell the difference between right and wrong, and they can use the reason that God gave them to think. The important possibility is the possibility of grace, which will make it easier for people to do everything in life. In verse 283 of Al-Qur'an on al-Baqarah, it says that sharia accounting theory can change and improve current accounting theories and practices. Because Islamic accounting uses an Islamic world view, it can also help people see things from a broader point of view instead of a narrow one. Sharia accounting theory can also be thought of as a science because it takes ideas from sociology, psychology, and other fields. It also takes into account both material and non-material aspects of the mind and spirit.



#### 4.5. The Purpose of Islamic Accounting

The prophecy that Allah sent the Prophet Muhammad as the Messenger of Allah who purified human behaviour and as *rahmatan lil'alamin* is one of the objectives of Islamic economics. The concept of *nubuwwah* provides the understanding that for a person to be awarded redemption in the afterlife, all of their actions and deeds, including economic deeds and deeds, must be performed in accordance with the example of the Prophet Muhammad. This holds true whether or whether they are engaged in business or other pursuits. Consequently, the objective of sharia accounting, a subsystem of Islamic economics, is to comprehend the effects of the concept of monotheism on a person's love for Allah. This is achieved through enforcing accountability for each transaction, economic event, and production procedure within the business. To help achieve social and economic justice (al-Falah), the purpose of sharia accounting is "to fully recognize obligations to God, society, individuals, auditors, managers, accountants, and parties involved in the economic activities of owners, governments as one of worship activities." The Qur'an, in verse 58 of an-Nisa, explains that understanding every activity related to economic activity as a form of worship is quite difficult for Islamic society due to the paralysis of the intellect.

It is possible to characterize Islamic Accounting Theory as a collection of accounting concepts drawn from Islamic value systems. This is in contrast to the quantitative approach utilized in the development of Islamic accounting theory, in which ideas are distilled into concepts by observing similar situations. Islamic accounting theory is derived from Quranic and Hadith-based notions.

#### 4.6. Position and Role of Islamic Accounting

Accounting theory is crucial to the growth of accounting education, especially in quantitative research, and this is especially true when it comes to quantitative research. The purpose of accounting theory is to provide an explanation for why accounting practices take place. Because of this, Islamic accounting theory is required in order to explain the Islamic accounting practices that emerge in Islamic financial institutions. In the sharia accounting concept chart, the position of sharia accounting theory is broken down and explained in detail. The development of sharia accounting was inspired by the cultural values of the Islamic community as a manifestation of the application of monotheism in all aspects of life, including socioeconomic life. Sharia accounting arose as a result of the realization and practice of monotheism in every aspect of life. Sharia-compliant accounting is a social construction of Islamic society that is utilized in the implementation of sharia economics. Sharia economics is a subsystem of sharia economics as a whole. To support accounting practices that adhere to sharia, it is necessary to have a sound theory of sharia accounting.

Accounting theory is applied to explain accounting phenomena in a country and to make predictions about those phenomena. In order to distinguish between halal and haram transactions, the accounting system requires the application of Islamic accounting theory. Because of the necessity of such an accounting system, a number of studies and studies have been conducted on the subject of how accounting should be carried out in accordance with sharia, which is in conflict with the principles of Islamic economics. Since the sharia accounting system is able to distinguish between halal and haram transactions, it is an essential component of the sharia economy (Apriyanti, 2017). In a general sense, sharia economics and business that is based on sharia economics have the

characteristics of spiritual intelligence, which is referred to as *ukhuwah* in Islam. This quality is reflected in the nature of the relationship, which is characterized by trust and cooperation. The implementation of this one-of-a-kind feature takes the form of a financing structure that does not require a collateral investment and does not charge interest, in addition to profit sharing within the framework of a distribution system for financing benefits.

“Allah does not burden a person but according to his ability. He gets (reward) from (good) that he does and he gets (torment) from (evil) that he does. (They pray), “Oh Our God, do not punish us if we forget or we do something wrong. Oh our God, do not burden us with a heavy burden as You burdened those before us. Oh our God, do not carry on us what we cannot bear. Forgive us, forgive us, and have mercy on us. You are our protector, so help us against the disbelievers.” In every human activity, the idea of responsibility is linked to the idea of trust. This idea in accounting means that everyone who is involved in business practices must be held responsible for what they do. In accounting, obligations and actions are written down in the form of financial statements. This means that Islamic accounting is a review of theory and practice to put Islamic economics into practice, but for practical reasons, like getting people out of usury deals.

## **5. CONCLUSION**

This research has effectively unearthed a summary of accounting theory and practice in the Qur'an and Hadith, beginning with the necessity of Islamic banking accounting. With this research, it is hoped that the interpretation of events relevant to the context of the formation of Islamic accounting, or the explanation of significant things that have not yet been explained, as well as the explanation of the historical reality of its fighters, and the dissemination of the history of Islamic accounting, can be accomplished. The administration of the first Islamic bank, Bank Muamalat Indonesia (henceforth referred to as BMI), recognized the futility of the accounting procedure. Sharia accounting theory is part of sharia accounting practice, which is founded on the Quran and Hadith. Islamic accounting techniques must be based on Islamic accounting theory. Understanding sharia accounting theory will foster the establishment of accounting methods that adhere to sharia principles established from the Qur'an and Hadith. As a response to the difficulty created by ordinary transactions that contravene sharia norms, sharia accounting exists. Islamic accounting theory is necessary to explain the many fundamental assumptions behind Islamic accounting practices in Indonesia and accounting practices that have guided the future development of Islamic accounting.

When doing journal review research with numerous linked journal approaches, it is difficult to gather written data to support the research process and papers that describe the development process of debating accounting theory and practice in regard to the Qur'an and Hadith. Research that focuses on Quran and Hadith-based evaluations of accounting theory and practice, as well as research that reveals materials related to Islam in the Muslim world, are difficult to confirm.

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