

## Perception of Accounting Practitioners on MASB TRi

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### Abstract

*Zakat is one of the pillars of Islam and part of ibadah (obligation) for Muslims. Zakat has been identified as an important source of financial seed to jumpstart the economy of the Muslim community and give an impact to socio-economy development of a nation. Today, Zakat is no longer limited to the domain of religious or shari'ah studies and discourses, but an effort has been taken to restore back its function as a tools to strengthen Muslims economics. Many initiatives have been taken to facilitate its collection. An accounting standard relate to the Zakat payment MASB TRi-1 (Malaysian Accounting Standard, Technical Release Islamic – Number 1). Accounting for Zakat on Business, had been issued to facilitate the Zakat computation on business. The purpose of the release of MASB TRi-1 is to standardize the recognition, measurement, presentation and disclosure of zakat on business. However, MASB TRi-1 does not have the same weighted as standards. The objective of the study is to gauge the perception of accounting practitioners about MASB TRi-1. Questionnaires were sent to 282 accounting practitioners who have studied either Islamic accounting or Islamic finance. The finding revealed that most of the practitioners, regardless of their religious beliefs, are very keen to learn and deal with MASB TRi-1. Another encouraging finding is that the disclosure required by MASB TRi-1 encompasses the objective of Islamic Accounting.*

**Keywords:** Perception, Zakat, Accounting Practitioners, Islamic Accounting, MASB TRi-1

### 1.0 Introduction

Zakat is one of the pillars in Islam and a part of *ibadah* for muslims. Zakat has been identified as an important source to financial source to jumpstart the economy of the Muslim community and give an impact on socio-economy development of nation (Sharif et al., 2011). Zakat is considered as personal responsibility for Muslims to ease the economic hardship for others and indirectly eliminate inequality. It is obligatory to Muslim who are able contribution part of their imcome to zakat.

One of the definition of zakat given by Imam Tumurtashi in Tanwir al-Absar is ‘transferring ownership of an amount of material wealth specified by the Lawgiver to a poor Muslim who is not *Hashimi* nor their client without material benefit returning to the giver in any way, for the sake of Allah Most High’ (Rabbani, 2010). Muslims belief that zakat has a direct impact on the relationship between not only man and Allah SWT (God) as The Creator but also to man and his society.

There are various types of zakat; zakat on silver and gold, zakat on savings, zakat on wages, zakat on shares, zakat on EPF, zakat on crops and zakat on business. Business zakat is obligatory for all types of businesses conducted by Muslim in Malaysia (E-fatwa, 2009). Accounting and zakat has stimulated wide-range of discussion among academics and practitioners. Various opinions are justified by jurists worldwide not only with regards to its zakatability, but also other areas related to it, including its assessment, rate as well as allowable deduction by zakat (Bakar, 2007). Currently, there are number of regulatory bodies which have taken plausible moves by developing accounting standards to be used for business zakat assessment.

Among them include the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Malaysian Accounting Standard Board (MASB). It is vital to have a proper and fair accounting treatment and assessment of a business's zakat. This will ensure positive and favorable zakat behavior among businesses and the most important is to ensure that these businesses can rightfully fulfill zakat obligations on behalf of their owners. In 2006, Malaysian Accounting Standard Board (MASB) had introduced Technical Release, MASB TRi-1 (Malaysian Accounting Standard, Technical Release Islamic – Number 1) *Accounting for Zakat on Business*, accounting guidelines to deals with financial reporting issues relate to corporate zakat. Besides that the purposes release of TR-i1 to standardize the recognition, measurement, presentation and disclosure of zakat on business. Feedback from zakat authorities at the State Islamic Religious Council or the Zakat Collection Centre and the Malaysian Islamic Development Department (*Jabatan Kemajuan Islam Malaysia*) have been considered in the development of this Technical Release (MASB, 2006).

However, studied by (Abdullah et al., 2011) found that the guidelines on zakat are not widely spread to the users. Thus, the disclosure and treatment are not being followed by the zakat paid businesses'. The technical release issued by the MASB is just guidelines which does not carry the same weight as standard. Therefore Malaysian businesses has a right to not follow the issued guidelines.

Since the guidelines are not being followed, do accounting practitioners' in Malaysia realized on the existence of zakat guidelines. The increasing collection of zakat by all state in Malaysia showed that currently Muslims' in Malaysia are eager to pay zakat. With the increasing awareness about zakat payment in Malaysia, the perception from practitioners' about the guidelines issued by the MASB is crucial to be studied. Since business zakat relate closely to accounting, the accounting practitioners' need to be aware about the guidelines. This research intended to explore how eager the accounting practitioners' towards practicing the guidelines and challenges towards practicing the guidelines.

## **2.0 Literature Review**

In Malaysia, Zakat management is practice since in the pre-colonial era. During that time zakat system in peninsular Malaysia was in the form of a formal system managed by a person called *ustaz* or *amil* (Senap, 2008). Zakat plays an important role to eradicate poverty, develop a social security system that helps people in need, improve human relationship and strive to improve the Islamic Da'wah (Al Qardawi, 1999). Zakat is administered by State government through State Religious Islamic Council (SRIC) as provided under Malaysian constitution (Baharom and Yusof, 2006). In late 1980s, Zakat administration has been restructured to bring back zakat function to robust Muslim economics. In 1991, SRIC of Wilayah Persekutuan developed the first Center for Collection of Zakat or *Pusat Pungutan Zakat* (PPZ) to dealt with zakat collection and distribution (Baharom and Yusof, 2006). Since then, all the states in Malaysia started to introduces their own collection centre but under the different name and flagship.

Due to the importance of Zakat in Muslim society, it is essential for zakat authority to perform its role in managing effectively and efficiently. However, since zakat is managed by state government, varying in practice is unavoidable (Nasir and Salleh 2005). In 2001, afford was taken by *Jabatan Kemajuan Islam Malaysia* (JAKIM) by issuing a guidelines for business zakat, *Panduan Zakat di Malaysia* (Zakat Guidelines in Malaysia). Two method calculation of business zakat were introduced in the guidelines; net working capital (Syar'iyah) and net growth method (*Uruffiyah*) (JAKIM, 2001). This was the first plausible moved towards standardization on zakat practices in Malaysia.

In 2006 another honorable effort was conducted to standardize zakat practice in Malaysia. Malaysian Accounting Standard Board (MASB) had issued guidelines for Malaysian businesses to deal with zakat payment. The MASB recognized that there is a need to issue an accounting pronouncement on zakat. The guidelines on the recognition, measurement and presentation and disclosure of zakat by businesses that pay zakat is very importance since it would improve the comparability of reported financial information on zakat (MASB, 2006). Besides that, the new approval on tax incentives in 2006 for zakat on business which is allowable as deduction may lead more entities to pay zakat. Thus, an accounting pronouncement on zakat on business would be timely and needed. MASB TRi-1 deals only with the financial reporting. It has 2 main purposes which are known as related to disclosure and method of payment (Bakar, 2007).

MASB TRi-1 is recommended two methods for zakat computation as being suggested by Guidelines to Zakat in Malaysia or *Panduan Zakat di Malaysia*, known as adjusted working capital (Syar'iyah) and adjusted growth methods. The first method is to calculate Zakat base as net current assets and adjusted items that do not meet the conditions for Zakat assets and liabilities. However, the second method which is the adjusted growth method calculated Zakat based as the owners equity and long term liabilities deducted for property, plant and equipment and non-current assets, and adjusted for items that do not meet the conditions for Zakat, assets and liabilities as determined by the relevant Zakat authorities (MASB, 2006). Both methods will result to same zakat base figure as it was worked out from the accounting equation.

Even though the purposed of introducing MASB TRi-1 is to standardize the recognition, presentation and disclosure of a corporation's Zakat, the objective is apparently far from feasible (Bakar, 2007). MASB TRi-1 issued was only the guidelines which do not carry the weight as standard. Therefore the guidelines were not being followed by the Malaysian businesses (Abdullah et al., 2011). Many unsolved issues on zakat principles still cannot be absorbed by accounting through issuance of this guidelines such as on accounting assumption, realization principle and equivalent accounting identities (Al-Habshi, 2005); and on the classification of zakat in accounting (Nasir and Salleh, 2005).

Despite the unsolved issues, the successes from issuance of MASB TRi-1 cannot be deny. For the universities in Malaysia which offered an Islamic Accounting courses, MASB TRi-1 is among the sub-topic to be thought. Currently for accounting undergraduates who have taken Islamic Accounting, they are aware about the guidelines for accounting on business zakat. Same with the recent accounting graduates, who had taken Islamic accounting course, they were also aware about these guidelines. Therefore, this research intent to explore the accounting practitioners' perception about their eagerness to deal with zakat guidelines and the challenges faced by them on their intention to practice these guidelines.

### **3.0 Methodology**

The objective of this study is to investigate the eagerness and challenges face by the junior accounting practitioners' regarding their intention on practicing MASB TRi-1. The respondents also will be asked on their opinion about the usefulness of information required by MASB TRi-1. The junior accounting practitioners' were used because they are new in the job market, eager to work and willing to explore everything for their job enhancement. Since, human behavior is directly motivated by the intention to perform the behavior (Zhang, 2006), the eagerness on work and enhancement in career may be a good motivation for the practitioners' to practicing business zakat.

Decision usefulness of an accounting system depends upon whether it generates accounting information that satisfies the decisions needs of its users (Holthansen and Leftwich, 1983). As stated in statement on financial Accounting Concepts (SFAC) usefulness of information included several qualitative characteristics such as reliability, relevance, and understandability. Thus, this study also will assess the perceptions of junior accounting practitioners' concerning the information required by MASB TR-i1 with regards to the information usefulness.

This research will base on questionnaires adapted from (Lin et al., 2001) and (Joshi al., 2008) which studied on perceptions of accounting in China and Bahrain. Few questions were based on self-constructed questionnaires since the area of zakat has very limited sources. Graduated students from the university in Pahang, Malaysia who had taken Islamic accounting and Islamic Banking and Finance accounting has been chosen as the main respondents in this study. The junior accounting practitioners' were chosen because they are new comer in the industry and very ambitious on career development.

Cluster sampling is a sampling design where a heterogeneous group is to be studied at one time (Sekaran, 2009). This study selected cluster sampling which is useful for this particular study. The questionnaires were e-mailed to 282 respondents of graduated student's who had taken Islamic Accounting, Banking and Finance courses. The respondents were contact through phone calls if they do not responded to the questionnaire distributed through mail and email. Social network services were used as another alternative to approach those respondents who have not replied the questionnaire. The questionnaire is divided into two parts. On part A the respondent will be asked to fill the questions on demographics. Part B consists of 17 questions that have been asked to the respondents which had been related to eagerness, challenges and information usefulness regarding practicing the MASB TRi-1.

These have been conducted by using five-point likert scale ranging from “strongly disagree” (1) to “strongly agree” (5).

**4.0 Finding and Discussion**

The questionnaires were e-mailed to 282 graduated students who had taken Islamic accounting and Islamic Banking and Finance subject. The total answered questionnaires received were 58 respondents, which represent almost 20.5% response rate.

**4.1 Demographic Results**

The finding of 58 respondents from young accounting practitioners’ is shown in Table 1 below. It shows that most of the respondents are female students which represent 67.2 percent. Most of the respondents are aged between 22-25 years, followed by 5 respondents aged between 26-30 years. The table shows that majority of the respondents are Muslim students which carries a percentage of 67.2 percent and the rest are Non Muslim respondents. In term of career sector, most of them are working an audit outfit which comprises of 37 respondents or 63.8 percent, work in private sector is 29.3 percent and working in public sector is 6.9 percent.

**Table 1: Demographic Results**

	N=58	%
<b>Gender</b>		
Male	19	32.8
Female	39	67.2
<b>Age</b>		
21-25 years	53	91.4
26-30 years	5	8.6
31 years and above	0	0
<b>Race</b>		
Muslim	39	67.2
Non- Muslim	19	32.8
<b>Working field</b>		
Audit firm	37	63.8
Private	17	29.3
Public	4	6.9

**4.2 Reliability Test**

The Reliability Analysis is a procedure to calculate a number of commonly used to measure scale and to provides information about the relationships between individual items in the scale. It is commonly used as a measure of the internal consistency closely related a set of items are as a group (Sekaran, 2009) By using reliability analysis, it can determine the extent to which the items in questionnaire are related to each other. From the study shows that all the factors which measured the respondents’ perception and product or services selection criteria are valid. It is shown in Table 2 which all factors has coefficient of 0.824 which is above the required level of 0.7 as suggested by Nunnally (1978).

**Table 2: Reliability Test**

Cronbach’s Alpha	No. of items
0.824	17

**4.3 Descriptive Analysis**

Based on Table 3, it shows that 34.5 percent respondents agreed that they have knowledge about MASB TRi-1. About 37.9 percent not sure while 27.6 percent said they do not have knowledge about MASB TR-i1. Even though all the respondents either had taken Islamic Accounting or Islamic Banking and Finance, which already included zakat in the course syllabus, most of them still not sure about whether they have zakat knowledge. This could be might due be zakat is rarely practice as zakat treatment in their work place.

**Table 3: Knowledge about MASB TRi-1**

	Disagree		Not Sure		Agree	
	N=58	(%)	N=58	(%)	N=58	(%)
Have knowledge about MASB TR- <i>i1</i> <i>Accounting for Zakat on Business</i>	16	27.6	22	37.9	20	34.5

On the eagerness to the practice of MASB TRi-1, the results were very encouraging. Table 4 shows that about 96.5 percent of respondents are willing to learn about the MASB TRi-1. About 81 percent wishes they have a change to deal with MASB TRi-1. Despite of non-compliance of these guidelines by the senior practitioners, the junior practitioners shows a great interest in these guidelines. This phenomena could result to the more compliance of MASB TRi-1 in the future practice. However, only 68.9 percent of the respondents agreed that the MASB TRi-1 is a worthwhile standard to learn for. From the result, it can be inferred that the junior practitioners' are willing to learn about the MASB TRi-1 although MASB TRi-1 not a standard but only a guidelines.

**Table 4: Eagerness on the practice of MASB TRi-1**

Eagerness on the practice	Disagree		Not Sure		Agree	
	N=58	(%)	N=58	(%)	N=58	(%)
Willing to learn about MASB TR- <i>i1</i>	1	1.7	1	1.7	56	96.5
Wish to have a chance to deal with MASB TR- <i>i1</i>	2	3.4	9	15.5	47	81
MASB TR- <i>i1</i> is a worthwhile standard to learn for	3	5.1	15	25.9	40	68.9

On challenges as shows in Table 5, the finding shows that more than 80 percent of young practitioners' agreed that MASB TRi-1 required retraining of staff and resources support. The most encouraging from the findings is that only 31 percent agreed MASB TRi-1 required extra tasks. This means that most of the junior practitioners did observe MASB TRi-1 either a burden or extra tasks to them.

**Table 5: Challenges on the practice of MASB TRi-1**

Challenges on the practice	Disagree		Not Sure		Agree	
	N=58	(%)	N=58	(%)	N=58	(%)
MASB TR- <i>i1</i> require training of staff to understand and implement	1	1.7	9	15.5	48	82.8
MASB TR- <i>i1</i> require developing the resources to support professionals working	1	1.7	10	17.2	47	81
MASB TR- <i>i1</i> require applying firms' to do extra tasks for their customers	19	32.8	21	36.2	18	31
Different interpretations of MASB TR- <i>i1</i> may result in divergence in practice	-	-	25	43.1	33	56.9

The research also explore about junior accounting practitioners' perception about the usefulness of information as requested by MASB TRi-1. The results in Table 5 seems to be very encouraging to the junior accounting practitioners in grasping the implementation of MASB TYi-1. Almost 69 percents agreed that information disclosure as required by MASB TRi-1 would benefit users'. While more than 70 percents agree that MASB TRi-1 would enhance the quality of financial statement, expend the useful information and enhance the understandability of financial statement. Even though only 34.5 percents of respondents agreed that they have knowledge about zakat, but their opinion about the information usefulness to be disclosed as requested by MASB TRi-1 shows that these junior accounting practitioners are very positive on benefit of disclosure of zakat.

**Table 6: Information Usefulness of MASB TRi-1**

Information Usefulness	Disagree		Not Sure		Agree	
	N=58	(%)	N=58	(%)	N=58	(%)
MASB TR- <i>i1</i> would benefit the users' of financial statements	3	5.1	15	25.9	40	68.9
MASB TR- <i>i1</i> would enhance the quality of financial statements	3	5.1	14	24.1	41	70.7
MASB TR- <i>i1</i> would expend the Information content in financial statements	2	3.4	11	19.0	45	77.6
MASB TR- <i>i1</i> would enhance the understandability of financial statements	1	1.7	15	25.9	42	72.4

**4.4 Test significant different between Muslim and Non-Muslim Practitioners**

There are total students of 39 Muslim students from total of 58 students. The below table is very useful as it indicates the significant different between Muslim and non-Muslim perceived towards practicing MASB TRi-1. The mean rank achieved by Muslims on have knowledge about zakat is 27.4 percent and non-Muslims 33.7 percent. On willingness to learn, Muslim means 29.1 percent while non-Muslim 30.3 percent, and on whether MASB TRi-1 is worthwhile standard to learn, Muslim score 28.1 percent and non-Muslim 32.5 percent.

**Table 7: Ranks on dependent variables**

	Religion	N	Mean Rank
Have knowledge about MASB TR- <i>i1</i> <i>Accounting for Zakat on Business</i>	Muslim	39	27.37
	non-Muslim	19	33.87
	Total	58	
Willing to learn about MASB TR- <i>i1</i>	Muslim	39	29.09
	non-Muslim	19	30.34
	Total	58	
MASB TR- <i>i1</i> is a worthwhile standard to learn for	Muslim	39	28.06
	non-Muslim	19	32.45
	Total	58	

To test the significant between these groups, Mann-Whitney test is used. To interpret from Mann-Whitney U test, Z score and 2-tailed P value are considered. The output result shows that there is no significance different between Muslim and non-Muslim on perceptions of having knowledge about MASB TRi-1, willingness to learn and about the worthy to learn the MASB TRi-1. All the p value is more than 0.05 and Z score shows negative result (between -.319 and -.943). Therefore, from the result in can be inferred that junior accounting practitioners' who were just graduated from University, whether they are Muslim or non-Muslim, are very eager to learn and dealt with MASB TRi-1. On the other hand, it shows that precious effort done by MASB on the issuance of guidelines on accounting for zakat are greatly appreciated by the junior accounting practitioners'. This also shows that there will be great compliance to the guidelines in coming future if the industry can retains their apprentices' interest for the guidelines.

**Table 8: Test Statistics on dependent variables**

	Have knowledge about MASB TR- <i>i1</i>	Willing to learn about MASB TR- <i>i1</i>	MASB TR- <i>i1</i> is a worthwhile standard to learn
Mann-Whitney U	354.500	323.500	350.500
Wilcoxon W	1134.500	1103.500	1130.500
Z	-.319	-.943	-.378
Asymp. Sig. (2-tailed)	.749	.346	.705

a. Grouping Variable: Religion

## 5.0 Conclusions

This study was conducted to explore the junior accounting practitioners' perception about MASB TRi-1, *Accounting for Zakat on Business*. The result found to be very encouraging as the junior practitioners' regardless Muslim or non-Muslim are eager to learn and deal with MASB TRi-1. However, the result also shows that junior practitioners' perceived there are high challenges in adopting MASB TRi-1. Most of respondents expressed that this guidelines are provide highly challenges which required additional training to understand and practice MASB TRi-1 in their work place.

Although the formulation of framework between zakat principles and accounting principles are different in term of legal maxims, rules and applications (Al-Habshi, 2005), but the junior practitioners' perceived they are willing to learn and deal with Islamic requirement. Zakatable base calculation implemented in Malaysia is based on a working capital (Senap,2010) which make it easy to understand by the junior accounting practitioners. Moreover, zakat which is concerned with the determination and valuation of *maal* and income is also said to be as one of the accounting branch (Kamal, 1995). Therefore, it is suggested that the MASB TRi-1 need to be reviewed since it acceptance level by the young practitioners' is very high. The scope of disclosure may be expended since the current guidelines are for zakat paid businesses only. The consideration also needs to be given on incorporating further in zakat principles to the guidelines to enhance the quality of disclosure.

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