

## **Syari'ah-Based Accounting (sbA) : Awareness of Accounting Academicians in Malaysia**

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### **ABSTRACT**

Financial reporting based on *Syari'ah* is very important to ensure reliability and usefulness of information. The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) has developed various accounting and auditing standards to ensure the quality of financial reports produced by institutions involved in Islamic products. The Malaysian Accounting Standards Board (MASB) has also taken the effort to come out with FRS-i-1, *Presentation of Financial Statements of Islamic Financial Institutions* (formerly known as MASB-i-1), to follow in the footsteps of AAOIFI. The education sector could take part in this caravan by updating the curriculum to incorporate the changes that are happening to better prepare the future workforce. However, very few institutions of higher learning in Malaysia offer *Syari'ah*-based Accounting (SbA) courses in their accounting programmes. The purpose of this study is to identify the level of awareness and knowledge of accounting academicians on SbA and to determine whether there is a need to offer SbA courses in institutions of higher learning so as to equip future accountants with SbA knowledge. Therefore, the objective of this study is to examine the level of awareness of SbA amongst accounting academicians and to understand reasons for higher learning institutions in Malaysia to offer SbA courses in their accounting programmes in the future. The respondents of this study were 40 accounting lecturers from selected Malaysian public institutions of higher learning. This study showed that there was a high degree of awareness among the academicians who agreed that SbA

is needed to account for Islamic products and the majority agreed that SbA should be offered at institutions of higher learning. This study has several implications for society, government policies and education sectors. The academicians foresee the

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future needs of SbA in order to meet the demand in the Islamic Capital Market.

*Keywords:* *Syari'ah*-based accounting, level of awareness, academicians

## INTRODUCTION

The Islamic banking industry in Malaysia has been growing at the rate of 19% per annum in terms of assets since the year 2000. In the Economic Report 2012/2013 by the Ministry of Finance, the Islamic banking business was stated to have continued to expand in the first seven months of 2013 with total assets increasing by 20.6% to RM469.5 billion. This alone represents 24.2% of the assets of the country's banking system (Borneo Post online, 2013). The need for accounting system based on *syari'ah* principles to cater for Islamic Capital Market (ICM) is escalating and this is evidenced by the issuance of the accounting standard on Presentation of Financial Statements of Islamic Financial Institutions (FRSi-1) and the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) standards.

*Syari'ah* is the code of law based on the *Quran* (American Heritage Dictionary, 2005). *Syari'ah* covers not only religious rituals, but also many aspects of day-to-day life, politics, economics, banking, business or contract law and social issues. *Syari'ah*-based Accounting (SbA) is a term used to capture the nature and orientation of Islamic accounting that is based on Islamic principles. SbA includes accounting for

Islamic products built on FRSi-1 and AAOIFI standards. Individual Muslims generally and entrepreneurs specifically are concerned with the development and implementation of accounting books, systems and recording procedures.

This interest is inspired by the need to comply with the requirements of *syari'ah* principles as stated in the Muslims' divine laws, Al-Quran and *As-Sunnah*. Verses 282<sup>1</sup> and

<sup>1</sup>O ye who believe! When ye deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing. Let a scribe write down faithfully as between the parties: let not the scribe refuse to write: as *Allah* Has taught him, so let him write. Let him who incurs the liability dictate, but let him fear His Lord *Allah*, and not diminish aught of what he owes. If the party liable is mentally deficient, or weak, or unable himself to dictate, Let his guardian dictate faithfully, and get two witnesses, out of your own men, and if there are not two men, then a man and two women, such as ye choose, for witnesses, so that if one of them errs, the other can remind her. The witnesses should not refuse when they are called on (*For evidence*). Disdain not to reduce to writing (*your contract*) for a future period, whether it be small or big: it is juster in the sight of *Allah*, More suitable as evidence, and more convenient to prevent doubts among yourselves but if it be a transaction which ye carry out on the spot among yourselves, there is no blame on you if ye reduce it not to writing. But take witness whenever ye make a commercial contract; and let neither scribe nor witness suffer harm. If ye do (*such harm*), it would be wickedness in you. So fear *Allah*; For it is Good that teaches you. And *Allah* is well acquainted with all things. If ye are on a journey, and cannot find a scribe, a pledge with possession (*may serve the purpose*). And if one of you deposits a thing on trust with another, let the trustee (*faithfully*) discharge his trust, and let him Fear his Lord conceal not evidence; for whoever conceals it, - his heart is tainted with sin. And *Allah* knoweth all that ye do. (*Al-Baqarah* : 282)

283<sup>2</sup> of *Surah Al-Baqarah* (second chapter) in the *Quran*, for instance, specifically require the writing and recording of debts and business transactions (Yusof Ali, 1946). The importance of recording of business deals according to specific requirements in Islam is strengthened further by the fact that verse 282 is the longest verse in the *Quran*.

There are urgent calls for the Islamic financial markets in Malaysia to have, amongst others, knowledge and expertise, if Malaysia wants to realise her aspiration to become the international Islamic financial hub for Asia. The Financial Sector Master Plan (FSMP) issued by the Bank Negara Malaysia in 2001 has outlined the general objectives of the Islamic banking and *takaful* industry, which is to create an efficient, progressive and comprehensive Islamic financial system that contributes significantly to the effectiveness and efficiency of the Malaysian financial sector. Among the steps that have been mentioned by the master plan to meet these objectives is to enhance knowledge and expertise in the banking and *takaful* industries under the institutional capacity enhancement strategy. Moreover, FSMP specifically outlined the need to enhance

<sup>2</sup>If ye are on a journey, and cannot find a scribe, a pledge with possession (may serve the purpose). And if one of you deposits a thing on trust with another, Let the trustee (Faithfully) discharge His trust, and let him fear his Lord. Conceal not evidence; for whoever conceals it,- His heart is tainted with sin. And Allah Knoweth all that ye do. (Al-Baqarah: 283)

the teaching of Islamic banking and *takaful* in the school curriculum and in institutions of higher learning as part of its complimentary measures (Financial Sector Master Plan, 2001). The authors are of the opinion that even though SbA was not mentioned in this FSMP directly, SbA treatments are important to cater for Islamic banking and *takaful* operations.

This study is further initiated by the existence of a gap between the ICM requirements above and the offerings of the education system. We discovered that only the International Islamic University Malaysia (IIUM) offers SbA courses in its accounting programme. SbA courses are not specifically mentioned or emphasised to be offered or to become core courses under the Criteria and Standards for Programmes Offered in the Field of Accounting in Public Universities in Malaysia. As part of the Malaysian National Education Philosophy, effort is needed to produce Malaysian citizens who are knowledgeable and competent, who possess high moral standards and who are responsible and capable of achieving a high level of personal well-being and who are able to contribute to the harmony and betterment of the family, the society and the nation at large.

Based on the above perspectives, it is believed that accounting academicians should be aware of the importance and the need of SbA exposure to future accountants. As far as we are concerned,

the level of SbA understanding among the accounting academicians in Malaysia is still low.

The purpose of this study are to identify the level of awareness and knowledge of accounting academicians of SbA and to determine whether there is a need to offer SbA courses in the institutions of higher learning so as to equip future accountants with SbA knowledge. The paper is organised as follows: first, the comparison between SbA and conventional accounting; second, the need of SbA in business and economic practice; third, the importance of SbA education; fourth, the research method used; fifth, the results and discussion of the findings; and finally, the conclusion and some recommendations for future research.

## LITERATURE REVIEW

### *Syari'ah based Accounting (SbA) vs. Conventional Accounting*

The concept of *Syari'ah*-based Accounting (SbA) or, as it is widely known, Islamic accounting, is very different from the capitalist accounting or conventional accounting system.

According to Hameed (2003), Islamic accounting is “the accounting process which provides appropriate information to stakeholders of an entity to ensure that entity is continuously operating within Islamic *shari'ah* boundary and delivering on its socioeconomics objectives.”

On the contrary, conventional accounting is defined as “the identification, recording, classification, interpretation and communication of economic events to permit users to make informed decision” (AAA, 1966). Conventional accounting aims to permit informed decisions for allocating scarce resources to their most efficient and profitable uses (FASB, 1978).

The Islamic accounting definition stands on the concept of *syari'ah* based on Islamic principles whereas conventional accounting is based on capitalist interpretation. It is solely based on economic events without any reference to religious belief. Islamic accounting ensures that Islamic organisations abide by the principles of *syari'ah* or Islamic law in their dealings and enable the assessment of whether the objectives of the organisation are being met (Hameed, 2003). *Syari'ah* law is a broad concept comprising divine law governing the life of individual Muslims in their relationships with Allah, individual human beings and others. The rule in *Syari'ah* law is based on the *Quran*, *Hadith*, *Ijma'* and *Qiyas*. Theoretically, SbA is designed to be consistent with the *Syari'ah* law underpinning the main principles from the *Quran* and *Hadith*.

*The need for Syari'ah-based Accounting or Islamic Accounting*

Much of the literature discusses the importance of and the need for Islamic Accounting. Gambling and Karim (1986), for example, emphasised the possible impact of Islamic user needs on financial reporting, especially on the prohibition of *riba* (usury) and the obligation to pay *zakat*. The essential Islamic characteristics in accounting must be based on the *Quran* and *Hadith*. The *Quran* is often quite specific in the obligations and prohibitions it lays upon followers of Islam regarding matters that impinge upon commercial and financial affairs (Baydoun & Willet, 2000).

The insistence of Islam on the moral code of *syari'ah* in commercial dealings is similar to the application of medieval canon law in Western European society, which was circumvented by the rise of capitalism (Gambling & Karim, 1991).

The explanation of the prohibition of *riba* related to the Islamic attitude to the time value of money is discussed by Abdel Karim (1995). Some Muslim scholars such as Gambling and Karim (1991) argued that the law against the charging of interest makes the time value of money an unacceptable concept to a Muslim. On the other hand, Abdel Karim (2005) argued that the acceptance of the concept of the time value of money might simply provide

another avenue by which the prohibition on usury could be avoided. Baydoun and Willet (2000) viewed that the time value of money concept is central to the approach to valuation used in many Western accounting measurement theories and it would seem to prevent the kind of theoretical support for theories of asset and liability valuation often presumed by Islamic writers.

Hameed (2000) identified the need for Islamic accounting based on two dimensions: push factors and pull factors. The push factors resulted from the critique of conventional accounting; problems of decision-usefulness framework, social and environmental issues, public interest arguments, etc. The pull factors are motivated from the inappropriateness of conventional accounting objectives from Islamic perspectives. This was agreed by Rahman (2000), who stated that conventional accounting rules are inappropriate for *zakat* purposes, referring specifically to valuation of inventories, account receivables and the concept of conservatism and prudence.

*The importance of education on Syari'ah-based Accounting*

Previous study by Hamid and Nordin (2001) revealed that only 27.3% of the Malaysian Muslim population completely understood the differences between Islamic banks and conventional banks although almost 100% of the Muslim

population was aware of the existence of Islamic banks. More than 70% of the Muslim population did not understand the difference between Islamic banks and conventional banks due to lack of understanding contributed by minimal emphasis on *mua'malat* principles (daily transaction activities according to Islam) in the Malaysian education system. This implied that even if the Malaysian Muslim population were aware of the existence of Islamic institutions, understanding of Islamic accounting for Islamic product is minimal among the practitioners (Abdullah, Maswati, & Asna, 2005).

Amin, Rahman and Ramayah (2009) study the undergraduate students' acceptance level of an Islamic accounting course using the theory of reasoned action (TRA) and emphasise the factors affecting the acceptance of students into an Islamic accounting course in Malaysian universities. Muslims' understanding of Islamic accounting and *syari'ah* law in business and financial dealings needs to be further enhanced through the education system, training and development and greater publicity. Elgari (1999) asserted that, "It is part of our Islamic belief that our *syari'ah* is capable of accommodating all our legitimate needs. If we fail to catch with others, it is due to lack of effort on our part."

Altarawneh and Lucas (2012) contributed to the understanding of the neglect of Islamic accounting in Islamic countries and provided insight into the prospects for and barriers to wider adoption of Islamic accounting in future. According to Sarea and Hanifah (2013) there is a need for Islamic Accounting Standards for Islamic financial institutions (IFIs). It is argued that the neglect of Islamic accounting in Islamic countries could be attributed to Islamic accounting not meeting the needs of users rather than acculturation or economic dependency (Velayutham, 2014). This is further emphasised by Karim (2005) that one of the challenges ahead for the Islamic financial services industry (IFSI) is the development of talent and human capital. Adequate and qualified human resource is needed to strengthen the industry through innovation and sophistication. Shortage of skilled, well-trained and a high-calibre workforce are major impediments to its future growth. An insufficiently equipped pool of scholars of both Islamic laws and modern finance to serve on the *Syari'ah* supervisory board of International Islamic Financial Services (IIFS), for instance, may hinder the proper development of the market. Therefore, in this case, the Islamic Development Bank (IDB) and Islamic Financial Services Board (IFSB) have made a joint effort to produce a 10-year

Master plan for the IFSI to incorporate one of the challenges, which is human capital and talent development.

SbA courses are proposed to enhance the knowledge of accounting students and accounting practitioners in preparation of accounting reports and financial statements of the Islamic institutions, in particular, Islamic Banking and Finance, *Takaful* (Insurance), *Zakat* (Obligatory Levy) and Ar Rahn (Islamic Pawn). Such SbA courses will include, among others, zakat accounting, muamalat and *syari'ah* law, property valuation from the Islamic perspective, the current value concept on Income Statement and the Balance Sheet, *Syari'ah*-based auditing concept, Islamic business ethics, Islamic Contracts and Islamic accounting theory based on the *Quran*, *Hadith*, *Ijmak* and *Qias*.

Several authors have explained the importance and implications of Islamic accounting to account for Islamic products. However, the level of SbA awareness among academicians has yet to be examined in the context of Malaysian institutions of higher learning.

## RESEARCH METHOD

Questions on the level of awareness were measured on a 5-point Likert scale, ranging from strongly disagree

(1) to strongly agree (5). There were 9 items measuring the level of awareness of accounting academicians on the need of SbA in the industry, particularly on institutions offering Islamic financial services. The survey was carried out from August 2005 to October 2005. Due to time constraints, a total of 100 questionnaires were personally administered and sent out to academic staff of selected Malaysian public institutions of higher learning. The respondents were given between two and three weeks to return the surveys to the researcher.

A total of 40 questionnaires were returned and used for analysis. This represented a response rate of 40%. A series of peer discussions was also carried out to get more detailed explanation of the respondents' opinion regarding SbA awareness and the need for offering this subject in the Malaysian institutions of higher learning. The frequency analysis and parametric test on correlation analysis were carried out since the frequency distribution of this data was normal and the size of the sample cases in the population was more than 30. The questionnaire consisted of three sections: the first section was designed to collect information about the respondents' background as shown in Table 1.

TABLE 1  
Profiles of Respondents

Age	Frequency	%
30 years and below	7	17.5
31-35 years	13	32.5
36-40 years	6	15
41-45 years	6	15
46-50 years	7	17.5
51 years and above	1	2.5
<b>Gender</b>		
Male	12	30
Female	28	70
<b>Current employment—academicians in public institutions of higher learning</b>		
UPM	10	25
UKM	4	10
UIAM	9	22.5
UITM	16	40
UM	1	2.5
<b>Qualification</b>		
Master's & Degree in Accounting	19	47.5
PhD in Accounting	5	12.5
Master's in other than accounting	8	20
Professional Qualification & Academic Accounting Qualification	8	20
<b>Academic experience in Accounting</b>		
1 year and below	1	2.5
2-5 years	10	25
6-10 years	13	32.5
11-15 years	4	10
16 years and above	12	30
<b>Practical experience in Accounting</b>		
1 year and below	25	62.5
2-5 years	13	32.5
6-10 years	1	2.5
11-15 years	1	2.5

About 47.5 % of the respondents held a master's degree in accounting while 20% held a master's degree in other than accounting. Another 12.5 % held a PhD in accounting. About 20% had a combination of professional qualification and academic qualification. Thus, more than 80 % of the respondents had a strong accounting background. Age-wise, about 65 % of the respondents came from the age group of 40 years and below. In addition, about 72.5 % of the respondents had more than 6 years' academic experience in accounting. In terms of industry exposure, about 32.5 % had 2 to 5 years of practical experience.



The second section of the questionnaire was designed to measure the awareness of the respondents of SbA. The respondents were asked to indicate their perceptions and awareness of the nature and orientation of Islamic Accounting, which is based on Islamic principles. In the third or final section of the questionnaire, the respondents were asked to indicate the relevance of SbA knowledge to the industries and the need to offer SbA courses in the tertiary level of education in Malaysia. They were also asked for suggestions on the possible courses to be offered in these institutions.

The Cronbach Alpha reliability test had also been carried out on the items to measure the level of awareness of SbA among the respondents, their perception of relevancy of SbA knowledge to the industry and the need to offer SbA courses in institutions of higher learning. It is a

measure based on the internal consistency of the items. The Alpha values were 0.726 (for the items measuring the level of awareness), 0.887 (for items measuring relevance of SbA knowledge to industries) and 0.917 (for courses perceived to be of high benefit to the industry). By rule of thumb, an Alpha value between 0.7 and 0.79 is acceptable while an Alpha value greater than 0.8 is considered good (George & Mallery, 2001). Thus, these items were considered reliable for further analysis.

**RESULTS AND DISCUSSION**

*Awareness and perceptions of Syari'ah-based Accounting (SbA)*

The results of respondents' perceptions and awareness of SbA knowledge and Islamic accounting standard requirements are shown in Table 2.

TABLE 2  
The frequency of Respondents' Awareness of SbA

Item	Agree and strongly agree %	Disagree and strongly disagree %
1. SbA standards are needed to account for Islamic Instrument	100%	-
2. The growth of ICM leads to the need to have different accounting requirements for different types of Islamic products.	90%	10%
3. SbA standards can facilitate the need of accounting users.	92.5%	7.5%
4. Proper development of ICM requires proper accounting regulation.	97.5%	2.5%
5. Accountants should provide information to enable society to follow God's commandments.	95%	5%
6. SbA standards need to be complied with to enable Islamic institutions to perform their roles effectively.	95%	5%
7. Accountability of SbA is that the management need to be accountable within and outside the firm.	95%	5%
8. Accounts should disclose everything that important to users for serving God.	92.5%	7.5%
9. SbA must be adopted as mandatory requirement for every Islamic institution.	90%	10%

All respondents (100%) agreed that SbA was needed to account for Islamic Financial Instruments. This is consistent with the *Syariah* Advisory Council (SAC) requirements and provisions for the existing Islamic Accounting Standards such as AAOIFI and FRSi-1. About 92.5% of the respondents were agreed and strongly agreed that SbA could facilitate the need of the accounting users and the accounts should disclose everything that is important to users for serving God.

About 95% of the respondents also agreed and strongly agreed that accountants should provide information to enable society to follow God's commandments. SbA standards need to be complied with to enable Islamic institutions to perform their roles effectively while management need to be accountable within and outside the firm by providing proper accounting records to the users. These are among the important criteria for corporate governance principles, the code of business conduct in Malaysia. Consistently, 92.5% respondents agreed and strongly agreed that the transparency of financial reporting could be achieved when accounts disclosed everything that was important to users for serving God.

In view of the ICM, 90% agreed that the growth of ICM leads to the need to have different accounting requirements

for different types of Islamic products and SbA must be adopted as mandatory requirement for every Islamic institution. As a result, 97.5% perceived that a proper development of ICM requires a proper accounting regulation. These findings indicate that the level of awareness and perception of the respondents of SbA was high. This is consistent with the findings on practitioners' level of awareness on SbA (Abdullah, Maswati, & Asna, 2005).

*The need for Syari'ah-based Accounting*

Nevertheless, Table 3 demonstrates the respondents' awareness of the existence of SbA standards.

TABLE 3  
The Frequency of Respondents' Awareness of the Existence SbA standards

Item	Aware (%)	Unaware (%)
1. Have you heard of FRSi?	55.0	45.0
2. Have you heard of AAOIFI?	52.5	45.0

The respondents' awareness on the existence of FRSi-1 is 55 %, which represents 22 respondents. A level of awareness of AAOIFI existence is 52.5 % representing 21 respondents. However, one respondent did not answer the question on AAOIFI. We perceived that the respondents' level of awareness of FRSi-1 and AAOIFI existence was

moderate. However, all the respondents (100%) agreed that there was a need to have SbA standard. This is consistent with the views of accounting practitioners in a study by Abdullah, Maswati and Asna (2005), which showed that 91.3 % of respondents agreed that there was a need for SbA to account for Islamic products as well as other products. Among the reasons given were:

- The existing conventional systems are not really efficient for certain transactions. There is also the need to educate people who are used to the existing conventional system.
- It is important for Muslims to apply SbA for the purpose of serving *Allah*.
- SbA is needed to standardise the accounting report for Islamic products or services.
- It is important to ensure that Islamic financial institutions comply with Islamic or *syari'ah* law.

In this study, the academicians gave reasons for the need for SbA to account for Islamic products as follows:

- It encompasses Islamic principles and guidelines for accounting.
- It is appropriate and consistent in presenting true and fair view of accounting information.
- It upholds justice and *halal* practices in accounting measurement because

some of the Islamic products are different in measurement.

- It presents uniformity in accounting treatment and is necessary for comparison purposes.

This result proves that, besides the availability of conventional accounting method, SbA was also believed by the respondents to be important and necessary to account for Islamic financial products and other related *Syari'ah*-based products or operations.

In Malaysia, Islamic institutions are required to comply with the requirements of the Islamic Accounting Standard, Company Law, Securities Act and other statutory regulations. However, the application of the Islamic Accounting Standard is still an option for other institutions, which have Islamic products or operations.

#### *The importance of Syari'ah-based Accounting education*

The survey also found that 90 % of the respondents both agreed and strongly agreed that accountants should be equipped with SbA knowledge. They also expressed their agreement on the importance of SbA course(s) to the industry. The details are shown in Table 4 below:

TABLE 4  
The Importance of SbA Courses

	Important & Very important %	Neutral %	Not important & Not important at all %
1. SbA course is needed for business sector	92.5	2.5	5
2. SbA course is needed for ICM	97.5	2.5	-
3. SbA course is needed for Islamic Financial Institutions (e.g. Islamic banks & takaful)	97.5	2.5	-
4. SbA course is needed for Islamic Institutions (e.g. Pusat Zakat, Tabung Haji)	92.5	5	2.5

More than 90 % of the respondents perceived the importance of future accounting and finance graduates pursuing SbA courses in order to fulfil the human resource needs of the business sectors (e.g. commercial, professional services), Islamic capital market, Islamic Financial Institutions (e.g. Islamic banking, *takaful*) and other institutions offering Islamic Financial Services (e.g. *Pusat Zakat, Tabung Haji*). Among the reasons given were:

- To increase the SbA expertise and knowledge of future accounting graduates in dealing with Islamic products or operations
- It is relevant to the industry and the business today.

This finding is consistent with the earlier study by Abdullah, Maswati and Asna (2005). It revealed that 87 % of the responding practitioners agreed that teaching of SbA courses in the institutions

of higher learning was relevant to the industries.

Table 5 below shows that respondents' perception that accountants should be equipped with SbA knowledge was positively correlated with the perceived importance that an SbA course was needed for the business sector ( $r = .631, p < 0.01$ ), positively correlated with SbA course was needed for ICM ( $r = .686, p < 0.01$ ) and Islamic Financial Institutions ( $r = .430, p < 0.01$ ), respectively. The number is 37 out of 40 respondents. This shows that the level of awareness was high among the academicians at higher institutions in Malaysia and their perception of the importance of an SbA course for the business sector, Islamic financial Institutions and eventually for the Islamic Capital Market.

TABLE 5  
Pearson Correlations on SbA

		Accountants should be equipped with SbA knowledge.	An SbA course is needed for the business sector	An SbA course is needed for the Islamic capital Market	An SbA course is needed for financial institutions (e.g. Islamic banking, <i>Takaful</i> )	An SbA course is needed for Islamic institutions (e.g. <i>Pusat Zakat, Tabung Haji</i> )
Accountants should be equipped with SbA knowledge.	Pearson Correlation Sig. (2-tailed) N	1  37	.631** .000 37	.686** .000 37	.430** .008 37	.305 .066 37
An SbA course is needed for the business sector	Pearson Correlation Sig. (2-tailed) N	.631** .000 37	1  40	.526** .000 40	.392* .012 40	.620** .000 40
An SbA course is needed for the Islamic Capital Market	Pearson Correlation Sig. (2-tailed) N	.686** .000 37	.526** .000 40	1  40	.699** .000 40	.592* .000 40
An SbA course is needed for financial institutions (e.g. Islamic banking, <i>Takaful</i> )	Pearson Correlation Sig. (2-tailed) N	.430** .008 37	.392* .012 40	.699** .000 40	1  40	.647** .000 40
An SbA course is needed for Islamic institutions (e.g. <i>Pusat Zakat, Tabung Haji, oundations</i> )	Pearson Correlation Sig. (2-tailed) N	.305 .066 37	.620** .000 40	.592* .000 40	.647** .000 40	1  40

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

All respondents' perception that an SbA course is needed for the business sector was also positively correlated with the perceived importance that an SbA course was needed for ICM, ( $r = .526, p < 0.01$ ), Islamic Financial Institutions ( $r = .392, p < 0.05$ ), and other Islamic institutions ( $r = .620, p < 0.01$ )

Similarly, all respondents' perception that an SbA course was needed for ICM was also positively correlated with the perceived importance that an SbA course was needed for Islamic Financial Institutions ( $r = .699, p < 0.01$ ) and other Islamic Institutions ( $r = .592, p < 0.05$ ). SbA course needed for Islamic Financial Institutions was also positively correlated with SbA course needed for other institutions ( $r = .647, p < 0.01$ ).

This result proves that, besides the availability of conventional accounting method, SbA course is also believed to be important and needed to account for the business sector and Islamic institutions, in particular. These courses should be taught at the higher level of education and in universities in order to advance the knowledge of accounting students with Islamic principles.

Respondents were also asked to select courses they think are of high benefit to the industry and should be offered in the accounting programme. The majority of the respondents (94.4%) agreed that SbA or Islamic accounting should be offered in the accounting programme while 87.5% of the respondents agreed that both Islamic finance and Islamic

banking courses should be offered in the accounting programme. The majority of respondents also agreed that Islamic economics, Islamic ethics, *Syari'ah*-based auditing, *zakat*, *takaful* and Islamic contracts should also be offered.

From the survey, it was found that among the factors resulting in other institutions not yet offering SbA were: SbA was not in the current curriculum, and lack of teaching expertise in SbA. This suggests that there is no 'push' factor from the regulators and higher authority to offer SbA courses despite there being a need for SbA knowledge for future accountants and other related parties in the ICM environment.

## RECOMMENDATION AND CONCLUSION

This study showed that there was a high degree of awareness among the academicians who agreed that SbA was needed to account for Islamic products and the majority agreed that SbA should be offered at the institutions of higher learning. Most of the respondents strongly agreed that the future accountants should be equipped with SbA knowledge in order to be more competent and competitive in the job market.

This study has several implications to society, government policies and the education sector. The academicians foresaw the future needs of SbA in order to meet the demand in the Islamic Capital Market. Currently, the practitioners' lack of knowledge in SbA may deteriorate public

confidence in business and financial services, especially those dealing with Islamic transactions. The data can be improved further by overcoming some of the limitations by increasing the number of respondents to include others from other universities and conducting face-to-face interviews to collect better views and to reduce the respondents' resistance to answering questionnaires.

The future study is to explore the government and policy makers' views on the SbA courses and the mechanism on how these courses could be offered to existing Bachelor Accounting programmes at university level. It is hoped that Islamic accounting (SbA) knowledge will reinforce the current accounting curriculum thus, facilitating the industry with more competent accounting graduates.

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**APPENDIX**

**SECTION 1: RESPONDENTS BACKGROUND**

The answer to the following questions would enable us to classify and analyse the respondents in a statistical manner. Please be assured that any information you provide in this section is *strictly confidential* and will only be used for the purpose of this research. (For each question please tick the appropriate box or state in the space provided)

1. Please state your age:

- (a) 30 years and below
- (b) 31 – 35 years
- (c) 36 - 40 years
- (d) 41 - 45 years
- (e) 46 - 50 years
- (f) 51 years and above

2. Please state your gender:

- (a) Male
- (b) Female

3. Please state your present employment:

- Academician in:**
- (a) Public University
  - (b) Private University
  - (c) Private College
  - (d) Foreign University
  - (e) Others, please specify \_\_\_\_\_

4. Please state your educational background and qualifications (Tertiary level) – If relevant, please tick more than one box.

<b>Qualifications</b>	<b>Tick</b>
Diploma in Accounting	<input type="checkbox"/>
Diploma in Other than Accounting: (Please specify) _____	<input type="checkbox"/>
Advance Diploma in Accounting	<input type="checkbox"/>
Advance Diploma in Other than Accounting: (Please specify) _____	<input type="checkbox"/>
Bachelor Degree in Accounting	<input type="checkbox"/>
Bachelor Degree in Other than Accounting: (Please specify) _____	<input type="checkbox"/>
Masters Degree in Accounting	<input type="checkbox"/>
Masters in Business Administration (specialising in Accounting)	<input type="checkbox"/>
Masters Degree in Other than Accounting:(Please specify) _____	<input type="checkbox"/>
PhD/Doctorate in Accounting	<input type="checkbox"/>
PhD/Doctorate in Other than Accounting:(Please specify) _____	<input type="checkbox"/>
Professional Accounting Qualification (Please specify): _____	<input type="checkbox"/>
Other qualification (Please specify): _____	<input type="checkbox"/>

5. Please state your religion:

- |                 |                          |             |                          |                      |                          |
|-----------------|--------------------------|-------------|--------------------------|----------------------|--------------------------|
| (a)Islam        | <input type="checkbox"/> | (d)Budhism  | <input type="checkbox"/> | (g) Others,          | <input type="checkbox"/> |
| (b)Christianity | <input type="checkbox"/> | (e)Hinduism | <input type="checkbox"/> | Please specify _____ |                          |
| (c)Sikhism      | <input type="checkbox"/> | (f)None     | <input type="checkbox"/> |                      |                          |

6. Please state your years of working experience as an academician (lecturer/tutor) in the area of:

(i) Accounting

- |                    |                          |
|--------------------|--------------------------|
| 1 year and below   | <input type="checkbox"/> |
| 2 - 5 years        | <input type="checkbox"/> |
| 6 - 10 years       | <input type="checkbox"/> |
| 11 - 15 years      | <input type="checkbox"/> |
| 16 years and above | <input type="checkbox"/> |

(ii) Other than accounting: (Please specify) \_\_\_\_\_

- |                    |                          |
|--------------------|--------------------------|
| 1 year and below   | <input type="checkbox"/> |
| 2 - 5 years        | <input type="checkbox"/> |
| 6 - 10 years       | <input type="checkbox"/> |
| 11 - 15 years      | <input type="checkbox"/> |
| 16 years and above | <input type="checkbox"/> |

7. Please state your years of working experience in accounting practice other than academic:

- |                    |                          |
|--------------------|--------------------------|
| 1 year and below   | <input type="checkbox"/> |
| 2 - 5 years        | <input type="checkbox"/> |
| 6 - 10 years       | <input type="checkbox"/> |
| 11 - 15 years      | <input type="checkbox"/> |
| 16 years and above | <input type="checkbox"/> |

**SECTION 2: LEVEL OF AWARENESS**

The objective of this section is concerned with establishing the perception and awareness of academicians on the nature and orientation of Islamic Accounting which is based on Syari'ah principles. In this survey, we will use the term **Syari'ah based Accounting (SbA)** to capture the nature and orientation of Islamic Accounting which is based on Syari'ah principles. SbA basically refers to accounting for Islamic Products built on MASB-i standard/AAOFI standards. Please be assured that any information you provide in this section is *strictly confidential* and will only be used for the purpose of this research. (For each question please tick the appropriate box or state in the space provided)

1. Knowledge of Syari'ah based Accounting

(a) Are you aware of MASB-i (Accounting standard on *Presentation of Financial Statements of Islamic Financial Institutions*) ?

(i) Yes, please go to question 1(b)  (ii) No, please go to question 4

(b) When did you first heard of Syari'ah based Accounting standards?

(i) 1 year and below	<input type="checkbox"/>
(ii) 2 - 3 years	<input type="checkbox"/>
(iii) 4 - 5 years	<input type="checkbox"/>
(iv) 6 - 10 years	<input type="checkbox"/>
(v) 11 years and above	<input type="checkbox"/>

(c) Have you heard of AAOIFI (Accounting and Auditing Organisation of Islamic Financial Institutions)

(i) Yes  (ii) No

(d) Do you think that there is a need for Syari'ah based Accounting standard to account for Islamic Products (IP)?

(i) Yes  (ii) No

Why?

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2. Have you heard of any training institutions for Islamic capital market?

(i) Yes, please specify

(ii) No

(a) \_\_\_\_\_

(b) \_\_\_\_\_

(c) \_\_\_\_\_

3. The questions below are using the Likert scale. Please respond to the following questions by circling the best answer according to the number given.

1= strongly disagree

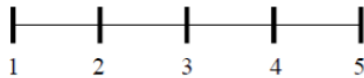
2= disagree

3= neutral

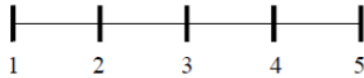
4= agree

5= strongly agree

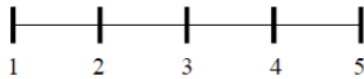
(i) Syari'ah based Accounting standards are needed to serve Islamic financial instruments.



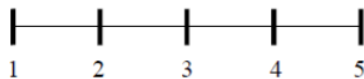
(ii) MASB-i was established from syari'ah requirement.



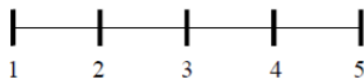
(iii) The growth of Islamic capital market leads to the need to have different accounting requirements for different types of Islamic Products.



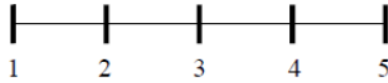
(iv) Syari'ah based Accounting standards can facilitate the needs of the users of accounting information.



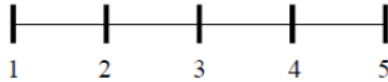
(v) Proper development of Islamic capital market requires a proper accounting regulation.



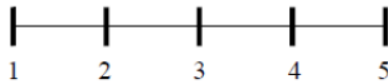
(vi) Accountants should discharge their accountability by providing information to enable society to follow God's commandments.



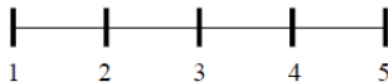
(vii) Syari'ah based Accounting standards need to be developed and complied with to enable Islamic institutions to perform their roles effectively.



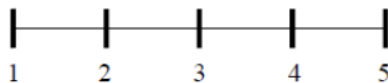
(viii) Historical cost concept is acceptable in Syari'ah based Accounting.



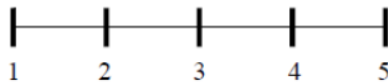
(ix) Accrual basis of income recognition meets the requirement of Islamic objectives to determine the real wealth of an entity.



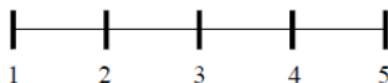
(x) Matching principles meet the requirement of Islamic objectives to provide fairness and justice to shareholders.



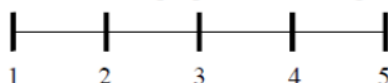
(xi) Matching principles meet the requirement of Islamic objectives to provide fairness and justice to stakeholders.



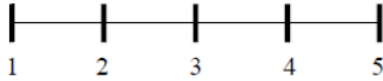
(xii) Accountability in Syari'ah based Accounting is that the management and providers of capital need to be accountable for their actions both within and outside the firm by providing proper accounting and reporting.



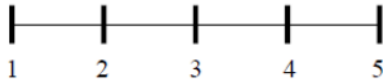
(xiii) Accounts should disclose everything that is believed to be of importance to users for the purposes of serving God.



(xiv) Syari'ah based Accounting standards must be adopted to become a mandatory requirement for every Islamic Financial Institution.



(xv) Syari'ah based Accounting standards are needed to serve all types of financial instruments.



4. Do you agree/ disagree that Financial reporting based on Syari'ah principles is necessary to account for Syari'ah based transactions/ products / operations?

(i) Agree

(ii) Disagree