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# **An Analysis of Accounting Practices for *Zakat, Infaq, and Sadaqah* in Lembaga Amil *Zakat, Infaq* and *Sadaqah* Nahdatul Ulama (LAZISNU) Parepare, Indonesia: Standardization and Proposed Solutions**

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## **Abstract**

The standardization of accounting reporting is important for the purpose of documentation. Such standardization is important, especially when it is related to Islamic instruments, such as *zakat, infaq* and *sadaqah*. While certain institutions have already standardized their accounting reporting for *zakat, infaq* and *sadaqah*, it is not so apparent when it comes to Lembaga Amil Zakat, Infaq, and Sadaqah Nahdatul Ulama (LAZISNU) Parepare in Indonesia. It seems that LAZISNU is depending on simple bookkeeping based on incomes and expenses made as balance. This research identifies the practice of bookkeeping as carried out by LAZISNU, with the aim to upgrade the practice of their financial statements according to the accounting standard of PSAK 109. A qualitative case study approach was used in this research. The findings showed that the practice of accounting in LAZISNU depends on simple bookkeeping that only shows cash receipts and their disbursements. A recommendation was prepared for financial statements that can be applied by LAZISNU Parepare by preparing a financial position statement (balance sheet), changes in funds, changes in assets under management, cash flow statement, and summary of accounting policies. By improving such financial statements, LAZISNU may disclose proper, accountable and transparent reports to the stakeholders, particularly the *muzakki* and the government.

**Keywords:** accounting reporting, *infaq*, PSAK 109, *sadaqah*, *zakat*

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## Introduction

*Zakat* is the third pillar of Islam that stands out as one of the main instruments used for alleviating poverty in the society. Some scholars found that *zakat* plays a significant role in increasing the welfare of the society (Allawi & Wibowo, 2021; Nasikhah, 2021; Saputro & Sidiq, 2020). *Zakat* has the potential to improve the welfare (Abbas, 2020). According to Mursal et al. (2021), *zakat* may act as the key social instrument used to address the needs of the poorer segment of the society, especially when dealing with the impact of COVID-19 pandemic (Al-Sabban et al., 2014; Al-Malkawi & Javaid, 2018). Thus, it is important to include *zakat* in accounting practices because it can be classified, recognized, measured, presented, and reported (Adnan & Bakar, 2009). The same is true for other Islamic charitable instruments, such as *infaq* and *sadaqah*.

Referring to the Statement of Financial Accounting Standards of 109 (hereinafter referred to as PSAK No. 109), *zakat* is an obligation that needs to be fulfilled by the *muzakki* (*zakat* payers), as regulated by Islamic laws. It should be given to certain groups of people that have the right to receive it, namely *mustahiqun*. Accounting is required in relation to *zakat* for the purpose of regulating its receipt and distribution. Professional management of *zakat*, *infaq*, and *sadaqah* requires a particular institution to work in compliance with the *Shariah*, starting with the process of their collection and all the way to their distribution. Accountability and transparency in the management of funds collected through *zakat*, *infaq*, and *sadaqah* is required by the law and this requirement is clearly stated in PSAK No. 109.

Distrust among *zakat* payers may be caused by the lack of transparency in accounting reporting for the public. Therefore, the enforcement of the regulations for *zakat* funding report should be implemented on all *amil* (*zakat* collectors) in Indonesia. There are many organizations responsible for managing *zakat* that have not fully implemented the PSAK No. 109 (Nikmatuniayah, 2011). *Zakat* accounting simply functions to record and report *zakat*'s resources and allocations. Due to the importance of accountability and transparency for the public, the institutions should consider the standardization of reporting, so that the public and authorities can monitor and assess their performance in order to provide relevant feedback. Komala (2018) analyzed the implementation of *zakat* accounting

and found that accountability is influenced by accounting standards. Nurhayati et al. (2019) further stated that the measurement and reporting of *zakat*, *infaq*, and *sadaqah* have been made easy for the institutions.

The purpose of financial statements in Islamic accounting is addressed to instrumental accountability with the spiritual value in appreciating the rights of God and people and at the same time, to provide material information (Tikollah et al., 2006). Accountability is a requirement that needs to be fulfilled by responsible institutions to meet the trust bestowed upon them by the public (Rayyani et al., 2019). Accounting practices, as can be found in PSAK No. 109, provide that financial statements should disclose the balance, cash flow, fund changes report, managing asset change, and notes of financial statements. Commonly identified problems include the fact that the *zakat* boards owned by provincial governments and societies still publish financial statements based only on the collected income and expenses as the balance. There are other *zakat* boards that prepare their financial transactions only in the form of *zakat* funding, *infaq* funding, *amil* funding, and non-*halal* funding, all combined as one. This practice creates difficulties in the auditing process. Mixing the sources of funding also causes problems for the management to do *tasyaruf* (management and expenditure of funds) because of the unspecified amount of funds collected from a single source. Even if *tasyaruf* is done, the institutions still do not have a clear position for each of the *zakat*, *infaq*, and *sadaqah* funds. Moreover, the distribution of *zakat*, *infaq*, and *sadaqah* has different treatments under Islamic law.

PSAK No. 109 was standardized in 2010 and became effective in 2012. Since then, several researches have been carried out by various scholars regarding its implementation. They evaluated the implementation of the accounting standard of PSAK No. 109 in some *zakat* institutions and found them to be in line with the required standards (Wasila & Shonhadji, 2014; Nugraha et al., 2018). Conversely, some institutions have not yet implemented the standards as found by (Angraeni et al., 2016; Arief et al., 2017). Hasibuan (2016) investigated the *zakat* institutions and their accounting reports in Malang, East Java, Indonesia. They found that certain institutions have not yet implemented the required standards in accordance with PSAK No. 109.

Some *zakat* institutions still use simple bookkeeping by referring to cash payments and receipts in their reports (Budiarti, et al., [2017](#); Habib, [2016](#); Puspitasari & Habiburrochman, [2013](#); Ritonga, [2017](#)). Pratama and Bayu ([2017](#)) stated that some institutions in Jember, Indonesia do not apply the standards of PSAK No. 109 into their reporting. They investigated all *zakat* institutions and found that only one of five institutions applied the required standards of PSAK No. 109. In another study, Rachman et al. ([2021](#)) examined the collection and distribution of *zakat*, *infaq*, and *sadaqah*. The results of their study showed that the accounting process was applied; however, reporting on the accounting process did not conform to the required standards of accounting as applicable in Indonesia. In another study by Yudiana ([2020](#)), accounting reports were illustrated according to the required standards. In the larger context, this study is significant because previous studies only investigated the implementation but didn't propose any solution. Therefore, this study was designed to provide proposed solutions to *zakat* institutions in Indonesia.

In this research, a focus group discussion was conducted to collect the relevant data. The initial result showed that accounting was not implemented according to PSAK No. 109 by LAZISNU. LAZISNU has been recently established as a *zakat* distributor institution and it has been managed by Nahdatul Ulama since February 2019. This research is not intended to evaluate and analyze the implementation of PSAK No. 109 according to the research design of prior researches. On the contrary, the purpose of this research is to propose the financial statements which can be applied for LAZISNU, Parepare, based on the accounting standards of PSAK No. 109. It is important to realize that the objective of accounting standards is to present the accounting report in a clear and understandable format. It is also to provide consistency in reporting for the easy comparison of various accounting reports. Accounting standards for *zakat*, *infaq*, and *sadaqah* also become the foundation for the auditor during audit. Moreover, audit aims to check the financial statements published by the organizations to know whether they have met the required standards or not. Thus, this research also analyzed the practice of accounting for *zakat*, *infaq*, and *sadaqah* as carried out by LAZISNU, Parepare, Indonesia. At the same time, the researchers also evaluated the concept of accounting which suits the

standards of accounting applicable in Indonesia by using the data obtained from the respondents.

Islamic financial statements should comply with Islamic principles (Abbas, [2019](#)). The current study contributes from a theoretical perspective. It is an insightful source for managerial institutions in implementing accounting for *zakat*, *infaq*, and *sadaqah*. Moreover, the results of this research also act as reference for *zakat* management institutions in making decisions and organizing a qualified report.

### Research Methodology

The practice of accounting reporting was studied at LAZISNU Parepare, with obtainable data from NU CARE-LAZISNU, Parepare. It is a non-profit organization owned by LAZISNU Parepare located at South Sulawesi, Indonesia. The institution was established with the purpose of helping people and supporting their social values. It is empowered by funds obtained from Islamic instruments, such as *zakat*, *infaq*, *sadaqah*, and *waqf*. The current research utilized a qualitative methodology involving the case study approach. A focus group discussion was conducted to collect the relevant data. This research is based on primary data with respect to financial statements. As stated by Miles and Huberman ([1984](#)), qualitative data analysis refers to an interactive model comprising data collection, data reduction, data presentation and inference. Data triangulation was utilized in this research to ensure the validity of information. Financial transactions occurring in LAZISNU were analyzed. The analysis was done by evaluating the recordings of the interviews of the respondents and examining the financial statements based on the accounting standard of PSAK No. 109.

### Results and Discussion

Accounting can be defined as a process of recording, classifying, recognizing, measuring, summarizing, reporting, and analyzing an organization's financial data (Abbas & Syahadat, [2019](#)). Presenting financial statements is a management process intended to provide the financial information required for the sake of making decisions. Therefore, accounting for *zakat*, *infaq*, and *sadaqah* can be defined as the accounting process for *zakat*, *infaq*, and *sadaqah* and their related transactions which must be carried out based on Islamic principles. It presents financial

information in the form of financial statements used by the authority (LAZISNU Parepare) prior to the process of decision-making, such as determining the relevant *muzakki* candidates and *mustahiqun*. The aim of *zakat*, *infaq*, and *sadaqah* (abbreviated here as ZIS) accounting according to PSAK No. 109 is to organize ZIS transactions. ZIS accounting can be applied or used to help the *ummah* or their respective religious institutions in receiving and distributing the ZIS collection. The reporting standard as stated in PSAK No. 109 acts as an important instrument for ZIS management institutions to provide adequate and accountable reports.

This research encourages the implementation of ZIS accounting in LAZISNU to be in accordance with the required standards of PSAK No. 109, which is important for the complete implementation of ZIS accounting. With an accountable report (both internally and externally), it can actualize what an institution hopes to achieve; for example, the restoration of people's trust in the institution (LAZISNU Parepare) that manages the ZIS funds. So far, LAZISNU has managed their bookkeeping, where they fully present the expenditure from the collected funds (together with the aim of describing the expenses), as well as the income collected from the contributors. This means that the said institution has the willingness to manage financial transactions properly, even though if they are not conducted according to the required standards of PSAK No. 109. In relation to accounting users, LAZISNU has established relations between shareholders (which include the management, government, employees, and internal and external authorities) concerning their rights and obligations. Hence, LAZISNU has discharged its responsibilities successfully to manage ZIS funds and distributed those funds to the society.

In the context of Regulation No. 23 chapter 29 regarding Zakat Management (2011), every *amil zakat* institution or *zakat* management organization is obliged to publish the management's implementation report regarding ZIS and other religious funding on time. Thus, LAZISNU provides a monthly implementation report regarding ZIS. However, it was noted that they are still using the single-entry bookkeeping system with cash basis approach. Hence, the report only provides information about incomes and expenses. Any transaction related to incomes and expenses is recapitulated and organized based on the transaction date, then the



accumulation of total income is counted and total expenses are subtracted from the calculated sum. This is followed with the calculation of the balance. Relevant documents, such as transaction evidence, conclusion letter, and other supporting documents, are attached to every cash income and expenditure transaction. Such practice is, however, still far from the accounting standards established in PSAK No. 109, which is important for ZIS management. Accounting standards as provided in PSAK No. 109 stipulate that financial statements should include financial position statement, funding change statement, managing asset change statement, cash flow statement, and notes for financial statements or the summary of accounting policies.

Thus, it is proposed here that financial statements are required keeping in view the required standards. Accounting initially identifies the sources of a financial transaction including documents, such as invoice or valid notes. The process of accounting enables making assessments and decisions for financial users (Warren et al., [2017](#)). Through this research, the researchers identified the source of documents in LAZISNU. It is difficult to obtain documents fully because the reports by the management of LAZISNU were only recently disclosed. Hence, it was imperative for the current researchers to obtain full data in order to ensure that financial statements can be prepared according to the accounting standard of PSAK No. 109. In doing so, the collected data (as at March 2019) was used. The suggested financial statement for LAZISNU according to PSAK No. 109 is presented below.

**Table 1**

*Statement of Changes in Funds*

LAZISNU PAREPARE	
Statement of Changes in Funds	
31 <sup>st</sup> March, 2019	
<b>ZAKAT FUND</b>	
Receipt	-
Muzakki Receipt	-
Entity Muzakki	-
Individual Muzakki	-
Total Muzakki Receipt	-



**LAZISNU PAREPARE**  
**Statement of Changes in Funds**  
**31<sup>st</sup> March, 2019**

Total Receipt in Zakat Funds	-
Amil Share of Receipt in Zakat Funds	-
Total Receipt after Amil Share	-
Distribution	-
The poor	-
Riqab	-
Gharim	-
Muallaf	-
Sabilillah	-
Ibu Sabil	-
Total Distribution in Zakat Funds	-
Surplus (Deficit)	-
The Beginning Balance	-
The Ending Balance	-
<b>INFAQ AND SADAQAH FUND</b>	
Receipt	
Bound Infaq / Sadaqah or Muqayyadah	-
Non bound Infaq / Sadaqah or Mutlaqah	Rp28,049,600
Amil Share of Infaq / Sadaqah fund	
Management Result	Rp4,950,000
Disaster Donation	
Other Funds	
Total Receipt in Infaq and Sadaqah	Rp32,999,600
Distirbution	
Bound Infaq / Sadaqah or Muqayyadah	-
Non bound Infaq / Sadaqah or Mutlaqah	(Rp17,692,500)
Allocated Managing Asset	-
(depreciation and provision)	-
Total Distribution in Infaq and Sadaqah	-
Surplus (Deficit)	Rp15,307,100
The Beginning Balance	Rp5,890,400
The Ending Balance	Rp21,197,500

**LAZISNU PAREPARE**  
**Statement of Changes in Funds**  
**31<sup>st</sup> March, 2019**

<b>AMIL FUND</b>	
Receipt	
Amil Share of Receipt in Zakat Fund	-
Amil Share of Receipt in Infaq and Sadaqah Fund	-
Other Receipts	-
Total Receipt in Amil Fund	-
Disbursement	
General Donation	Rp4,043,000
Other Donation	Rp5,100,000
Staff / Amil salary	Rp2,000,000
Stationery	Rp105,500
Survey and Socialization	Rp31,450
Printing	Rp310,000
Electricity, Water, and Telephone	Rp208,000
Other Expenses	Rp340,000
Total Disbursement in Amil Fund	Rp12,137,950
Surplus (Deficit)	(Rp12,137,950)
The Beginning Balance	
The Ending Balance	Rp12,137,950
<b>NON HALAL FUND</b>	
Receipt	
Bank Interest	-
Deman Deposits	-
Other Receipt	-
Total Receipt in Non Halal Fund	-
Disbursement	
Total Disbursement in Non Halal Fund	-
Surplus (Deficit)	-
The Beginning Balance	-
The Ending Balance	-
Total of Zakat, Infaq, and Sadaqah, Amil, and Non-Halal Fund	Rp9,059,550

**Table 2**

*Statement of Changes in Asset under Management*

LAZISNU PAREPARE						
Statement of Changes in Asset Under Management						
31 <sup>st</sup> March, 2019						
Items	Beginning Balance	Add	Reduct	Allowance	Acc. Dep	Ending Balance
Infaq / Sadaqah Fund – Current Assets Management	No	No	No	No	No	No
Infaq / Sadaqah Fund– Non-Current Assets Management ( such as hospital or school)	No	No	No	No	No	No

**Table 3**

*Financial Position Statement and Cash Flow*

LAZISNU PAREPARE			
Financial Position Statement			
31 <sup>st</sup> March, 2019			
Asset		Liabilities	
Current Assets	Rp	Short-term Liabilities	
Cash and Cash Equivalent	9.059.550	Accrued Expenses and Other Liabilities	
Financial Instrument		Long-term Obligations	
Account Receivable		Employee Benefits	
Non-current Assets		Funds	
Fixed Asset		Zakat Fund	Rp
Accumulated Depreciation		Infaq / Sadaqah Fund	9.059.550
		Donation Fund	
Total Assets	Rp	Total Liabilities and Funds	Rp
	9.059.550		9.059.550

LAZISNU PAREPARE  
Cash Flow Statement  
31<sup>st</sup> March, 2019

Cash Flow from Operating Activities	
Receipts	
Zakat Fund	
Infaq Fund	Rp32,999,600
Amil Fund	
Non Halal Fund	
Donation Fund	
Other Funds	
<b>Total Receipt</b>	<b>Rp32,999,600</b>
Distribution	
Zakat Fund	
Infaq Fund	(Rp17,692,500)
Amil Fund	(Rp12,137,950)
Non Halal Fund	
Other Expenses	
<b>Total</b>	
Disbursement	(Rp29,830,450)
<b>Net Cash Flow from Operating Activities</b>	<b>Rp3,169,150</b>
Cash Flow from Managing Asset Activities	
<b>Net Cash Flow</b>	<b>Rp3,169,150</b>
Cash Flow from Funding Activities	
<b>Net Increase in Cash and Cash Equivalent</b>	<b>Rp3,169,150</b>
Cash and Cash Equivalents at the Beginning of the Month	Rp5,890,400
<b>Cash and Cash Equivalents at the Ending of the Month</b>	<b>Rp9,059,550</b>

The summary of accounting policies is presented below.

#### A. Financial Statements Presentation

1. Financial report period started on 1<sup>st</sup> June, 2019 and ended on 30<sup>th</sup> June, 2019.

2. Financial report was presented based upon accounting principles and reported in accordance with the Financial Accounting Standard (PSAK No. 109) applied in Indonesia.
  3. Financial statements comprised the financial position, funding change statement, managing asset change statement, and cash flow.
  4. Financial statements, except the cash flow report, were organized on the accrual basis
- B. Reporting Currency, Transaction, and Balance. Notes and report currency used by the entities was Indonesian Rupiah, as well as the functional currency, as stated in SAK-ETAP 25 regarding report currency.
- C. Treasury and Equal Treasury. Treasury and equal treasury comprise cash and savings, which can be disbursed anytime. Treasury transaction is admitted as much as the nominal value. For the presentation of cash flow, treasury and equal treasury consist of cash, bank, and all investments that expire within 3 months or prior to the income dates and those that are neither guaranteed nor limited in use.
- D. Fund Balance
1. *Zakat* fund is the non-*amil* parts of the *Zakat* receipt.
  2. *Infaq* fund is the non-*amil* parts of the *Infaq* receipt.
  3. *Amil* operational fund for *zakat*, *infaq* and *sadaqah* is allocated to the *ummal* by the contributors. *Amil* funds are used for *amil* management.
  4. Non-halal funds comprise income from any activities incompatible with the *Shariah* principles, such as the current account income or the interest given by conventional banks.
- E. Fixed Asset. LAZISNU Parepare owned no fixed asset in 2019.
- F. Asset under Management. LAZISNU Parepare did not possess any management asset.
- G. *Zakat* Fund Receipt. *Zakat* comprises part of the wealth that is compulsorily given to the recipients (*mustahiq*) by the *muzakki*. Its payment is compulsory if the *nisab* and *haul* are fulfilled from the *muzakki*'s criteria.

H. *Infaq* Fund Receipt. *Infaq* comprises the wealth given voluntarily by the owner, both for limited unlimited allocation.

I. *Amil* Fund Receipt. *Amil* is the entity of *zakat* managers. Its formation and/or inauguration is organized based on the regulations intended to collect and distribute *zakat*, *infaq*, or *sadaqah*. *Amil* fund is the share for the *ummal* of *zakat*, *infaq*, or *sadaqah* funds and everything else intentionally contributed to them. *Amil* fund is used for its management.

J. *Zakat* Fund Distribution. *Zakat* distributed to *mustahiqin* is admitted as reduction and *zakat* as much as:

1. The amount given, if in cash.
2. The noted amount, if in non-cash form.

K. *Infaq* Fund Distribution. *Infaq* fund distribution is admitted as the reduction of *infaq* / *sadaqah* as much as:

1. The amount given, if in cash.
2. Noted asset given, if in the form of non-cash asset.

*Infaq* / *sadaqah* distribution to other *ummal* is the distribution reducing *infaq* / *sadaqah* fund, provided the *amil* does not receive back the distributed *infaq* / *sadaqah*. *Infaq* / *sadaqah* distribution to the final recipients in the scheme of rolling funds is noted as *infaq* / *sadaqah* credit rolling and not reducing *infaq* / *sadaqah* fund.

L. *Amil* Fund Distribution. Fund allocated for *ummal* from their share in *zakat*, *infaq*, and other funds, consequently shows the amount used out of *Amil* fund (operationally) during the particular period.

M. Operational Charge and Other Administration. Operational charges and other expenses were used in LAZISNU Parepare's operational fund.

N. Net Asset. Net asset is classified based on the existence of limitation by the contributors, that is, permanently limited, temporarily limited, and not limited.

O. Fund Change Report. Fund change report is divided into two types:

1. Income and *zakat* usage report (related fund). *Zakat* fund is distributed into eight groups of people: the poor, *Riqab*, *Gharim*, *Muallaf*, *Sabilillah*, and *Ibnu Sabil*.

2. Income and *infaq* usage report.

P. Cash Flow Statement. Cash flow is organized based upon clauses stated in the related Financial Accounting Standard Statement (PSAK No.109) and the cash flow report uses the direct method.

Q. Non-halal Fund. It comprises the income from activities incompatible with the *Shariah* principles, such as current account income or interest from conventional banks. Non-halal income is usually earned in emergency or in unwanted conditions by *Shariah* entities. It is principally prohibited. Non-halal income is admitted as a non-halal fund, separated from *zakat*, *infaq*, *sadaqah*, and *amil* funds. Non-halal asset is distributed in accordance with Islamic principles.

R. Cash and Equal Cash

Cash-in-hand	Rp 9.059.550
Cash in the Bank	Rp -
Total Amount	Rp 9.059.550

## Conclusion

The practices of accounting are applied in LAZISNU, where economic transactions involve cash receipts and disbursement of *zakat*, *infaq*, and *sadaqah*. This research was successful in identifying the relevant data from LAZISNU. The researchers prepared a sample of financial statements which is important for the said institution's accountability. The stakeholders, such as the government and *muzakki*, need to know the scheme of distribution and the receipts of *zakat*, *infaq*, and *sadaqah*. In preparing financial statements, PSAK No. 109 was referred to as the accounting standard used to record and report the amount of receipt and distribution made by LAZISNU Parepare. The objective of reporting the financial statements according to the required standards is to attain the notion of accountability and transparency for stakeholders.

This research simulated from real data and gave assistance to overcome obstacles faced by LAZISNU Parepare in preparing the report in accordance with PSAK No. 109. The researchers provided the sample of financial statements consisting of the statement of changes in funds, statement of changes in assets under management, financial position, cash flow, and



summary of accounting policies. Following PSAK No. 109, the sample of financial statements prepared for LAZISNU met the accountability and transparency requirements. It is recommended for LAZISNU Parepare to have officers as part of their human resource utilized for preparing financial statements that have the basic knowledge of accounting. The results based on this case study constitute managerial suggestions for LAZISNU Parepare. The limitation of this study was the fact that data was obtained for only one month. Therefore, future researches would be more interesting if annual data were used to prepare and present financial statements in accordance with the required accounting standards.

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