

# A Study On The Influences Of Islamic Values On Iranian Accounting Practice And Development

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## Abstract

The main purpose of the current paper is the study of objectives and characteristics of Islamic accounting and its challenges in Iran. In order to achieving the objectives of the study, a questionnaire designed and developed among the 120 Iranian bankers clients'. Further, ten hypotheses are postulated for obtaining a good results for the study. The results of conducting the tests indicate that if we use Islamic accounting, importance of gain and loss do not decrease, there is no more emphasize on social matters and paying attention to Zakat cannot be considered as a barrier and limitation. So far, several studies have been conducted in both Muslim countries as well as non-Muslim countries; however, the current study is the first study which have focused on Iran as Muslim country and the results of the study may useful to other researchers that may carry on the study about Islam around the world.

**Keywords:** Islamic Accounting, Zakat, Shari'a, Iran

## 1. Introduction

Over the past 25 years, a complex network of interlinked economic, social and political changes has considerably contributed to the wealth held by Muslims and to their need to make the most of this wealth according to the principles of Islam (Dima et al., 2010).

Accounting is a product of its environment (e.g., Perera, 1989; Choi and Mueller, 1992; AlHashim and Arpan, 1992; Radebaugh and Gray, 1993). As such, a country's accounting system may be significantly influenced by a variety of environmental factors such as size and complexity of businesses, the presence of specific accounting legislation, the speed of business innovations, the level of economic development and growth pattern, the status of professional education and organisation, and the social climate (e.g. Choi and Mueller, 1992; AlHashim and Arpan, 1992; Radebaugh and Gray, 1993). In addition, the relationship between Islam and accounting could be a significant one (Gambling and Karim, 1991; Hamid, Craig and Clarke, 1993; Baydoun and Willett, 1994).

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Islamic society's religion in fact, significantly influence the manner accounting is practiced as such; there is a need to develop a specific accounting model that may serve Islamic societies better (Hofstede, 1980). Since Islam has its own cohesive rules that dictate how a business should be conducted, for accounting theory and practices to be relevant to devout Muslim users, theories must be developed in accordance with the Islamic Shari'a (Gambling and Karim, 1991).

The Shari'a, the blueprint of an ideal Islamic society, concerns the practical aspects of being a Muslim, manifesting his faith and belief (Sulaiman, 2003). Hamed (2000) showed that Malaysian Moslem accounting academicians perceived that Islamic organizations should follow Shari'ah/ethical principles and promote social welfare rather than concentrate on profits.

There have been arguments that the Shari'ah will affect how the components of a conceptual framework for accounting should be viewed (e.g. Adnan and Gaffikin, 1997; Gambling and Karim, 1991; Shihadah, 1987; Zaid, 1995). Accounting should be no different from other aspects of Muslim life in that it should be based on the provisions of Shari'ah. However, this seems to allow for two alternative ways of developing an Islamic conceptual framework for accounting. One approach would be to establish concepts and objectives in a deductive manner from fundamental Islamic principles. To some extent, this was the approach adopted in the normative literature. The other approach is to start with the concepts established in contemporary accounting and test them against Shari'ah. In this study, objectives and characteristics of Islamic accounting are expressed and Islamic accounting challenges in Iran are discussed.

### **1.1 Islamic Accounting**

Islam has a different worldview that affects the socio-economic activities of its adherents. As accounting is a social institution that should reflect the norms of its society and help to achieve its socio-economic objectives, a different type of accounting is required as compared to the conventional accounting of capitalistic society (Yahya, 2004).

Much of the theoretical, normative and prescriptive research in Islamic economics, finance and accounting emphasizes the social and moral character of these disciplines (Kamla, 2009).

The term "Islamic accounting" can have a temporal and spatial implication. It can be a form of shorthand meaning "accounting in parts of the world where Islam is the majority religion during periods when Islam has been dominant" (Napier, 2007).

There can be different meanings of Islamic accounting. First, it can be understood in a religious sense when the accounting rules are influenced by the religious dogma. Second, the label Islamic accounting can be applied to those countries where Islam had been the dominant religion at a certain moment in time. Given this last remark, must be mentioned that the influence of this religion on the national accounting rules may differ considerably from one country to another (Dima et al., 2010).

Mueller (1968) argues that different business environments need different accounting systems and the closest he gets to Islamic countries is the reference to one group represented "the developing nations of the Near and Far East" which might need standardized accounting systems. This idea has repeatedly been presented by the modern literature as Islam is seen different from Occident, so it must have its own accounting system (e.g., Gambling and Karim, 1986). However, the development of Islamic financial institutions was the one that contributed significantly to the emergence of a modern literature on Islamic accounting (Dima et al., 2010).

### **1.2) Issues of Islamic accounting: Riba and Zakat**

Muslim countries are now attempting to align their economies to accord with the tenets of Islam. Consequently, this phenomenon would, in turn; impact on the manner accounting is practiced. Two issues that figure prominently in the development of Islamic accounting are Riba (interest) and Zakat. The Islamic social order is based on the principles of equality, justice and brotherhood and the concepts of freedom and responsibility. The word Riba literally means "increase", "addition", "expansion" or "growth" (Sulaiman, 2003). The wider definition of Riba appears to refer to any forms of taking advantage of the poor and the ignorant (Gambling and Karim, 1986)

The Shari'a refers to Riba as the premium that is paid by the borrower to the lender. According to Chapra (1992), the consensus of Muslim jurists is that Riba and interest are synonymous. However, in a broader context, Riba includes any unfair trading practices (Gambling and Karim, 1991).

Islam does not recognize premiums as representing a safeguard against risk. Muslims believe that uncertainty is something that an individual has to face in this world. Muslims are expected to bear their share of whatever misfortune befalls them (Gambling and Karim, 1991). They cannot safeguard against their risk at another's expense. Charging interest shifts the risk from lender to borrower (Siddiqi, 1981). What this will eventually lead to is the widening of the gap between the rich and the poorer members of society. Consequently, the result will be a weakening of the bond of brotherhood which may eventually lead to jealousy, hatred and animosity (Sulaiman, 2003).

Zakat is a religious tax that every Muslim, whose wealth exceeds a certain Nisab (minimum amount), has to pay. This is essentially a wealth tax and it ranks second in importance only to prayers as a feature of everyday witness to the Islamic faith (Sulaiman, 2003).

From El-Ashker (1987) viewpoint, Zakat is a religious tax. Mannan (1986) disagrees with this definition. According to him, defining Zakat as a religious tax would mean that Islam recognizes the separation between religion and economics or the separation between the spiritual and worldly matters. Islam recognizes no such dichotomy. Perhaps the definition is of lesser importance. Of greater significance is its objective, that of redistributing wealth (e.g. Al- Buraey, 1990; Mannan, 1986).

From the economic point of view, Zakat prevents the morbid accumulation of wealth in a few hands and allows it to be more widely distributed (Sulaiman, 2003). Gambling and Karim (1991) contend that one of the major objectives of accounting in an Islamic society is to provide information to enable the individual to determine his Zakat liability. However, in the following four cases, Islamic jurists have come to a consensus that a company would be required to satisfy the Zakat obligation itself either as an entity or on behalf of its owners under the following conditions:

1. When the law requires the company to satisfy the Zakat obligations as an entity.
2. When the company is required by its charter or by-laws to satisfy the Zakat obligation as an entity.
3. When the general assembly of shareholders passes a resolution requiring the company to satisfy the Zakat obligation as an entity.
4. When individual owners authorize the company to act as their agent satisfying the Zakat obligation (SFAC, 1).

Askary and Clarke (1997) suggested that one objective of Islamic financial reports is measuring and collecting Zakat.

However, the influence of Riba (interest) on Islamic accounting lies in the capital structure of a company and its influence on the disclosure practices of an enterprise. Additionally, it is argued that financial reports should enable Muslims to determine Zakat liability and ultimately achieving socio-economic justice (Sulaiman, 2003).

In respect to the parallel between conventional and Islamic accounting, many authors attempted such comparison in general or for specific standards (see for instance Baydoun and Willett, 2000; Haniffa and Hudaib, 2001). According to them, the main differences between conventional and Islamic accounting have to do with the following:

- General economic aspects such as Secular versus religious, Economic rationalism versus Unity of God, Individualism versus collectivism, Profit maximization motive versus reasonable profit, Absolute versus relative ownership.

- Specific accounting issues like:

Conservatism: apply prudent valuation methods and avoid using the most favorable influence owners versus most favorable to community;

On going concern: business goes forever versus based on contractual agreement between parties;

Measuring unit: monetary value versus quantity and monetary based (according to Zakat calculation);

Consistency based on the standards/regulations used by the entity versus consistency with Islamic law;

Materiality: decision-making usefulness versus fulfilling all duties before Allah;

Users of financial information: identifying economic events and transactions versus identifying socio-economic and religious events and transactions.

## **2) The Objectives of Reporting from the Islamic Perspective**

On a basic Islamic level, God requires Muslims to record their transactions; Islam thus provides a general guideline for the recording and reporting of transactions (Lewis, 2001). Islam's emphasis on such recording shows the importance of fulfilling rights and obligations. This is related to the Islamic belief that doubt and uncertainty need to be removed from inter-personal arrangements (Askary and Clarke, 1997).

The Islamic view of accountability is based on two main themes. The first of these is the concept of Tawhid, which implies total submission to God's will, and adherence to the religious requirements in all aspects of life. Muslims have to devote themselves to God as the fundamental aspect of their behavior (Napier, 2007). The second main theme is the concept of ownership in Islam. God is the ultimate owner of everything. God has appointed man his vice-regent (Khalifa) on earth and entrusted him with stewardship of God's possessions (Lewis, 2001).

The main objective for accounting in Islam is thus to fulfill accountability to God. This clearly differentiates the Islamic accounting model from that of the western model, where accountability to stakeholders such as owners is given priority. From the Islamic perspective, businesses are seen as extensions of the individuals that constitute them (owners in particular but also managers and workers). Businesses and individuals have to abide by the rulings of Shari'ah in all transactions they undertake.

This includes avoiding borrowing or lending with interest, manufacturing alcohol, and gambling. Another objective of reporting is to show compliance with Shari'ah, which is regarded as equivalent to following God's will (Napier, 2007). This objective led to the claims that accounts prepared under Islamic principles should use current values rather than historical costs. The implication for businesses is that they should provide information to help Muslims undertake their religious duties (Maali et al., 2006).

Accounting under Islamic perspective would enable the readers to understand the supremacy of Islamic Accounting over conventional accounting system. Islamic Accounting system would help fixing responsibility and accountability of the functional managers and other executives while fixing responsibility is the core of Islamic principles. In Islam, responsibility and accountability are the main theme. Islam implies a series of principles that can be resumed as:

- Unity of God (tawheed): A most important concept of Islam's philosophy of nature is the central Islamic concept of Tawheed (De Chatel, 2003; Omar Naseef, 1998) which implies a comprehensive worldview; an integration between world and Islamic principles (truth, justice, fair, goodwill, honesty, benevolence, accountability before God); the unity and equality of all God's creations in the worship of God and their equality as partners in terms of respect and appreciation towards the existence of all and the interconnectedness between all (Kampla et al., 2006).
- Trusteeship implies that people are given a special role in relation to the environment. The human being is appointed a trustee (steward) or Khalifah (Lewis, 2001) that will not abuse people for personal interests but will maintain the balance, spreading justice, truth and virtue.
- Community principles: the purpose of Shari'ah is "to promote the welfare of the people, which lies in safeguarding their faith, their life, their intellect, their prosperity and their wealth". In economic terms, these principles have to do with social responsibility and public accountability ensuring the community with the fact that the entity is continuously operating within the socioeconomic boundaries of the Islamic Shari'ah (Dima et al., 2010).
- The importance of knowledge (Ilm), especially self-knowledge is connection to the notion of developing a sustainable community, by promoting developments of the intellect, wisdom and knowledge (Tinker, 2004).
- The holistic approach to life has to do with the wider environment, Islam being concerned to protect the environment and maintain the balance between the material and spiritual needs of all human beings. This principle has the most evident association to sustainable development, emphasizing the negativity of waste, obsessive extravagance (Israf), excessive consumerism and conspicuous

consumption (Kampla et al., 2006). The holistic approach to life has a significant influence on economics (Chapra, 1992) and so the Islamic economic systems should be viewed from such a perspective (Gambling and Karim, 1991). This approach leads to the notion of the fair distribution of wealth through Zakat.

This is one of the Five Pillars of Islam, is the giving of a small percentage of one's possessions to charity. The Muslims have the duty to collect zakat and to fairly distribute it (Dima et al., 2010).

In what follows, we will discuss the research background and then the research method. In the next stage, there will be a conclusion along with suggestions for future researches.

### **3. Literature Review**

Relatively few historical studies covering accounting in Muslim countries have appeared in English-language journals, so it should not be a surprise that the writers of general histories of accounting have little if anything to say about accounting in these locations.

The emergence of Islamic banks and other financial institutions since the 1970s has stimulated a modern literature that has identified itself as addressing "Islamic accounting". Much of this literature is prescriptive, though studies of actual practice, and of attitudes to proposed alternatives, are beginning to emerge. Historical research into Islamic accounting is still in a process of development, with a range of studies based on both primary archives and manuals of accounting providing growing insight into accounting in state and private contexts in the Middle East. Other parts of the Muslim world are also the focus of historical accounting research. There is still much to discover, however, before historians can determine the influence of Middle Eastern accounting ideas and practices in other parts of the world. Moreover, the term "Islamic accounting" may simply be a convenient label to group together quite disparate accounting practices and ideas across time and space (Napier, 2009)

The proposition that Islam may have an impact on accounting and reporting has been investigated using a range of methods. Idris (1996) tested perceptions of preparers of financial statements in both Islamic banks and commercial banks that provide "Islamic windows" (separate departments offering transactions consistent with Islamic principles) regarding the items that should appear in the annual reports of Islamic banks. The respondents expressed the view that conventional statements like the balance sheet and income statements are the most important. However, the Shari'ah supervisory report two ranked as slightly important, as did the statement of changes in Zakat and charity funds.

Sulaiman (1998) tested Baydoun and Willett's argument that current value balance sheets and value added statements would serve the needs of Muslims largely than historical cost balances sheet and income statements. She compared the perceptions of Muslims and non-Muslims in Malaysia regarding this issue through a questionnaire survey, which she distributed to four user groups: bank lending officers, financial analysts, Zakat officers, and accountants.

Sulaiman (1998) found no difference in the perception of the usefulness of both current value balance sheets and value added statements between Muslims and non-Muslims. In addition, even Muslims other than Zakat officers did not consider the current value balance sheet to be particularly useful for calculating Zakat. Sulaiman (2001) further tested the Baydoun and Willett (1997) position using an experimental approach, and again found no evidence of a religion effect.

There were an increasing number of the studies related to Islamic accounting issues. These studies related to why the conventional accounting is inappropriate for Islamic organizations. Hameed (2000) describes that the practical necessity for the development of an Islamic accounting is the establishment of Islamic business that are specifically based on the Shari'ah. The objectives, operations and practical accounting requirements of these organizations need an alternative accounting. These organizations should use Islamic accounting and still use accepted disclosure standards for conventional annual reports. Islamic banking in Indonesia use Statement of Financial Accounting Standard No 59 to prepare their financial statements.

Baydoun and Willett (2000) considered the contents of Islamic corporate reports. They argued that the historical value balance sheet should still be used because of the problems associated with current value such as reliability. However, the authors suggested that a current value statement should also be part of Islamic corporate reports. The principles of full disclosure and social accountability require Islamic businesses to issue such a statement, and current value information is necessary for the determination of Zakat. An interesting proposal is that Islamic corporate reports should include a value added statement. Baydoun and Willett (2000) justified this because they considered that an Islamic society would wish for greater awareness of the social impact of firm activities. A value added statement stresses entity performance from a community viewpoint as opposed to focusing on owners, which is consistent with the Islamic view that firms are accountable to the community. The authors claimed that an income statement corrupts Islamic values through its solitary focus on one dimension of firm performance and an emphasis on the self at the



expense of community. They proposed relegating the income statement to the notes to the accounts. In addition, they argued that Islamic reports should contain much more extensive data about social costs and benefits created by the Islamic organization. For the same reasons provided by Baydoun and Willett (2000), Sulaiman (2000) supported the use of both current value balance sheets and value added statements as part of Islamic business enterprises' corporate reports.

Lewis (2001) discussed the effect of Islam on accounting, and concluded that concepts of full disclosure and social accountability are essential in Islamic accounting. Lewis further argued that from an Islamic perspective, the concept of full disclosure is at variance with ideas of window-dressing, creative accounting, and emphasis on legal form over substance. In addition, the Islamic concept of social accountability makes it clear that the Islamic accountant's prime obligation is to the Umma (the Islamic community).

Harahap (2002) explains that even though The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) have been established the accounting standards for Islamic banking are mostly based on conventional accounting concepts and principles. With Islamic banks providing more financial support to Islamic compliant businesses, one would expect an increase in businesses conducted strictly in accordance with Islamic principles (Hamid et al., 1993) and in turn, this would be expected to impact on accounting practices (e.g. Gambling and Karim, 1991; Hamid et al., 1993; Baydoun and Willett, 1995).

Another research has indicated that there is a relationship between accounting and culture (Gray, 1998; Perera, 1989; Salter and Niswander, 1995; Doupnik and Tsakumis, 2004) and one system cannot be transplanted into another cultural environment without causing dysfunctional effects on the host culture and society. Religion is a subset of culture and influences on cultural values; the theoretical approach used in the culture and accounting literature provides a structure within which the relationship between religion and accounting may be examined (Sulaiman and Willet, 2003).

Studies examining the relationship between religion and accounting (Gambling and Karim, 1991; Hamid, Craig and Clarke, 1993; Baydoun and Willett, 1994; 1995) have suggested that the ethical impact of Islam on accounting has the potential to be significant.

Baydoun and Willett (1994; 2000) developed a theory as to what should, from the point of view of consistency with ethical precepts, constitute the basis of a set of Islamic Corporate Reports. They suggests that Islamic societies would be better

served by an Islamic Corporate Reporting model which includes a current value balance sheet (CVBS) and a value added statement (VAS) rather than of the traditional Western reports of historic cost balance sheet (HCBS) and profit and loss account (PL).

Doupnik and Tsakumis (2004) stated that culture is considered a powerful environmental factor that affects financial reporting as well as how individuals perceive and accounting information. Thus, cultural values of Moslem accounting academicians may be can affect how they perceive the Islamic financial reporting.

Maali and Napier (2004) investigate the influence of Islamic principles in determining the accounting practices of Jordan Islamic Bank when this bank was established in the late 1970s. They found that, while sacred concerns were important in setting the early accounting practices of the bank, there was a strong tension between these and factors such as the need for the bank to compete commercially with secular banks.

Maali (2005) investigate the effect of Islam on the accounting practices of Jordan Islamic Bank for the first 24 years of its operations and found that the significance of religious considerations for these practices substantially reduced over time. The empirical evidence on the effect of Islam on accounting practices does not provide much support for the normative literature.

Islamic principles are suggestive of a variety of implications for governance and accounting. Reflecting upon Islamic principles, Kamla et al., (2006) engage with the notion of accounting for the environment. Their endeavors are consistent with a concern to contribute to a critical theoretical project seeking to develop a progressive and emancipatory universalism that is respectful of difference, a project with its accounting implications. In concluding, they point, among other things, to the irony whereby Western transnational corporations have sought to promote their particular brand of corporate social (and environmental) responsibility accounting in Arab countries, variously influenced by Islam, with little to no mention of a notion of accounting for the environment integral to and deeply rooted in Islam.

Mansoor Khan et al., (2008) articulate the case for Islamic banking in a very comprehensive and effective manner. It depicts Islamic banking as a growing discipline adding more ethical, competitive and diversified tools and systems into global finance. It highlights the paradigm, theory and practice, achievements, pitfalls and future prospects of Islamic banking. The study deals with the Islamic paradigm of borrowing, lending and investment. It presents the conceptual model and practice of Islamic banking. It covers other related issues over the recent development of

Islamic banking across the globe. The research observes that Islamic banking has made unprecedented progress over recent years. The Middle East, South Asia and the Indian Subcontinent have emerged as hubs of Islamic banking. Western conventional regulators and investors and other agents have also shown a greater interest in and a receptive attitude towards Islamic banking. Despite all this, Islamic banking has been facing some core problems and challenges that will have deep impacts on its future growth and development.

Kamla (2009) explores the potential of aspects of contemporary Islamic accounting research and practice to contribute to the critical accounting project in the latter's efforts to achieve more emancipatory and enabling forms of accounting. The research concludes that minimal critical theorizing, as well as the narrow instrumental and mechanical emphasis of the majority of Islamic accounting research, are indications that Islamic accounting research is diverting from its primarily proclaimed social and moral roles. This is further exacerbated by the uncritical emulation and embracing of conventional accounting operations and standards by so-called Islamic ones. The research also attempts to identify ways forward for Islamic banking and accounting research to realize more emancipatory praxis.

Farag (2009) presents a historical review of the evolution of accounting and accounting profession in Egypt since the ancient Egyptian civilization to the modern accounting practices. Egyptian accounting practice is divided into three stages: record keeping (1883–1939); financial reporting under changing economic regimes (1939–1975); and the move to adopt international accounting standards in an attempt to liberalize and integrate the Egyptian economy into the global economy (1975–2008).

Dima et al., (2010) provide a synopsis of Islamic accounting characteristics as well as to identify some of the determinants which led to its specificities. They explore several aspects related to the Islamic accounting principles and its institutional framework. The cultural paradigm is viewed as a differentiating key factor in the elaboration and implementation of the accounting standards in the Islamic World. The elements of this paradigm are linked to the relative preference for IFRS adoption of different Islamic countries. From the proposed analysis, it emerges the image of Islamic Accounting's complex nature, which seen as a distinct alternative to the principles and views promoted by IFRS.

Farook et al., (2011) test a theoretical model of the determinants of Islamic banks' social disclosures. In testing the hypotheses, the level of social disclosure in Islamic banks' annual reports is gauged based on a benchmark derived from Islamic principles. The sample comprised 47 Islamic banks in 14 countries and the data

related to the dependent (Islamic banks social disclosures) variable are collected mainly from the annual reports, while data for the independent variables (determinants) are collected from various sources. Regression analysis conducted to test the hypotheses. The major limitation of their research is the small sample size of only 47 Islamic banking institutions; they argued that corporate social responsibility (CSR) disclosure by Islamic banks varies significantly across the sample. According to the regression results, variation is best explained by the “influence of the relevant publics” and the “Shari’ah (SSB supervisory boards) corporate governance mechanism” variables. Using alternative variable measures, the regression results suggest that “level of social and political freedom” and “the proportion of investment account deposits to total assets” are also significant determinants of Islamic banks' CSR disclosure.

The growth of Islamic financial institutions is one of the main factors underlying the emergence of a modern literature of Islamic accounting. Another factor is the development of universities in Muslim countries, particularly those dedicated to the wider advancement of Islamic sciences and their application to the modern world (Napier, 2007). However, in Iran no research has conducted in the field of Islamic accounting.

#### **4) Research Methodology**

Based on the above analysis and literature, the following hypotheses are postulated in the study:

- H1: Islamic accounting is consistent with Quranic and ethical values.
- H2: Social responsibilities are considered in Islamic accounting.
- H3: Paying attention to Zakat is great importance in Islamic accounting.
- H4: Paying attention to Islamic matters has a major role in responding responsibility in Islamic accounting
- H5: The importance of gain and loss is decreased in Islamic accounting.
- H6: Paying attention to Islamic matters leads to decreased economical and social problems in Islamic accounting.
- H7: In Islamic accounting, social matters are emphasized.
- H8: Islamic accounting aims are developed based on profitability for decision-making and responsibility.

H9: Paying attention to Zakat is referred to as a barrier and limitation in Islamic accounting.

H10: The end goal in Islamic accounting is to reach the Religion destination.

Statistical society of this research includes customers of bankers in Iran. For this aim, 150 questionnaires administrated among the Iranian bankers' customers during 1-06-2012 up to 30-06-2012. Totally 120 useable questionnaires are collected from the participants.

This research is a descriptive-survey research. In this research according to previous researches, aims and characteristics of Islamic accounting and consulting with respected professors and specialists in the field of the research, the final questionnaire designed in 20 questions. Questions 1, 2, 3 and 19 are concern to the first hypothesis, question 4 is concerns to the second hypothesis, questions 5, 6, 7 and 10 are concern to the third hypothesis, questions 12, 13, and 14 are concern to the fourth hypothesis, questions 16 and 18 are connected with the fifth hypothesis, questions 9 and 20 are connected with the sixth hypothesis, questions 11, 15, 8 and 17 are connected with the 7th to 10th hypotheses respectively. The questionnaire is designed based on Likert's Scale (non-correct, a bit correct, fairy correct, fully correct), in which the rating manner is 1-2-3-4, respectively. This questionnaire investigate aspects of Quranic morale values, social responsibilities, Zakat paying, responding responsibility, the importance of gain and loss, economical and social safety of society, paying attention to social matters of society, profitable responding and decision-making, paying attention to the barriers and limitations of Zakat and realizing the Islamic Religion's goals. Related professors and the experts approve the designed questionnaire. The designed questionnaires had been confirmed in terms of the narration style of their contents and outward format.

In present study in order to examine reliability, Cronbach's Alfa Coefficient has been used. To determine the appropriate sample size and to calculate Cronbach's Alfa, a pretest has been carried out. Cronbach's Alfa is calculable when we have at least two questions. Therefore, Cronbach's Alfa can be calculated only for hypotheses number 1, 3, 4, 5 and 6. In this study, Cronbach's Alfa Coefficient for investigating the degree of questions' homogeneity of questionnaire is 76.70%, which indicates that the questionnaire has a good accuracy and durability for measurement. Given the primitive information, the sample size considered for this study is at least 120 participants.

Cronbach's Alfa Coefficient for investigating the degree of questions' homogeneity of hypotheses is shown in Table 1.

Table 1. Cronbach's Alfa Coefficient for investigating the degree of questions' homogeneity of hypotheses

Description	Question Number	Cronbach's Alpha coefficient
First hypothesis	1,2,3 and19	0.271
Second hypothesis	4	-
Third hypothesis	5,6,7 and10	0.658
Fourth hypothesis	12,13 and14	0.656
Fifth hypothesis	16 and18	0.767
Sixth hypothesis	9 and 20	0.542
Seventh hypothesis	11	-
Eighth hypothesis	15	-
Ninth hypothesis	8	-
Tenth hypothesis	17	-
Whole of questions	1-20	0.767

The coefficients given in Table 1 indicate that the designed questionnaire is of favorable stability.

In order to investigate the normality of variables Kolmogorov-Smirnov test is employed. Since the level of significance for all of the variables is 0.000 and is less than 0.05, so with 95% confidence, we can reject their normality. So, non-parametric methods are used to conduct the tests.

### 5) Results of the study

The gathered data analyzed by SPSS software. First, observations are investigated by descriptive, statistical methods. Distributions of gender, age, degree, field of study and work experience and religion of respondents to questionnaire are shown in Table 2. The results in Table 2 show that 25% of respondents are male and 75% are female. The greatest distribution among respondents is in 20-25 years age group and is equal to 92.50% and the least distribution is in 25-30 years age group and is equal to 2.50%. 97.50% of respondents are undereducated students and 2.50% have the bachelor degree. In terms of the field of study, 67.50% of respondents are in Accounting, 5% are in Financial/Industrial Management, 2.50% are in Economics and 25% are in Business/Governmental Management. 82.50% of respondents are inexperienced, 7.50% have less than 5 years experience, 7.50% have a work experience between 5 and 10 years and 2.50% have more than 10 years work experience. All of the respondents have Islamic religion.

Table 2. General information of participants

Variable	Index	Frequency	Percentage
Gender	Male	30	25.00
	Female	90	75.00
Age	20-25	111	92.50
	25-30	3	2.50
	30-35	6	6.00
Degree	B.A. student	117	97.50
	B.A.	3	2.50
Educational field	Accounting	81	67.50
	Financial/Industrial management	6	5.00
	Economics	3	2.50
	Business/Governmental Management	30	25.00
Experience	Without experience	99	82.50
	<5	9	7.50
	5-10	9	7.50
	>10	3	2.50
Religion	Islam	120	100

### 5.1) Testing of Hypotheses

Hypothesis 1: Islamic accounting is consistent with Quranic, ethical values.

The above hypothesis can be written as:

$$H_0: m = 2.5$$

$$H_1: m \neq 2.5$$

Where 'm' is the median. In order to investigate the hypothesis, Wilcoxon's test is used. Associated results are presented in Table 3.

Table 3. A summary of the results of first hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
1	9	153	84	4218	0.000	Confirmed
Negative Rank: Islamic accounting is with Quranic, ethical values completely. Positive Ranks: Islamic accounting is with Quranic, ethical values somewhat.						

According to Table 3, because the level of significance is 0.000 and is less than 0.05 and also because the sum of negative ranks is equal to 4218 and is more than positive

ranks, therefore we can describe with 95% confidence, that Islamic accounting is consistent with quranic, ethical values, so the 1st hypothesis is confirmed.

Hypothesis 2: Social responsibilities are considered in Islamic accounting.

The above hypothesis can be written as:

$$H_0: m = 2.5$$

$$H_1: m \neq 2.5$$

Associated results are presented in Table 4.

Table 4. A summary of the results relating to second hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
2	39	1729.5	81	5530.5	0.000	Confirmed
Negative Rank: Social responsibilities are considered in Islamic accounting completely.						
Positive Ranks: Social responsibilities are considered in Islamic accounting somewhat.						

According to Table 4 the level of significance is 0.000 and is less than 0.05, also the sum of negative ranks is equal to 5530.5 and is more than positive ranks, therefore we can say, with 95% confidence, that in Islamic accounting social responsibilities are considered, so the second hypothesis is confirmed.

Hypothesis 3: Paying attention to Zakat is great importance in Islamic accounting.

The above hypothesis can be written as:

$$H_0: m = 2.5$$

$$H_1: m \neq 2.5$$

Associated results are presented in Table 5.

Table 5. A summary of the results of the third hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
3	45	1926	66	4290	0.000	Confirmed
Negative Rank: in Islamic accounting paying attention to Zakat is of great importance.						
Positive Ranks: in Islamic accounting paying attention to Zakat is somewhat important.						



As we can see in Table 5, the level of significance is 0.000 and is less than 0.05; also, the sum of negative ranks is equal to 4290 and is more than positive ranks, therefore we can say, with 95% confidence, that in Islamic accounting paying attention to Zakat is of great importance, so the third hypothesis is confirmed.

Hypothesis 4: Paying attention to Islamic matters has a major role in responding responsibility in Islamic accounting. The above hypothesis can be written as:

$$H_0 : m = 2.5$$

$$H_1 : m \neq 2.5$$

In order to investigate this hypothesis, Wilcoxon's test is used. Associated results are presented in Table 6.

Table 6. A summary of the results relating to fourth hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
4	30	1050	90	6210	0.000	Confirmed
Negative Rank: in Islamic accounting paying attention to Islamic matters has a completely important role in responding responsibility.  Positive Ranks: in Islamic accounting paying attention to Islamic matters has a somewhat important role in responding responsibility.						

According to Table 6 the level of significance is 0.000 and is less than 0.05, also the sum of negative ranks is equal to 6210 and is more than positive ranks, therefore we can conclude, with 95% confidence, that in Islamic accounting paying attention to Islamic matters has a major role in responding responsibility, so the fourth hypothesis is confirmed.

Hypothesis 5: The importance of gain and loss is decreased in Islamic accounting.

The above hypothesis can be written as:

$$H_0 : m = 2.5$$

$$H_1 : m \neq 2.5$$

Associated results are presented in Table 7.

Table 7. A summary of the results of the fifth hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
5	57	2841	54	3375	0.424	Rejected
Negative Rank: In Islamic accounting the importance of gain and loss is decreased completely. Positive Ranks: In Islamic accounting the importance of gain and loss is decreased somewhat.						

According to Table 7 the level of significance is 0.424 and is more than 0.05, and also by comparing the negative and positive ranks, therefore we can conclude, with 95% confidence, that in Islamic accounting the importance of gain and loss is decreased in a middle way, so the fifth hypothesis is rejected.

Hypothesis 6: Paying attention to Islamic matters leads to decreased economical and social problems in Islamic accounting.

The above hypothesis can be written as:

$$H_0: m = 2.5$$

$$H_1: m \neq 2.5$$

Associated results are presented in Table 8.

Table 8. A summary of the results of sixth hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
6	21	676.5	93	5878.5	0.000	Confirmed
Negative Rank: In Islamic accounting paying attention to Islamic matters leads to completely decreased economical and social problems. Positive Ranks: In Islamic accounting paying attention to Islamic matters leads to somewhat decreased economical and social problems.						

According to Table 8, because the level of significance is 0.000 and is less than 0.05, and also the sum of the negative ranks is equal to 5878.5 and is less than positive ranks, therefore we can conclude, with 95% confidence, that in Islamic accounting paying attention to Islamic matters leads to decreased economical and social problems, so the sixth hypothesis is confirmed.

Hypothesis 7: In Islamic accounting social matters are emphasized.

The above hypothesis can be written as:

$$H_0 : m = 2.5$$

$$H_1 : m \neq 2.5$$

Associated results are presented in Table 9.

Table 9. A summary of the results of seventh hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
7	69	3058.5	51	4201.5	0.121	Rejected
Negative Rank: In Islamic accounting social matters are completely emphasized. Positive Ranks: in Islamic accounting social matters are somewhat emphasized.						

According to Table 9, because the level of significance is 0.121 and is more than 0.05, therefore it can be stated, with 95% confidence, that in Islamic accounting social matters are emphasized in a middle way, so the seventh hypothesis is rejected.

Hypothesis 8: Islamic accounting aims are developed based on profitability for decision-making and responsibility.

The above hypothesis can be written as:

$$H_0 : m = 2.5$$

$$H_1 : m \neq 2.5$$

Related results are presented in Table 10.

Table 10. A summary of the results of eighth hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
8	45	1777.5	75	5482.5	0.000	Confirmed
Negative Rank: in Islamic accounting aims are developed based on profitability completely for decision-making and responsibility. Positive Ranks: in Islamic accounting aims are developed based on profitability somewhat for decision-making and responsibility.						

According to Table 10, because the level of significance is 0.000 and is less than 0.05, and also because the sum of negative ranks is equal to 5482.5 and is less than positive ranks, therefore we can say, with 95% confidence, that in Islamic accounting aims are developed based on profitability for decision-making and responsibility, so the eighth hypothesis is confirmed.

Hypothesis 9: Paying attention to Zakat is referred to as a barrier and limitation in Islamic accounting.

The above hypothesis can be written as:

$$H_0 : m = 2.5$$

$$H_1 : m \neq 2.5$$

Associated results are presented in Table 11.

Table 11. A summary of the results of ninth hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
9	87	5371.5	33	1888.5	0.000	Rejected
Negative Rank: In Islamic accounting paying attention to Zakat is completely referred to as a barrier and limitation. Positive Ranks: in Islamic accounting paying attention to Zakat is somewhat referred to as a barrier and limitation.						

According to Table 11, because the level of significance is 0.000 and is less than 0.05, and also because the sum of negative ranks is equal to 1888.5 and is less than positive ranks, therefore we can say, with 95% confidence, that in Islamic accounting paying attention to Zakat is not referred to as a barrier and limitation, so the ninth hypothesis is rejected.

Hypothesis 10: The end goal in Islamic accounting is to reach the Religion destination.

The above hypothesis can be written as:

$$H_0 : m = 2.5$$

$$H_1 : m \neq 2.5$$

Associated results are presented in Table 12.

Table 12. A summary of the results of tenth hypothesis

Hypothesis	Positive Ranks		Negative Ranks		Asymp. Sig. (2-tailed)	Result
	N	Sum of Ranks	N	Sum of Ranks		
10	24	732	96	6528	0.000	Confirmed
Negative Rank: In Islamic accounting, the end goal is just to reach the Religion destination.						
Positive Ranks: In Islamic accounting the end goal is somewhat is to reach the Religion destination.						

According to Table 12, because the level of significance is 0.000 and is less than 0.05, and also because the sum of negative ranks is equal to 6528 and is more than positive ranks, therefore we can say, with 95% confidence, that in Islamic accounting the end goal is to reach the Religion destination, so the tenth hypothesis is confirmed.

The summary of results of hypotheses is presented in Table 13.

Table 13. A summary of results about hypotheses of the study

Hypothesis	1	2	3	4	5	6	7	8	9	10
Result	Confirmed	Confirmed	Confirmed	Confirmed	Rejected	Confirmed	Rejected	Confirmed	Rejected	Confirmed

#### 4.2) other results

In addition to the hypotheses, accordance of each of the hypotheses of this study with gender, age, and education, field of study and work experience of respondents has been investigated. In order to investigate each of the hypotheses in terms of gender the Mann-Whitney U's test and in terms of age, education, field of study, and work

experience of respondents Kruskal Wallis's test is employed. Table 14 shows the summary of results about the accordance test of each hypothesis with respondents' features.

Table 14. The summary of accordance test of each of the hypotheses with general attributes of participants

General attributes of participants Hypotheses	Gender (Mann-Whitney U Test)	Age (Kruskal Wallis Test)	Degree (Kruskal Wallis Test)	Educational field (Kruskal Wallis Test)	Experience (Kruskal Wallis Test)
The accordance of Islamic accounting with Quranic, ethical values	0.047	0.083	0.694	0.565	0.030
Level of social responsibilities considered in Islamic accounting	0.665	0.094	0.749	0.002	0.115
The importance of paying attention to Zakat in Islamic accounting	0.205	0.064	0.754	0.154	0.352
Paying attention to Islamic matters in responding responsibility	0.071	0.010	0.411	0.012	0.029
Decreased importance of gain and loss in Islamic accounting	0.488	0.699	0.397	0.068	0.328
Level of decreased social and economic problems given the Islamic matters	0.518	0.106	0.035	0.109	0.001
Emphasize on social matters in Islamic accounting	0.812	0.394	0.248	0.619	0.524
Level of development of Islamic accounting's goals based on profitability for decision-making and responsibility	0.001	0.001	0.073	0.002	0.004
Barriers and limitations in Islamic accounting given the Zakat	0.124	0.009	0.077	0.787	0.004
The end goal in Islamic accounting i.e. reaching to Religion destination	0.552	0.212	0.322	0.028	0.105

When investigating each of hypotheses about gender of respondents it was revealed that the level of significance for the first and eighth hypotheses is less than 0.05, and

for other hypotheses is more than 0.05, so we can conclude, with 95% confidence, that the level of social responsibility considered in Islamic accounting, the importance of paying attention to Zakat in Islamic accounting, paying attention to Islamic matters in responding responsibility, decreased importance of gain and loss in Islamic accounting, level of decreased social and economic problems given the Islamic matters, emphasize on social matters in Islamic accounting, barriers and limitations in Islamic accounting given the Zakat and the end goal in Islamic accounting i.e. reaching to Religion destination are identical in terms of respondent's gender.

When investigating each of hypotheses about the age of respondents it was revealed that the level of significance for the fourth, eighth and ninth hypotheses is less than 0.05, and for other hypotheses is more than 0.05, so we can conclude, with 95% confidence, that the accordance of Islamic accounting with Quranic, ethical values, that the level of social responsibility considered in Islamic accounting, the importance of paying attention to Zakat in Islamic accounting, decreased importance of gain and loss in Islamic accounting, level of decreased social and economic problems given the Islamic matters, emphasize on social matters in Islamic accounting, and the end goal in Islamic accounting i.e. reaching to Religion destination are identical in terms of respondent's age. Also, by using test that was calculated by Prism software, the role of paying attention to Islamic matters in responding responsibility, there is just a significant difference between 20-25 years and 30-35 years age groups. In terms of the level of development of Islamic accounting goals base on profitability for decision-making and responsibility there is no significant difference between any groups. In terms of barriers and limitations in Islamic accounting about Zakat there in just one significant difference between 25-30 years and 30-35 years age group.

When investigating each of hypotheses about the education of respondents it was revealed that the level of significance for the sixth hypothesis is less than 0.05, and for other hypotheses is more than 0.05, so we can conclude, with 95% confidence, that just the level of decreased social and economic problems given the Islamic matters is different in terms of education and for the rest of the hypotheses there is no difference in terms of education. In addition, Dunn's Multiple Comparison did not show any significant difference in terms of the level of decreased social and economic problems given the Islamic matters among educational groups. When investigating each of hypotheses about the field of study of respondents it was revealed that the level of significance for the second, fourth, eighth and tenth hypotheses is less than 0.05, and for other hypotheses is more than 0.05, so we can conclude, with 95% confidence, that the accordance of Islamic accounting with Quranic, ethical values, the importance of paying attention to Zakat in Islamic accounting, decreased importance of gain and loss in Islamic accounting, level of

decreased social and economic problems given the Islamic matters, emphasize on social matters in Islamic accounting and barriers and limitations in Islamic accounting about Zakat have no difference in terms of the field of study. In addition, by using Dunn's Multiple Comparison test the level of social responsibilities considered in Islamic accounting, there is only significant difference between financial/ industrial management and business/ governmental management fields of study. In terms of the role of paying attention to Islamic matters in responding responsibility, there is no significant difference between any groups. In terms of the level of development of Islamic accounting goals base on profitability for decision-making and responsibility there is a significance difference between educational groups of accounting and business/governmental management. In terms of end goal in Islamic accounting, i.e. reaching to Religion destination there is a significant difference between educational groups of economy and business/governmental management.

Finally, When investigating each of hypotheses about the work experience of respondents it was revealed that the level of significance for the first, fourth, sixth, eighth and ninth hypotheses is less than 0.05, and for other hypotheses is more than 0.05, so it can be stated, with 95% confidence, that the level of social responsibilities considered in Islamic accounting, the importance of paying attention to Zakat in Islamic accounting, decreased importance of gain and loss in Islamic accounting, emphasize on social matters in Islamic accounting, and the end goal in Islamic accounting i.e. reaching to Religion destination are identical in terms of Religion destination. In addition, by using Dunn's Multiple Comparison test, there is no significant difference between any work experience groups in terms of the accordance of Islamic accounting with Quranis, ethical values. In terms of the role of paying attention to Islamic matters in responding responsibility, there is a significant difference between the groups who have no work experience and the groups with 5 to 10 years work experience. The level of decreased social and economic problems given the Islamic matters there is a significant difference between the groups who have no work experience and the groups with less than 5 years experience. There is a significant difference between people with less than 5 years and more than 10 years work experience too. In is important to note that, in terms of the barriers and limitations in Islamic accounting about Zakat there is a significant difference between the groups who have no work experience and the groups with 5 to 10 years work experience. In addition, there is a significant difference between people with 5 to 10 and more than 10 years work experience. The summary of results about the accordance of each of the hypotheses with gender, age, education, field of study and work experience of respondents is shown in Table 15.



Table 15. The summary of results about the accordance of each of the hypotheses with general attributes of respondents

General attributes of participants Hypotheses	Gender	Age	Degree	Educational field	Experience
The accordance of Islamic accounting with Quranic, ethical values	D	N	N	N	D
Level of social responsibilities considered in Islamic accounting	N	N	N	D	N
The importance of paying attention to Zakat in Islamic accounting	N	N	N	N	N
Paying attention to Islamic matters in responding responsibility	N	D	N	D	D
Decreased importance of gain and loss in Islamic accounting	N	N	N	N	N
Level of decreased social and economic problems given the Islamic matters	N	N	D	N	D
Emphasize on social matters in Islamic accounting	N	N	N	N	N
Level of development of Islamic accounting's goals based on profitability for decision-making and responsibility	D	D	N	D	D
Barriers and limitations in Islamic accounting given the Zakat	N	D	N	N	D
The end goal in Islamic accounting i.e. reaching to Religion destination	N	N	N	D	N
Note: D=There is a significant difference. N=There is not a significant difference.					

### 5) Conclusion and remarks

Since Islam pays a lot of attention to business activities and God in Quran has presented the required guidelines for Man's salvation in this world and the other world, so in economic activities the end goal should be salvation, and accounting

should be in accordance with this goal as the presenting tool for the information in economic environment. Therefore, the goals and characteristics of Islamic accounting not only should present an appropriate picture of business entity, but also should be in a way that encourages business entities toward beneficence and avoidance of injustice. There have stated various goals for Islamic accounting like profitability for decision-making, responsibility, Islamic responsibility and responsibility through Zakat. In Islamic accounting emphasize is on following the Religion and presenting the required information, especially about social responsibility.

In this research, we investigate the connection of factors such as Quranic ethical values, social responsibilities, paying Zakat, responding responsibility, importance of gain and loss, society's economical and social safety, paying attention to social matters of society, profitable responding and decision-making, paying attention to Zakat's barriers and limitations and realizing Religion's goals in Islamic accounting. The results of conducting the tests indicate that if we use Islamic accounting, importance of gain and loss do not decrease, there is no more emphasize on social matters and paying attention to Zakat cannot be considered as a barrier and limitation. Another result of this study can be the equality of the degree social responsibilities considered, the importance of paying attention to Zakat, paying attention to Islamic matters in responding responsibility, decreased importance of gain and loss, the degree of decreased social problems given the Islamic matters, emphasize on social problems, barriers and limitations in Islamic accounting about Zakat and the end goal in reaching the Religion destination with the gender of respondents. In addition, only the degree of decreased social and economical problems given the Islamic matters is different and the rest of the hypotheses are identical in terms of education.

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