Globethics Repository




# The Contribution of Islamic Ethics towards Ethical Accounting Practices

This page was generated automatically upon download from the Globethics Repository. More information on Globethics see https://www.globethics.net. Data and content policy of Globethics Repository see https://repository.globethics.net/pages/policy.

| | |
|---|---|
| Item Type | Article |
| Authors | Ayu Yunanda, Rochania;bt. Abd. Majid, Norakma |
| Publisher | ICSEARD ( Indonesian Center for Social and Environmental Accounting Research and Development) |
| Rights | Creative Commons Copyright (CC 2.5) |
| Download date | 2026-11-02 09:57:59 |
| Link to Item | http://hdl.handle.net/20.500.12424/184073 |

*Issues in Social and Environmental Accounting*
Vol. 5, No. 1/2 December 2011
Pp 124-137

# THE CONTRIBUTION OF ISLAMIC ETHICS TOWARDS ETHICAL ACCOUNTING PRACTICES

**Rochania Ayu Yunanda**[1 *)]
Islamic Accounting Department
Sekolah Tinggi Ekonomi Islam Tazkia (STEI Tazkia)
Indonesia
**Norakma bt. Abd. Majid**[2]
Faculty of Management and Economics
Universiti Malaysia Terengganu (UMT)
Terengganu, MALAYSIA

**Abstract**

The professional ethics of accountants is an important issue directly relating to the integrity of the profession and its ability to secure the public trust. The fraudulent activities in accounting field indicate the failure of accounting education as the beginning stage of the practice. It is perceived that those happen due to deficiency of moral values inserted in the education level. Inevitably, education system is alleged as the main cause of the problem. Accounting education seeks for moral values to generate ethical accountants as part of society. Accordingly, the visibility of ethics education in accounting programs may initiate the development of morality and also increase public confidence in the profession. However, the efforts to integrate ethical values in educational system will not work well if there are no moral commitments implanted in the individuals. Islam with its divine values plays the notable role to embed cognitive ethical values. It emphasizes on the unity of God, the accountability to God and the concept of maslahah (public benefits) to be the foundations of ethics. Incorporating Islamic ethics into the system will be a significant contribution towards generating ethical accounting education. This paper attempts to elucidate how the Islamic ethics contribute its role towards ethical accountants as the products of accounting education.

**Keywords**: *management accounting, health, savety, environment, performance, supply chain, Indonesia*

[1] Rochania Ayu Yunanda is Lecturer of Islamic Accounting Department, Sekolah Tinggi Ekonomi Islam Tazkia,Tel.: 0878 7071 0101, Email: andatazkia@yahoo.com.
[2] Norakma bt. Abd. Majid is Academic fellow of Accounting and Finance Department, Universiti Malaysia Terengganu
[*)] We would like to take this opportunity to acknowledge my appreciation to everyone who has contributed in the completion of this paper. We would like to convey our sincere gratitude and acknowledgement to our colleagues and all the lecturers of Sekolah Tinggi Ekonomi Islam Tazkia and Universiti Malaysia Terengganu (UMT) who supported and motivated us to write. We truly appreaciate ISEA and ICSEARD team who have given us a golden opportunity so that our paper can be published.

## 1. Accounting in Current Practice: Reaview and Critiques

### Accounting Practice as A Product of Education

Formal education is everywhere acknowledged as the principal channel through which ideas and values of the ruling elite may best be communicated to the younger generation (Hassan, 1996, pp. 26). Through its system, cerebral and analytical values are transferred to the students. Ideally, its process is supposed to produce high-quality students as the output. Education can be spurred to reach this ideal by addressing the issue of values to develop the critical and reflective thinking and also the moral view.

However, education at schools are still based on the traditional idea that science is scientific knowledge itself and insulated from moral values and ethics. Science is not value-free or neutral activity; it is influenced by its cultural, political, and economic context, i.e. by contextual values (Verhoog, 1985, pp. 102). Developing from an industrialized culture makes accounting as a part of science mingled with the secular values.

This secular oriented and pragmatic educational system has influenced the principles in accounting and the educational process as a whole. Consequently, it has affected the accounting practice as the result of accounting education. Hassan (1996, pp. 34) stated that an educational philosophy and system grounded in secularistic ideas (pragmatism, humanism, etc) tend to over-emphasize the idea of self-expression – as in a progressive education – and so called education for citizenship, or for a particular profession, trade, or technical skill. This educational system incidentally has cultivated a psychological effect to the students that the purpose of education is to prepare for the job which will pay them with the largest amount of money and be best fitted to their skills.

### Problems of Lack of Ethics Education

In the context of professional accountant, "education in ethical and professional responsibilities" means a program of learning that provides potential professional accountants with a framework of professional values, ethics and attitudes for exercising professional judgement and for acting in an ethical manner that is in the best interest of the public and the profession (Young and Annisette, 2009, pp. 94). Lacking of these elements resulted the overwhelming accounting scandals and frauds in the global business industries. The case of fraud, falsification and deliberate overstatement of companies' account and other professional misconduct have resulted financial institutions, public and private companies have either been declared distressed or completely close down (Bakre, 2007). The collapse of big companies such as Enron, WorldCom and Global Crossing in the USA and Parmalat in Italy has overthrown the credibility of financial reporting and accountability. Such cases, to some extent, might contribute to unfavourable effect upon countries' economic condition as well as society at large, where a massive unemployment and poverty problem are a core concerns.

Besides that, fraudulent activities have had devastating effects on the financial markets and investors. People inferred

that those took place due to unethical and immoral behaviors of the accountants. The lack of ethics perceived by the public is a severe threat to the accounting profession. People start to blame educational system as it failed to insert moral values into the system. It bring about, the public loss their confidence in business due to corporate scandals. The adjustment to these harms require for a reorientation of ethics education to be incorporated in educational system.

As anticipated by Jacking *et al*. (2007), accounting education system is considered as one of potential remedy to address the profession's ethical crisis. However, in view of Rahman (2003), ethical components in accounting education have been found to be insufficient in which he emphasized that the part of humanizing accountants is still lacking. These trends place higher challenges before the educators of accountant to devise an excellent guidance for potential professional accountant to live up to public expectations.

## The importance of Code of Ethics

At the practical level, the means of ongoing ethical guidance of professional accountants lies in their Code of Ethics. The code is designed as to enforce and ensure that the professionals will act ethically and provides guidance of a high quality of accounting services. The presence of ethical code can serve as a control mechanisms and sanctions for professions. It is anticipated that the code could moderate or decrease the deleterious effect of ethical problems among practitioners. Thus, it facilitates the creation of an ethical environment in accounting practices as the reference to the code could enhance the ethical behavior of the professional. Nevertheless, as the literature indicates, the established code of ethics is not well implemented in the practice. Hooker (2001, pp. 38) argued that the code may be a way of putting added pressure on people to do things that are in the best of that particular company or profession. This indicates that the adoption of code of ethics needs to be articulated by the organization in its routine and daily activities performed by its members. Such practice is regarded as a kind of training to educate member getting used of the code and consequently leading to the enhancement of ethical practices in the workplace.

As it has been claimed, the aim of code is to develop and improve the ethical dimensions of practice. It serves as a framework for ethical practice which may helps professionals to do the right things. Although code of ethical conduct is considered as an important device, they are not sufficient. They do not guarantee members of the profession to comply with the code. Persistent commitment is required to do the right things, otherwise the code will be considered as just enforcement and they will be ignored when the desire for money, power and position become the priorities.

A number of researchers highlighted the failure of AICPA code of ethics to address certain issues in accounting and fail to accomplish the ethical awareness among the practitioners who expected to comply with the Code. In Malaysia, Bakar *et al.,* (2003) conduct a study and found that the By-Laws has no significant influence over the practitioner's action and behaviour due to the fact that most of them were ignorant of the law. This indicates that

the existing code of conduct is failed to develop the ethical awareness among the practitioners. The finding significantly implied the need for a new version of comprehensive and ideal guidelines which can guarantee it enforceability to guide the professional practices toward the ethical professional conduct. It can perhaps be concluded that a code of ethics is not the best way to improve ethical behavior (Carroll, 1998) unless it has been developed based on suitable policy and ethical code to prevent unethical issue repeatedly arise.

More importantly, it has been recognized that ethics and ethical behavior is underpinned by moral reasoning (Jacking *et al*., 2007). Ethics goes beyond the code; it is moral reasoning. The most widely known work in the area of moral reasoning is that of Kohlberg (1969), who developed the theory of cognitive moral reasoning and development (Jacking *et al.,* 2007). Kohlberg's theory is concerned with how judgments are made and why one makes judgment. In general, higher levels of moral reasoning indicate higher level of ethical practices.

On directly engaged to serve the public through the professional judgement on matters related to audit, accounting, tax and consulting services , accountants should realize their roles as moral agents. They have to consider accounting as an activity containing significant moral dimensions. They are expected to have a broader sight that the ethical code should be more than just code. The code provides a point of reference to address the concerns of ethical conduct without enforcement by itself. On the other side, ethics, clearly signal and distinguish right from wrong, good from bad, and justice from injustice (Rahman, 2003). As contented by Irwin and Fry (2007), the ultimate object of ethics may concern on standards of conduct for person or groups, but the content of these standards is fundamentally shaped by the interactions. In short, code may highlight the ethical concern, but what is required by accounting profession is moral character and ethical reasoning ability which is beyond the coverage in the ethical code of conduct. The concept of morality is defined by Irwin and Fry (2007) as a product of the way we think about our contact and associations with other persons and groups and (hopefully) the consideration of their view points. According to the authors, ethics is defined as "the values and beliefs we develop, define and clarify within the context of relationships both interpersonal (e.g. within families and friendships) and even more distant connections (e.g. within professions, religion, cultural/ national identity, environment), our expectations and acknowledged responsibilities in these, and our understanding of the consequences of particular courses of action". Thus, issues of ethic are inescapably involve a discussion of values and belief without which ethical or moral positions could not be legitimately evaluated and revised.

## 2. Ethics and Religion

### The Role of Religion in Promoting Ethics

In view of the definition presented above, the present paper takes a view that when developing a content of ethical code, it is necessary to adopt a different perspective according to religious

context. The incorporation of the religious into the code of ethics for the professionals is expected to provide a means of countering the deficiencies in current Code of Conduct that purely embedded on concept of rationalism. This statement is advocated as it has been claimed by previous researchers that the religion may indirectly have impact upon matters of accounting both in terms of economic behaviour and other cultural values (Baydoun and Willet, 1997). The cultural value of western, usually associated with developed countries may differ from Islamic culture, which is normally resides in developing countries. This difference may influence the perceived ethical problems and ways to solve it. It has indeed been argued that 'accounting can have no purpose outside some metascheme of which some kind of faith is also an integral part' (Gambling and Karim, 1991:13). Faith represent as a core factor in the religion have identified by Keller, *et.al.* (2007: 310) to provide a strong foundation for the behaviour, particularly in the case where ethical judgement is required.

Accordingly, this evidenced that both culture and religion will materialize in (his)her ethical ideology. Subsequently, one's ethical ideology will significantly lead (his)her actions and decisions. Lower level of religiosity was associated with an inclination to engage in unethical behaviour (Keller, *et.al.*, 2007). A study conducted by Greenfield *et.al.* (2007), suggests that there is a significance relationship between an individual's ethical orientation and decision making. In our judgement, between the two ethical orientations suggested by Greenfield *et al.* (i.e. relativism and idealism) the idealism ethical orientation is closely resembled to accounting ethics based on Islamic worldview. In that, the focus of idealism is more on human welfare which mirrored the core values of Islamic model of normative business ethics.

## The Ethics and Business.

There is an increasing attention given to ethics in the field of business. The spread of moral defects among those who are in charge of business is a driver to this move. The erosion of trust by the business's stakeholders is mainly due to the immoral behaviour of the business's administrators ranging from chief executive officers to lower level managers and its employees. Such behaviour may negatively affect the reputation of the business and subject to legal and moral sanctions.

### *The Principles of Ethics.*

The ethics perspective can be better understood by categorizing it into two basic principles of which comprise of personal and professional ethics. The principles of personal ethics are known as morality reflecting the general expectations of any person, acting in any capacity. Meanwhile, the principles of professional ethics are imposed to individuals acting in professional capacity that prescribed required behaviour within the context of professional practices such as accounting, medicine, law and engineering. The following values are underlying the principles of personal and professional ethics respectively;

*Principles of Personal Ethics.*

- Concern for the well being of others.
- Respect for the autonomy of oth-

ers
- Trustworthiness and honesty
- Willingly compliance with the law
- Justice and fair
- Refusing to take any unfair advantage
- Benevolence
- Preventing harm

*Principles of Professional Ethics.*
- Objectivity ;Impartially
- Full disclosures ;Openness
- Confidentiality
- Due diligence
- Fidelity to professional responsibilities
- Avoiding potential or apparent conflict of interest.

***Enforcement Mechanism***

Currently, the Code of conducts by regulators serves as the enforcement mechanism to guide the professional to act ethically. Unfortunately, as revealed by previous research, it claimed that the code of ethics have little or insignificant influence on the behaviour of accountants. As such, the code are never a factor or a source of reference in solving ethical issues due to lack of exposure to ethics and ethical issues, vagueness of the code, absence of actual guidelines on how to solve conflict and not having legal standing to subject offenders to prosecution in the court of law (Bakar et al., 2003).

Obviously, the code of conduct is not a prime solution toward ethical accounting practices. In order for the Code of professional conduct to be of value it is always necessary to have a comprehensive ethical education to complement them (Abd Rahman, 2003). According to Beekun and Badawi, (2005) the enforcement mechanisms in Islamic ethics begin with individual. Realizing that every individual is accountable for their deeds is the most powerful enforcement mechanism, more so than any regulatory and government control.

***Islamic Code of Ethics.***

Currently, the Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI, 1998), represents the only code of ethics having an essence of Islamic Shariah rules and principles developed by the Accounting and Auditing Organizations of Islamic Financial Institutions. Critique by Abdul Rahman (2003) that the AAOIFI code serves as a collection of Islamic ethical concepts and principles but lacks of operational guidance on how to impart the Islamic ethical principles into the Islamic financial institutions. However, he suggested that AAOIFI's code of professional conduct can be used as a material to explain and expose students to the attributes of ethical awareness and principles from an Islamic perspective. More researches are required to explore the ways to put it in practical use as a guide to Muslim accountants and auditors in either financial or non financial institutions to improve their moral and ethical characters.

## 3. The Relationship between Islamic Ethics, Ethical Behaviour and Accounting Practices.

Human interaction is guided by general rules which are universally accepted. Man's acts are joined and related together by the concepts called "universal principles". In general, people are able to differentiate between good and bad things. For instance, they agree to judge

whether honesty, dishonesty, kindness, and arrogance are good or evil. They can judge others based on their acts. Accordingly, acts cannot be separated from faith. Faith should be reflected in acts, and acts should reflect the faith.

## Islamic Ethics

Ethics education concerns with forming and developing values and those with actually changing behaviours. As compared to the west, Islam has competitive values to elevate and refine the ethics. Kamla *et al*. (2006) supported that unity, trusteeship, and accountability are the three concepts of Islam and also the pillars of the environmental ethics of Islam. Besides that, Beekun and Badawi (2005) mentioned that criteria of Islamic ethics system encompass justice and balance, trust and benevolence. Having deep insight in the concept of *tawhid*, accountability, and benevolence as the concrete acts guides the individuals to raise innate ethics.

### *Tawhid*

Believing in one and the only God is the paramount essence of Islam. Adherence to the concept of *tawhid* (the unity of God) and submissiveness to Allah determine individuals' morality. Believing that Allah is observing the acts of His servants engenders Allah-fearing conduct in everything. This leads to the obedience of Qur'anic ordinances and Sunnah as the primary rules and man-made rules in particular.

### *Accountability*

Hisab or "account" is the root of accounting, accountable, and accountability. According to Lewis (2001), the references in the holy Quran are to account in its generic sense, relating to one's obligation to "account" to God on all matters pertaining to human effort for which every muslim is "accountable". The linguistic stem of the term (Taklif – Arabic) includes the meaning of having to do difficult and burdened things generally named obligation. Muslims are obliged to do what Allah asks and avoid what He forbids.

Accountability and liability refer to the aspects of duty and obligation, whereas blame also involves sanctions (Bierhoff and Auhagen, 2001). In addition, Wagner (1989) stated that the term accountable can be used to imply being "obligated to give an account" or being "subject" to doing so. In Islamic perspective the term of accountability encompasses commands, forbidden things as well as matters left to choice. There are consequences behind those things called reward and punishment. Accountability can be concluded as a concept in ethics with several moral behaviors involved in it. It covers such concepts as responsibility to perform obligation, answerability of what has been done regarding to the obligation, enforcement and liability to do the commands, and blameworthiness in case of disobedience.

Western viewpoint emphasizes that accountability is limited to law only. Consequently, there are no ethical principles such as decency, truthfulness, and honesty underlying a man's acts and consciousness. The individual attempts to pursue his benefits and interest by deceiving and breaking the established rules. Conversely, Islamic perspective highlights different concept of accountability. The principle of vicegerency of humanity on earth increases the essence

of accountability. A man is accountable to Allah above the accountability to his society. However, accountability to Allah cannot be separated from accountability to His fellow men (*habluminallah* and *habluminannaas*). *Habluminannaas* (relationship among human beings) should reveal *habluminallah* (relationship between human and God). This view constitutes how to ethically interact, behave, and deal with society. Thus, every individual performs and obeys the rules because of accountability in the life after life and belief that Allah may punish them in the world and hereafter.

Recognizing that the universe did not create itself goads muslims to believe that God Almighty is the creator who watches them and not even the smallest thing is missed from His oversight. It stimulates and encourages due care of their acts since they will be accountable for all of their actions and undertakings. Based on that reason, Islam familiarized the concept of individual accountability – God-inspired accountability which remarks that "every person is responsible for his own deeds".

***Benevolence***

Based on aforementioned views, the purpose and end of ethics in Islam is ultimately for the individual; what the man of Islam does here he does in the way he believes to be good only because God and His messenger say so and he trusts that his actions will find favor with God (Al Attas, 1978, pp. 70). For the sake of obtaining Allah's pleasure, every individual should tend to be benevolent. Performing good deeds and doing benefits for others imply the concept of humanity. Rahman (2003) in his paper suggested that the Islamic worldview and ethics perspective can provide some insights into the process of developing a more humanized and ethical accountants.

## The Concept of *Maslahah* (Public Benefits)

Referring to ethical problems in accounting field, the accounting profession has been criticized as it mainly protects its self interest rather than the interests of third parties. It proves that conventional accounting education has failed to infuse ethical aspects into its system. Accounting education should be filtered from the values which make it lack of moral inputs. It should be purified by incorporating ethics in its curriculum. Islam introduces the concept of *maslahah* as the foundation of accounting education to educate the ethical decision making process.

Literally, *maslahah* means benefit or interest (Kamali, 2007, pp. 267). Shatibi (as quoted in Masud, 1995, pp. 151) defined *maslahah* as that which concern the subsistence of human life, the completion of man's livelihood, and the acquisition of what his emotional and intellectual qualities requires of him, in an absolute sense. The other significant meaning of *maslahah* according to Shatibi is the protection of public interest. *Maslahah* comprises considerations which are in line with objectives to secure a benefit for public and prevent harm. Regarding to that matter, Abdul Rahman (2003) proposed that Islamic legal principles of *maslahah* as a basis of setting priorities for the work to be undertaken by the accountants. Therefore, accountants are expected to feel socially responsible for others in the

community.

It is clear that society is becoming more pluralistic; individuals and groups have different perceptions about individual and societal interests. Nonetheless, Islam emphasizes the welfare of the community over individual rights. Islam is generally predicated on benefits to the individual and the community, and its laws are designed so as to protect these benefits and to facilitate the improvement and perfection of the conditions of human life on earth (Kamali, 2007, pp. 395).

McPhail *et al.* (2004) stated that from a situation where accounting can legalize injustice they call, rather, for accounting to become "the soul of justice" by giving priority to the question of social welfare and public interest. Every person always faces the conflict about self-needs and public interest. Islamic moral education through the concept of *maslahah* aims at controlling any problematic behavior resulting from unsatisfied needs.

## Integrating Accounting Education with Islamic Ethics

In these recent decades, the society realizes that it needs support in the development of character in their youth to prepare future citizens with high level of morality. It has searched for the effective ways of producing fully moral generations. To reveal the commitment toward morality, ethics should be embedded in the students rather than legalized in the form of codes. Hence, ethics has increasingly become an important component of accounting education.
The ethical curriculum is one that helps students develop a moral point of view (Caroll, 1998). Armstrong (1993) in Jackling (2007) did stress that the positive effect of ethics education on students' moral development was beyond that which is expected to occur naturally. McPhail (2001) also suggested that one way to introduce emotional commitment into accounting education is through business ethics education. An ethical curriculum insinuates an objective to help students building their moral characteristics such as humanity, tolerance, unselfishness, trust, empathy, fairness, and justice. The ethical curriculum is supposed to stimulate ethical reasoning.

The traditional focus of accounting ethics education research has been on developing an understanding of how to increase the cognitive moral capability of students who will soon enter accounting profession (Thorne, 2001). She suggested that cooperative education may differ from other forms of accounting education in its effect on the moral reasoning of accounting students. Since cognitive moral capabilities will only be reached if the individuals have reasoning ability and strong principles regarding to the reasons, the firm moral commitments should be established inside the ethics education.

The moral education providing a nurturing context expects a person to become an naturally being ethical. McPhail (2001) has contended that accounting education should contain an ethics component which attempts to engender a sense of empathy for, and moral commitment to 'the other'. Further, Islamic moral education has the potential framework to develop a sense beyond moral obligation to deal with ethical conflicts since Islam is not only a religious ideol-

ogy, but also a way of life.

Accounting education needs to encompass of moral ideology to produce ethical professionals. Grandfield et al. (2008) argued that individual's ethical ideology will affect the commitment level of professional. Emphasizing idealism rather than relativism should be preferred for a universal set of rules and standards. In which the former is mainly focuses on human welfare rather than individual's concern in the latter This is what AAOIFI (Accounting and Auditing Organizations of Islamic Financial Institutions) has incorporate in the code. Issuing code of ethics inspired from Islamic values has been an obviously prominent step to manifest Islamic ethics into the practice. The code provides not only principle of ethics for the accountants, but also Shari'ah foundations of the ethics.

Providing both Islamic divine values inserted to the material and the concept of *maslahah* as the basics of ethical decision making process can be considerable contribution of Islamic ethics toward accounting education. As the result, this may lead to producing ethical accountants.

## The Significant Contribution of Islamic Ethics in Several Areas

Many studies and publications uncovered a whole array of ethical issues relating to misuse of proprietary information, abuse of company expenses account, plant closing and layoffs, misuse of company assets, receiving inappropriate gifts, endorsement of unauthorized payment and many more. These unethical and immoral practices in the current accounting system mainly happen due to the dichotomy between sacred and secular element. Conversely, According to Ahmad (1930: 32), from the Islamic worldview and ethics, people cannot behave irresponsibly with the goods, equipment, land and talents entrusted to them, because they will hold to account for them (Gambling and Karim, 1991: 34). The following areas may need to be addressed by the application of Islamic ethics.

### *Stakeholders Perspectives*

Several criteria are of relevance when examining Islamic ethical system from a stake holders' perspective : justice and balance, trust and benevolence (Beekun and Badawi, 2005). Accounting information must be transparent and provide full disclosures in reporting business transaction in permissible (halal) business ventures; fair wages to employees; provision of good and quality products to customers.

### *The Agency Theory*

The philosophy of materialism and the more specific doctrine of economic rationalism embedded in current accounting practiced was adopted from western accounting systems entails is diametrically opposed to the value systems of the whole society. Some of the assumptions that underlie theories of the purpose of accounting information in western society are at variance of Islamic teaching. A current example is an agency theory, the core of which is self interest (Baydoun and Willet,1997).

The Islamic view is that profit must be accompanied with the risk of loss and that relationship between capital provider and entrepreneur should be based on the principle of partnership. Islam

recognizes the fact that the owners/ financiers of a firm have the right to make a profit, but not at the expense of the claims of various other stakeholders (Beekun and Badawi, 2005). These applications provide an indication of treating others with virtuous dealings. This kind of action will spread a strong tie of trust, brotherhood and cooperation that can level out the problem of greedy and injustice which are prevailing in principal and agent relationship.

***Earning Management***

The earning management decision takes place when the accountant chooses the reporting methods and the estimates that do not accurately reflect their actual performance. Immoral accountants can use a variety of techniques to manage earnings for many different reasons. For example, the business that approaching debt covenant violations are more likely to manage earnings. This practices start from the abuse of wealth by the wealthy people to exercise improper pressure over the needy, so as to retain the benefit of their wealth, they simply transact the receipt and payment of interest on loans provided to needy . This unfair dealing is absolutely forbidden in Islam which simply does not accept the concept of the 'time value for money'(Gambling and Karim, 1991: 34).

***Off Balance Sheet Items***

It is the practice legitimately allowed in conventional accounting. It is often used to make a business look like it has far less liabilities or debts than it actually does. Some types of off-balance-sheet accounting move debt to a newly created company called special purpose entities (SPEs) and are also known as variable interest entities (VIEs) without having to report it in balance sheet. This practice violate the concept of Islamic ethics. Specifically, the two general objectives underlying the preparation of Islamic corporate reports are; social accountability and full disclosure. The establishment of the justice to community required an accounting system to inform and disclose to the society that is explicitly orientated to the public interest ( *Istislah*). This principle will end the day of SPEs practice.

## 4. Conclusion

The importance role played by professional accountants as a moral agent, necessitates that being ethical and moral in the accounting practices should be the rule, not an exception. The professional accountants must be skilful at implementing moral judgements, so that s(he) can consider the welfare of those affected by (her) his action. As explained in the paper, enhancement in ethical behaviour among professional accountant is probably beyond the scope of code of ethical conduct. The paper advocates the use of Islamic ethical principles to help implant moral value in potential and existing professional accountant. As such, upon the realisation that the ultimate measure of worldly life is not fame and fortune but, it determined by moral character and personal integrity, the element of moral sensitivity is expected to increase.

Thinking about why people should behave nicely and to whom they will be accountable for their acts directs to the fundamental orientation of life, the Islamic belief. Profound thinking and reasoning of the creation of the universe, who created it, about the prophets and the truthfulness of the messages will

answer the problem. Thus, taking a comprehensive look into the Islamic belief which is inseparable from Islamic view of responsibility leads to the ethical practices and the understanding of primary accountability that is accountability to the God.

The regulators and leaders in accounting professions have a responsibility to inculcate the ethical behaviour and personal integrity in practitioners and students. The holism of Islamic ethics incorporated in education and professional training programmes will gradually imbuing the good ethical mentality of professional accountants, hence providing them a foundation to deal with ethical dilemma.

The product of ethical accountants can give a great contribution to project the honest and accurate information by which the important future decisions are based on. As a matter of fact, it is not easy to develop societies where the Islamic values, moral and ethical principles are truly implemented in everysphere of life extended to accounting practices in business. Thus, enforcing ethics upon accounting students is crucial to prepare graduates for the ethical challenges awaiting them upon graduation. Since public relies on schools and universities to teach ethical behavior, enriching ethics in accounting education and improving the moral behavior are viewed as the ways to restore the credibility of the profession. Minimally, the society expects the education system to produce professionals of capable in recognizing and responding to emerging ethical issues arising in the current accounting practices. Therefore, it is broadly accepted that ethics should be incorporated into accounting curriculum to realized the intended purposes.

## References

Abdul Rahman, A. R. (2003), "Ethics in Accounting Education: Contribution of the Islamic Principle of Maslahah", IIUM Journal of Economics and Management, Vol. 11 No. 1, pp. 31-49.

Accounting and Auditing Organizations of Islamic Financial Institutions (AAOIFI). Code of Ethics for Accountants and Auditors of Islamic Financial Institutions, 1998.

Al-Safi, S. O. A. (1992). "*Accountability: A Comparative Study of Human Responsibility between Islam and Man-Made Doctrine"*. Kuala Lumpur: Darulfikr

Bakar M.A., Maisarah M. S. and Ainun A.M. (2003). "Ethics and the Accounting Profession in Malaysia", National Accounting Research Journal, Vol. 1, No.1.

Bakre, O.M. (2007). "The unethical practices of accountants and auditors and the compromising stance of professional bodies in the corporate world: Evidence from corporate Nigeria", Accounting Forum, Vol. 31, pp. 277-303.

Baydoun, N. and Willet, R. (1997). "Islam and Accounting: Ethical Issues in the Presentation of Financial Information ", Accounting, Commerce & Finance : The Islamic Perspective, Vol. 1 No. 1, pp. 1 - 25.

Beekun, R. and Badawi, J. (2005), "Balancing ethical responsibility among multiple organizational stakeholders: The Islamic per-

spective", Journal of Business Ethics, Vol. 60, pp. 131-145.

Bierhoff, H. W. and Auhagen, A. E. (2001). "*Responsibility as A Fundamental Human Phenomenon"*. Responsibility: The Many faces of A Social Phenomenon. Routledge Research International Series. PP. 1-7.

Carrol, R. (1998), "A Model for Ethical Education in Accounting", Gowthorpe, C. and Blake, J., Ethical Issues in Accounting (Ed.), London: Routledge.

Er, M. (2008), "Corruption from the Islamic Perspective: Some recommendations for the MENA region", International Journal of Islamic and Middle Eastern Finance and Management, Vol. 1 No. 1, 2008, pp. 31-51.

Gambling, T.E., and Karim, R.A.A (1991). Business and Accounting Ethics in Islam. London: Mansell.

Greenfield, A., Norman, C. and Wier, B. (2008), "The effect of ethical orientation and professional commitment on earning management behavior", Journal of Business Ethics, Vol. 83, pp. 419-434.

Hassan, M. K. (1996), Towards Actualizing Islamic Ethical and Educational Principles in Malaysian Society, Selangor: Muslim Youth Movement of Malaysia.

Hooker, B. (2001), "Self-interest, ethics, and the profit motive", Business Ethics, Cowton and Crisp, Oxford University Press.

Irwin, K.S. and Fry, C.L. (2007). "Strengthening drug policy and practice through ethics engagement: An old challenge for a new harm reduction", International Journal of Drug Policy, Vol. 18, pp. 75-83.

Jackling, B., Cooper, B. J., Leung, P. and Dellaportas, S. (2007), "Professional accounting bodies' perceptions of ethical issues, causes of ethical failure and ethics education", Managerial Auditing Journal, Vol. 22 No. 9, 2007, pp. 928-944.

Kamali, M. H. (2007), Principles of Islamic Jurisprudence, Kuala Lumpur: Adiwarna Utama.

Keller, et.al. (2007). "Do gender, educational level, religiosity and work experience affect the ethical decision making of U.S. accountants?", Critical Perspectives on Accounting, Vol. 18, pp. 299-314.

Lewis, M. K. (2001). "Islam and Accounting". *Accounting Forum*, Vol. 25 No. 2. PP. 104 – 127.

Masud, M. K. (1995), Shatibi's Philoshopy of Islamic Law, Malaysia: Islamic Book Trust.

McPhail, K. (2001), "The Other objective of Ethics Education: Re-Humanizing the Accountancy Profession – A Study of Ethics Education in Law, Engineering, Medicine, and Accountancy", Journal of Business Ethics, Vol. 34.

McPhail, K., Gorringe, T. and Gray, R. (2004), "Accounting and theology, an introduction: Initiating a dialogue between immediacy and eternity", Accounting, Auditing & Accountability Journal, Vol. 17 No. 3, pp. 320-326.

Thorne, L. (2001), "Refocusing Ethics Education in Accounting: Examination of Accounting Students' Tendency to Use Their Cognitive Moral capability", *Journal of Accounting Education*, Vol. 19.

Verhoog, H. (1985), "Science education in universities", Science Educa-

tion and Ethical Values, Switzerland: WCC Publications.

Wagner, R. B. (1989). *"Accountability in Education"*. New York: Routledge.

Young, J.J. and Annisette, M. (2009). "Cultivating imagination: Ethics, education and literature", Critical Perspectives on Accounting, Vol. 20, pp. 93-109.