Available online at
http://myjms.mohe.gov.my/index.php/JEEIR

JEEIR

e-ISSN: 2289-2559

Journal of Emerging Economies & Islamic Research 9(1) 2021, 29 – 42.

Journal of Emerging Economies and Islamic Research

Specific accounting standards for *Waqf* institutions: The impact of its non-existence to *Waqf* accounting practices in Malaysia

Norlaila Yusof[a*]

[a]*International Islamic University Malaysia*

ARTICLE INFO

Article history:
Received 27 November 2020
Accepted 23 January 2021
Published 31 January 2021

Keywords:
Accounting Standard
Accounting Practices
Waqf
Reporting

DOI:
10.24191/jeeir.v9i1.11305

ABSTRACT

The purpose of accounting standard is to govern the accounting process and subsequently reporting for entities. Hence, the absence of a specific accounting standard to govern the accounting for an entity would be problematic and would give rise to several issues. This research aims to understand how the absence of a specific accounting standard affects the accounting practices of an entity. The findings show how the *waqf* corporation tries to adhere to the prevailing accounting standard, which is not specific for *waqf* institutions, and how important it is to have a specific accounting standard in place for *waqf* institutions.

1. Introduction

Accounting is a process whereby all economic functions of an organisation is accounted for and presented in a way of reporting to inform the stakeholders of the organisation on its financial standing. As it is a means\ to communicate information to various stakeholders, by various organisations in various areas, the way to ensure financial statements ‘speak the same language’ is by ensuring the financial statements were prepared in adherence to a specific or prevailing accounting standard. This specific or prevailing accounting standard would be applied to various organisations across various industry, within a specific context, such as profit-making organisations, or government organisations. The way to ensure standardisation in the reporting is by adhering to accounting standards, most often developed and governed by an authoritative body of a nation. It is to ensure the accounting processes; recognition, measurement and disclosure practices are done in a manner ensures information about the entity is faithfully represented so that the users can make useful decisions based on the financial statements. By adhering to an accounting

* Corresponding author. *E-mail address:* norlailayusof@gmail.com

standard, the preparers and users of financial statements, including regulatory bodies, could rely on the financial statements in order to make informed decisions. However, there are a number of sectors whereby there is no specific accounting standard to govern their accounting practices, such as religious institutions handling non-income generating assets. Problems arise with regards to proper accounting of r their assets as the nature of the assets are different from that of income generating assets, such as waqf assets. Issues that arise include non-recording of assets in the financial statements; improper treatment to waqf assets due to the absence of suitable accounting standards. All these result in incorrect figures for valuation and handling of waqf assets, up to the point of misappropriation and loss of waqf assets. The situation is made worse when audit findings showed there exist several lands which were left undeveloped due to misappropriation and mismanagement (Mohd Sharip et al., 2019). The objective of this research is to understand how the accounting practices and processes are carried out in such organisations, and by doing so, also identifies the factors contributing to the decisions and accounting practices with regards to *waqf* setting in Malaysia, in order to improve the management of *waqf* assets.

1.1 Importance of this research

This research aims to contribute to the knowledge on understanding how accounting practices are shaped in the absence of a specific accounting standard. This research would provide insights on what the contributing factors are that shape the accounting practices in such cases, and how these could be pertinent to the creation of specific accounting standards of such context. The findings of this research could support the process of designing a specific accounting standard for *waqf* assets in the future.

1.2 Outline of this article

This research article proceeds as follows; Section 2 provides the literature reviews referred to in building up the argument for this research, namely the importance of accounting standard and the *waqf* situation in Malaysia. Section 3 explains the data collection methods carried out in this research. Section 4 provides the findings of this research, followed by Sections 5 which discussed on the researcher's arguments on this research and concludes this article, whilst suggesting on the related areas which could be further researched upon.

2. Literature Review

2.1 The importance of specific accounting standards for waqf

Financial statements are prepared by an organisation with the aim of providing financial and non-financial information to the users of financial statements, to assist them in making decisions (IASB, 2018). Financial statements will be relied upon by the users to make informed economic decisions (Young, 2006). In order to prepare financial statements, the preparers would need to refer and adhere to the prevailing accounting standard.

Accounting standard is very important in providing guidance for accountants to prepare financial statements to show the true financial standing of the reporting party, for the financial statements to be reliable for their users (Siekkinen, 2016). Accounting standard provides direction and would be the reference for the accountants, or report preparers to "summarize and communicate information in the financial statement in a way that enhances the relevance of information and helps ensure that it is faithfully represented" (FASB, 2016). Hence accounting standard should provides guidance for financial statements preparers in recording and presenting business transactions so to ensure readers could comprehend the financial standing of the institution by reading the financial statements. Furthermore, the process of preparing accounting standard involves and considers both the preparers and the users' needs and expectations (Kwok & Sharp, 2005). Hence with the existence of accounting standards, it can be assured that the needs of both parties have been taken into account and being harmonised in the aim to provide relevant and reliable reporting by the report preparer.

2.2 Third sector organisations

Third sector organisations are classified according to the common nature which differentiates them from the profit-seeking equivalent, in which the former focuses on a goal which does not focus solely on 'financial attainment, dependency on public funding, various stakeholders and information asymmetry'. The main distinction between the financial sources of profit-seeking and third sector organisations is that the funder of the former seeks profit maximisation and financial returns from their monetary investment, while the donors for the latter do not expect any benefits returned to them (Wadongo & Abdel-Kader, 2014). This causes a difference in the purpose of establishment and as such, gives rise to the difference in the usage and purposes of their resources. One example of such organisation is Non-Profit Organisation (NPO) which are established for the purpose other than making profits for the founders or directors, but rather to serve the public. Although such organisations might be making profit, the aim is always to serve parties other than the directors and owners of the organisation (Laallam et al., 2020).

Furthermore, since the various types and needs of organisation of the third sector are so different from one another due to their purpose and objectives of existence, any accounting standard developed for a certain third sector organisation or types would not be fully suitable for other third sector organisation. The needs for a specific accounting standard is crucial in ensuring the reliability of the information provided in the financial statements of the organisations outside of the scope of private and public entities (Sarea, 2013).

Apart from operating as third sector organisations, the absence of specific accounting standards also exists for organisations which deal or manage assets which do not fall under the category of income generating assets. The normal requirement and guidance for organisations to account according to the standard of Property, Plant and Equipment, might not fully suit the characteristics of non-income generating assets. This means that, although an organisation is considered to be under government sector, if the organisation manages non-income generating assets, the conventional government or public sector accounting standards for PPE might not be suitable for such assets. This will be further explained in next sub-sections.

2.3 Situation in Malaysian context

In Malaysia, the regulatory body for accounting standards is Malaysian Accounting Standards Board (MASB). However, there are no specific accounting standards that govern Islamic-activity transactions (Mohammed et al., 2019), and there is also no obligation for Malaysian institutions to disclose the movement of Islamic transactions such as zakat and Islamic loans (Sarea, 2013). The accountants and report preparers of *waqf* institutions in Malaysia do not have any specific accounting standards to refer to in the preparation of their *waqf* assets and *waqf*-related economic activities (Nahar & Yaacob, 2011). Hence the options for them would be following the prevailing accounting standard in Malaysia. However, the prevailing accounting standard, which would fit profit making or government bodies, do not fully serve the purpose and objectives of *waqf* institutions. This gives rise to the need for the existence for a specific accounting standard to govern *waqf* accounting in Malaysia (Masruki & Shafii, 2013). Furthermore, Islamic institutions would need an accounting standard that would encompasses and understand the soul of Islam(Mohammed et al., 2019).

2.4 The structure of waqf in Malaysia

Federal Constitution of Malaysia states that all religious matters are under the jurisdiction of King/Sultan of the state (Nahar & Yaacob, 2011; Masruki & Shafii, 2013). Such religious matters such as *waqf*, *zakat* dan *baitulmal* is managed by the respective state, by the power of the King/Sultan. Each state hasits own managing body, State Islamic Religious Council (SIRC) which handles and manages all the matters related to Islamic activities (Iqmal et al., 2018). The SIRC acts as an advisor for the King or Sultan in the management of Islamic affairs, which includes waqf matters (Daud, 2018). SIRC operates under the jurisdiction of the State Enactment which governs their operations and provides the SIRC with a set of rules to guide the actions of the SIRC (Dahlan et al., 2014). As each state has its own King or Sultan, the management and decisions would be different from each other. . This is because the King or Sultan is fully in power of determining the methods and principles of managing the waqf affairs within their respective states. Hence the management of waqf assets would not be the same throughout Malaysia. One of the bigger issue is that it would be difficult to reach an agreement and uniformity in the management of waqf assets, including the suitable method in accounting, reporting and management of waqf assets, because the practices are different within each state. This would hinder uniformity and making it difficult to make comparisons for performance and improvement analysis.

2.5 Accounting for non-profit context

Non-profit falls within the category of third sector organisations, the one discussed in sub-section 2.2. As Non-profit is different from its profit-making counterpart, accounting for non-profit organisations must properly mirror the non-profit nature, which is the aim of the organisation (Nahar & Yaacob, 2011). In fact, accounting for non-profit should include the contributions of other factors towards the organisation, to better reflect the resources and factors involved in the operations of such organisation. For instance, the contribution of volunteers of non-profit organisation might not be meaningful in their-profit making counterparts because profit-making organisation do not always employ volunteers, but volunteers might be an integral part of a non-profit organisation, and hence their contribution should be accounted for (O'Brien & Tooley, 2013). This would be a good example to show the difference of other organisations dealing as profit making organisation and to that of non-profit generating operations such as *waqf* organisations.

With regards to waqf assets, its differences to other types of assets can be seen from the ownership perspectives and profit-making perspectives. Ownership of waqf assets do not lie with the organisations nor the beneficiaries, but waqfassets belong to Allah (Kahf, 1999). An organisationthat accounts for the waqf assets is just the trustee who manages the waqf assets in a manner which could serve the beneficiaries and manage the assets so that it could be maintained perpetually (Pitchay et al., 2014) and the usufructs could be enjoyed by the beneficiaries perpetually. Waqf assets are also not intended to be used for the sole aim of profit-making, instead waqf assets are to be managed and used so that the usufruct can benefit the beneficiaries (Yaacob et al., 2012).

Due to these differences, the accounting treatment for the usual profit-making assets would not be fully suited for waqf assets. For example, profit-making assets need to be depreciated to mirror the matching principle of expenses need to be matched with the revenue, but for waqf assets which do not aim for making profit, and needs to be maintained its existence perpetually, the concept of depreciation would not be suitable. Furthermore, normal Property, Plant and Equipment would be recognized and revalued at market value. However, for waqf assets, it could not be sold and transferred as the ownership do not lie with the organisation or trustee, hence the concept of market value is not relevant. This would cause issues in recognising or revaluing the waqf assets.

Previous studies on accounting for waqf institutions and bodies in Malaysia have focused on the reporting and accountability of waqf organisations (Ihsan, 2007; Ihsan & Adnan, 2009; Nahar & Yaacob, 2011; Tohirin & Hudayati, 2011; Masruki & Shafii, 2013; Yaacob et al., 2015), waqf management and governance (Iqmal et al., 2018; Chowdhury, 2011; Kamri, 2010) and the reason why there is a lack in waqf reporting (Daud, 2018). However, this current research provides insights and focuses on the areas not covered by previous research, that is to understand how the management of waqf institutions practice their accounting in adhering to a non-specific prevailing accounting standard whilst conforming to *waqf* principles.

3. Research Method

Data was collected through semi-structured interview and document analysis. An in-depth study was conducted on one *waqf* institution representing the management of *waqf* assets in one of the states in Malaysia.

Semi-structured interviews were carried out with the officers in charge of the chosen SIRC. The interviewees were chosen using snowball sampling, shaped by theoretical sampling. The researcher approached the SIRC by contacting the accountants of the SIRC. The accountants then responded and forwarded the request for data collection to respective person(s) handling *waqf* matters in the SIRC.

3.1 Data Collection Method

The data for this research is collected via 2 main methods, namely semi-structured interview and document analysis. The main source of data collection for this research is semi-structured interviews with the accountants and finance staff of the chosen institutions. The interviewees were selected using snowball approach whereby the first interviewee recommends the next interviewee whom he/she feels could contribute to this research within its context (Kumar, 2005; Merriam, 2009). This method is best used to let the data collection process grow in the way that it does not hinder any new relevant data from being left out. This is especially true for this research as the researcher needs to understand the operations, the process flow and how each department inter-connects with each other.

3.2 Semi-Structured Interview

Semi-structured interview was chosen because this method enables the researches to gauge information and knowledge other than those limited to the researcher before starting the research (Edwards & Holland, 2013). Furthermore, the interviewees are free to include more information to each question and were able to extend the discussion by including pertinent and relevant information which could help the research due to the flexibility of this method (Qu & Dumay, 2011). Thus, this research does not contain only the information that the researcher expects to know, but also includes all possible and related aspects with regards to the accounting processes and practices of the *waqf* organisation. This provides even moreinformation to the research as the interviewees are not restricted to answer the questions as compared to a structured interview (Edwards & Holland, 2013).

Four interviewees were selected for this research, which included all the staff in the Finance Department and one executive in the Administration Department. These are all the persons who are directly involved in the finance and operation of the SIRC, with regards to the scope of this research. Interviews were carried out with the finance executive in charge of managing all finance related matters and the preparation of financial statements, the internal auditor, the investment executive and the administrative executive, who also handles Marketing Department. The latter two deal frequently with Finance Department as they are the ones dealing with external parties with regards to the *waqf* assets.

The first interviewee was a Finance Executive who oversaw all finance related matters, and acted in place of Finance Manager, whose position is currently vacant. Interviews with all the officers were carried out once, except for the finance and internal audit officers, whom the researcher interviewed twice. All interviews were carried out in 2017 and 2018, except for the interview with the administrative officer which was carried out in 2019. The explanation for each of the interviewee is given in the table below. Each interviewee is given acode; K1, K2, K3 and K4 which will aid in explaining the findings section below.

Table 1. List of interviewees

Interviewees	Key Informant	Position in the SIRC	Job Scope
Interviewee 1	K1	Finance Executive	Performs and manages all aspects of finance and accounting matters. In place of Finance Manager which is vacant at the time of research
Interviewee 2	K2	Internal Audit Executive	Performs internal audit of the SIRC
Interviewee 3	K3	Investment Executive	Manages and plans the investment of cash *waqf* funds of the SIRC
Interviewee 4	K4	Administration Executive	Manages administrative aspects of the SIRC including the preparation of documentations with regards to the CEO of the SIRC, and also manages the Marketing Department which deals with *waqf* matters with the public

3.3 Document Analysis

Document analysis method was chosen for this study as it would provide the reality to better understand and really explore the actual practices of the two *waqf* settings in research. Document analysis provides the proof of 'communication' (Prior, 2008) by the *waqf* organisation and the users of the financial statements. Among the documents analysed were theannual report of the said SIRC, and additional reports which were prepared for the top management and public. This included the communication bulletin published in the website of the said SIRC. Annual reports analysed were for the year 2015 and 2016.

3.4 Data Analysis

Data was analysed using computer-assisted qualitative data analysis software (CAQDAS), Atlas.ti. Interview transcriptions were input in Atlas.ti in pdf file. The data were then analysed in accordance to thematic analysis, whereby similarities and any categories emerge from the data itself (Prior, 2008). To achieve this, the transcripts were read and analysed prudently for coding purposes. This is important in order for the data to be analysed according to the themes, and to look for likenesses via the coding technique. The themes that emerges helps the researcher to ascertain and understand more of the data in answering the research question and arriving at a conclusion (Flick, 2011).

3.5 Context of the research

This research aims to understand how the accounting practice is carried out in the absence of a specific accounting standard. The context chosen for this research is *waqf*, in Malaysia. The management of *waqf* in Malaysia is unique, in the sense that it is put under the power of the king or *Sultan* of each respective state. The reason being that *waqf* is under the category of Islamic matters, and all Islamic matters of a state, is put under the control of state King or Sultan.

As the *waqf* matters of each state is under the jurisdiction of the Sultan or King of the state, *waqf* management varies from one state to another. This is true, not only on the accounting and reporting practices but also on the physical management of the *waqf* assets. However, this does not mean that the variation on practices is immense, rather there exist similarities and differences in the management practices of all the states in Malaysia, which also covers their reporting and accounting practices. Hence this research would be true for the *waqf* corporation under study and might be able to explain and provide superficial insights of other states in Malaysia.

4. Findings and Discussion

This research was conducted on one of the SIRC in Malaysia. The state was chosen because it is one of the states in Malaysia where the management of *waqf* asset is put under a corporation which was exclusively established for the purpose of managing *waqf* assets and matters in the state.

4.1 Background of the SIRC

The *waqf* institution in this research is located in one of the states in Malaysia. The difference of this state to some other states in Malaysia, with regards to their *waqf* management, is that there is another body, incorporated to fully manage and control *waqf* assets within the state. This *waqf* managing corporation is put under the SIRC as their subsidiary. The *waqf* corporation fully manages and handles the *waqf* matters of the state, from receiving *waqf* assets from *waqf* donors up to the management, handling and development of *waqf* assets for upkeeping and growth purposes.

With regards to the accounting and reporting practices, the *waqf* corporation prepares their own set of financial statements which shows *waqf* and operational matters within the organisation and consoles their financial matters with that of their subsidiaries as well. Apart from that, the *waqf* corporation also prepares a set of *waqf* reporting, *Kumpulan Wang Wakaf* (KWW) (*Waqf* Monies Group) to be submitted and later consoled with the financial statements of the SIRC. This practice of maintaining KWW is no different to many other states in Malaysia.

The source of power for the *waqf* corporation are the Administration of Islamic Religion Enactment, State *Waqf* Enactment, the Corporation Establishment Order, and also the related *fatwas*.

4.2 Types of waqf assets

The *waqf* corporation manages general and specific *waqf*, according to the intention of the *waqf* donor and the purpose and utilization of the *waqf* assets. This means that within the category of general *waqf*, there are cash, buildings, land and other types of *waqf* assets; the same goes to specific *waqf*.The difference between general and specific *waqf* is that for specific *waqf*, the intention on the utilization of the *waqf* funds or asset, and/or the distribution of the benefits derived from such asset; will be used only for a specific purpose, in accordance to the *waqf* deed, or in accordance to the purpose of the establishment of such *waqf* fund.

With regards to the types of *waqf* assets, the corporation currently manages several types of *waqf* assets; namely cash, movable assets and immovable assets.

The immovable assets for the *waqf* corporation consist of land and buildings, either donated by the public or purchased by the corporation. Their cash *waqf* can be further broken down to include cash, gold, art; which reflects the physical item which was donated to the corporation as *waqf*. Gold and art donated to the corporation as *waqf* would be immediately converted to cash the soonest possible to maintain the value of the cash *waqf*. Normally the process to convert gold to cash would take no more than 3 working days. The corporation would not take any speculative action in waiting for gold prices to rise before converting it to cash as the most important thing to do is to maintain the value of the *waqf*. Hence the immediate action is to sell the gold to obtain cash and be considered as cash *waqf* in their books.

4.3 Waqf collection methods: cash

Prior to 2007, SIRCs in Malaysia do not acknowledge cash as a form of *waqf*. However, pursuant to National Council of Islamic Affairs' *Fatwa* Committee in 2007 (Mohamad Suhaimi et al., 2014) which approves cash as a form of *waqf*, the state recognized cash as a form of *waqf* as per other states in Malaysia. As cash can be used as a means to obtain other movable or immovable assets in order to provide usufructs to the beneficiaries, it is imperative that *waqf* managing bodies enables cash as a form of *waqf*. Cash *waqf* is given high attention by the corporation as it is one of the easiest ways that the public could participate in *waqf*-giving. Hence the corporation enables the public to donate *waqf* through various ways.

It could be seen that this *waqf* corporation enabled numerous ways for the public to participate in *waqf* giving in order to increase the collection. The corporation also work together with appointed individual agents and several other institutions such as bank and zakat institutions to be the collection agents for cash *waqf* in order to increase awareness and also ease the public to participate in *waqf* giving. As mentioned by K1:

"...we appoint them (zakat) as collection agent because they have the facilities (to collect)…"

This could be one of the reasons as to why the cash *waqf* funds for this *waqf* corporation is very high, as they are efficient in promoting cash *waqf* and providing means to ease the public to donate cash as a form of *waqf*. Proper process is also in place to ensure proper recording of cash *waqf* funds is maintained. The *waqf* corporation has a proper schedule and deadline as to when the monies collected by individual agents need to be deposited in the bank, and when the reports should reach Finance Department for proper recognition.

4.4 Waqf collection methods: immovable assets

Bulk of *waqf* assets managed by the *waqf* corporation is in the form of immovable assets such as land and buildings. The *waqf* corporation accepts building and land donated as *waqf* by the public. This would constitute housing unit in high rise residential building, landed shop lots, and lands. The public would deal with the Marketing Department for the initial process of filling up forms and providing the grant/deed for such asset. The department would handle the ownership transfer process including dealing with the Land and Mines Department for name change on the grant. Upon completion of name change, the report and information are given to the Finance Department for recognition and record keeping.

4.5 Strong support from Board of Directors

During the point of data collection, the Board of Directors of this *waqf* corporation consists of, among others, the *Mufti*, former director of National Audit Department, and director of State Land and Mines Office. The qualification of the board members reflects the knowledge and technical know-how that they bring in with regards to the operationalization of *waqf* matters of the corporation. This is an advantage to the corporation in the sense that third party dealings with related bodies could be expedited because the corporation is well-versed on the natures.

With regards to accounting, as one of the board members is a former director of Accountant General's Department of Malaysia,an oversight by the board on financial matters is taken seriously. The board is aware of the limitations of MPERS in providing complete guidance on how to account for *waqf* assets, hence they provided support for any additional reporting which could show the actual numbers of *waqf* assets in order for the *waqf* organisation to be more efficient in managing those assets.

Management of *waqf* assets in the sense of name change, is also expedited as the board members of the *waqf* corporation were former officers of Land and Mines Office, hence most of the name change for land donated as *waqf* assets by the public, would only take about 1-2 months to complete.

4.6 Prevailing accounting standard and waqf principles

The *waqf* corporation prepares their financial statements in accordance to the prevailing accounting standard, which is the Malaysian Private Entities Reporting Standards Board (MPERS) issued by Malaysian Accounting Standards Board (MASB). Although the standard would best suited private entities with the aim of profit-making purposes, but the *waqf* corporation would refer and adhere to this standard as there is no accounting standard which covers *waqf* context. Furthermore, since the *waqf* corporation is a subsidiary of the SIRC, they do follow their parent company in adhering to MPERS as the prevailing accounting standard.

Since this research is trying to find out whether there exists any problems to account for the operations of the *waqf* corporation, in following a non-specific accounting standard such as MPERS, the researcher tries to ask whether the accountant faced any problem in adhering to MPERS.

However, the interesting finding is that the finance executive (K1) does not see that MPERS is a problem for the corporation:

"…I do not see there is any problem…"

This is also supported by the fact that the corporation has their own Audit Committee who are well versed in the accounting standards and technicalities, and all the practices and processes were scrutinised so that no actions would be against MPERS. Further interview with the finance executive shows that the corporation emphasize on adhering to MPERS in the accounting practices and process of the corporation, even more so when there is any issue raised by the auditors.

However, in the event where the practices of accounting according to MPERS would be contradictory to *waqf* principles, then *waqf* principles would be given priority, as mentioned by K1:

"…if there is any (contradictions), then we will follow (waqf) principles"

One would ask, how does the corporation handle clashes between *waqf* principles and MPERS, if they follow MPERS in the preparation of their financial statements, whilst still adhering to *waqf* principles when the two in itself are contradictory at some point?

The answer lies in the additional practices of the corporation, whereby they prepare another set of reports, which shows clearly all the listings of *waqf* assets that the corporation manages. This report also shows the value, types and classifications of the *waqf* assets in detail. Hence this report supplemented the financial statements, in the sense that whatever practices that needs to be done in accordance to MPERS but would challenge *waqf* principles, the corporation would utilize this other set of reports to supply the information needed. The corporation also prepares 'management report', for the purpose of communicating information, in the form of bulletins to be disseminated to a number of *surau* and *masjid* for the public to be informed of the current *waqf* assets status.

4.7 Recognition, measurement and disclosure of waqf assets

The accounting practices of the *waqf* corporation will be analysed according to the main function of accounting; that is recognition, measurement and disclosure.

The recognition point of the *waqf* asset that the corporation received, varies according to the types. For cash *waqf*, the point of recognition is when the corporation receives the cash. For land and building, whereby there arises the need for name change on the grant; the *waqf* is recognized only upon successful name change. Although the name change process would take about 1 month to be completed, the asset would only be recognized at *waqf* asset after the successful name change. It is also interesting to note that for land, the name on the grant is their parent company, not the *waqf* corporation. This is due to the legal requirement whereby only SIRC can be the legal owner of *waqf* assets. The immovable *waqf* assets donated by the public are categorized under Property, Plant and Equipment, and for the immovable *waqf* assets purchased by the *waqf* corporation is recognized as Investment Properties.

With regards to measurement, the *waqf* assets were measured differently. For cash, the value of the cash would be recognized. For immovable assets such as land and buildings which were received by donation for *waqf*, the value of these assets would be a token value of RM1 (this practice is prior to 2018 financial reporting). If such building or land were purchased using cash *waqf* fund, the purchased value would be recognized. If any of the *waqf* immovable assets would need an upkeep, the cost of upkeeping would be capitalized. Hence for *waqf* assets which were donated and repaired, the value would be more than just the token value.

Their property, plant and equipment were also depreciated. Although this would be be 'lowering' the value of the *waqf* asset, the officer claims that the figures depreciated were only in the book. This is because the *waqf* corporation adheres very carefully to MPERS; and because they view such action to be just affecting the 'written value' on paper. The actual value of the *waqf* asset is not harmed or lowered. The corporation also puts importance in maintaining the actual value and upkeep of the asset in physical form. Hence their depreciation on paper, and the actual physical maintenance and protecting the value of the building, are two separate actions. Depreciation is done in accordance to the prevailing standard, but the actual *waqf* asset value is still preserved in accordance to *waqf* principles.

As for the disclosure, the corporation includes all the *waqf* assets in their financial statements. The immovable *waqf* assets is disclosed on the face of accounts, as Property, Plant and Equipment, and Investment Properties. Cash *waqf* recognized as *waqf* shares in their Statement of Comprehensive Income, and specific cash *waqf* is recognized as liability in their Statement of Financial Position. Their financial statements are also equipped with notes to the accounts which provides details of their calculation for additions in the *waqf* assets, depreciation and also lists of *waqf* assets under the category of specific *waqf*.

There are also several movable assets which were bought using general *waqf* funds but were not categorized as assets in their financial statements. Rightfully so, as the assets such as vans, or wheelchairs were given to other bodies that would utilise these assets in their operations, such as hospitals or dialysis centers. The *waqf* corporation would convert the cash *waqf* to such movable assets, by purchasing them, to be given to the hospitals and dialysis centers. Hence such assets would be recorded as expenses in the financial statements of the *waqf* corporation.

4.8 Discussions

This article seeks to learn on how a corporation operates and accounts for their transactions in an environment without a specific accounting standard. As *waqf* is considered to be under the nonprofit category, using a for-profit accounting standard to govern their accounting practices would, expectedly, give rise to compatibility and suitability concerns. However, as demonstrated by the *waqf* corporation, they do follow to the prevailing, non-specific accounting standard in order to adhere to the regulations and authoritative bodies. This is imperative so as to not contradict the directions from the auditor and their parent company.

Nevertheless, based on the findings gathered through the data collection activity, it could be seen that the *waqf* corporation also upholds *waqf* principles whilst still adhering to the prevailing accounting standard. Although MPERS do not fully provides guidance to properly account for *waqf* assets in accordance to *waqf* principles, this *waqf* corporation does not try to disobey or do without MPERS. Instead they follow MPERS and put on another initiative to provide another report which would complement and provides any additional information in which their financial statements fail to. This is also due to the fact that the Board of Directors for the corporation consists of former managers to a number of authoritative bodies, including the former National Audit Department of Malaysia. Hence the emphasis to follow MPERS is given high importance, whilst also not overlooking the purpose of financial statement preparation, that is to give the information to the users of the financial statements to make informed decisions. However, the best and most suitable way of presenting their financial and non-financial information would be through one set of financial statements which comprises all the information of the current financial standing of the *waqf* corporation, without separate and different reporting. Separate reporting could give rise to confusions and misleading information as both types of reports might not be accessible and reach the same users. Hence it is still possible for users to receive only one type of financial information and solely rely on that to arrive at their decisions.

The findings could be summarised in Table 2 below, that indicates the current practices of the SIRC and the implications; both from the conventional perspective and from the *fiqh* perspective.

Table 2. Summary of discussion

Accounting Practice	Reason	Implication
Waqf assets are not valued at cost or market value. Instead the assets are valued at nominal or token value	There is no cost for *waqf* assets donated by the public and there is no market value as *waqf* assets cannot be sold	Give rise to audit query as to why the valuation is not in accordance to the prevailing, conventional standard
Waqf assets are depreciated	The SIRC needs to follow the prevailing accounting standard	Give rise to accountability issue from the *fiqh* perspective as *waqf* assets should not be diminishing in value
The SIRC prepares two sets of financial reports; one which states nominal value for the *waqf* assets, another which states the actual value of the assets	The second report would help the Board of the SIRC to better oversees the management of the *waqf* assets	The added extra efforts is needed to prepare another set of reports which is time consuming. It would also be confusing to have two separate reports which account for the same assets but shows different monetary values

5. Conclusion

In conclusion, the need to have a specific accounting standard for *waqf* is imperative. Although the *waqf* corporations have shown their way in dealing with the absence, we still need to acknowledge that their capability and resources is a factor in enabling this capability. The same might not apply to SIRC of other states as their respective resources and managements' perspective in the importance of proper accounting practices might not be the same. Hence, one of the strong reasons to ensure proper accounting and reporting is in place, is by having a specific accounting standard focusing in accounting for *waqf* asset. The specific accounting standard for *waqf* related transactions would ensure and assist report preparers in preparing financial statements that would serve the purpose of a financial report. Having a specific and proper accounting standard for *waqf* assets and transaction in place would provide guidance and might shape the structure for other SIRC to ensure enough and skillful staff is in place for the preparation of their financial statement, as the standard would specify what needs to be done. Therefore, the best way to assist in ensuring proper accounting and reporting for *waqf* assets is still to have a specific accounting standard which guides and govern accounting practices, just like there is to govern the accounting for heritage assets in the UK or charity accounting in the Singapore.

Admittedly however, this research only focuses on one of the *waqf* institution in one of the states in Malaysia. Further research could be done covering all the states in Malaysia providing comparison on their accounting practices to ascertain and understand various accounting practices by various states in Malaysia.

References

Dahlan, N. K., Yaa'kub, N. I., Hamid, M. A., & Palil, M. R. (2014). Waqf (Endowment) Practice in Malaysian Society. *International Journal of Islamic Thought, 5*, 56–61.

Daud, D. (2018). Insight into the reasons for the lack of Waqf reporting. *Journal of Emerging Economies and Islamic Research, 6*(3), 48–58. https://doi.org/10.24191/jeeir.v6i3.8787

Edwards, R., & Holland, J. (2013). *What is Qualitative Interviewing?* Bloomsbury Academic. https://doi.org/10.5040/9781472545244

Flick, U. (2011). *The SAGE handbook of qualitative data analysis*. London: Sage Publications. https://doi.org/10.4135/9781446282243.n33

IASB. (2018). *The conceptual framework for financial reporting*. https://doi.org/10.1057/978-1-137-52150-7_5

Ihsan, H., & Adnan, M. A. (2009). *Waqf Accounting and The Construction of Accountability. International Conference in Waqf Laws and Management: Reality and Propects*. Kuala Lumpur. http://kantakji.com/fiqh/Files/Wakf/z115.doc

Ihsan, Hidayatul. (2007). *An Exploratory Study of Waqf Accounting and Management in Indonesian Waqf Institutions: the Cases of Dompet Dhuafa and Uii Waqf Foundation*s [Master's Thesis, International Islamic University Malaysia].

Iqmal, M., Kamaruddin, H., Masruki, R., & Hanefah, M. M. (2018). Waqf Management Practices: Case Study in a Malaysian Waqf Institution. *World Journal of Social Sciences, 8*(3), 1–12.

Kahf, M. (1999). Towards the Revival of Awqaf: A Few Fiqhi Issues to Reconsider. *Harvard Forum on Islamic Finance and Economics*. New York, Harvard University.

Kumar, R. (2005). *Research Metholdology: a step by step guide for beginners*. London: Sage Publications. https://doi.org/10.1007/b112047

Kwok, W. C. C., & Sharp, D. (2005). Power and international accounting standard setting: Evidence from segment reporting and intangible assets projects. *Accounting, Auditing and Accountability Journal, 18*(1), 74–99. https://doi.org/10.1108/09513570510584665

Laallam, A., Kassim, S., Engku Ali, E. R. A., & Saiti, B. (2020). Intellectual capital in non-profit organisations: lessons learnt for waqf institutions. *ISRA International Journal of Islamic Finance, 12*(1), 27–48. https://doi.org/10.1108/IJIF-10-2018-0111

Md. Shahedur Rahaman Chowdhury. (2011). Economics of Cash WAQF management in Malaysia: A proposed Cash WAQF model for practitioners and future researchers. *African Journal of Business Management, 5*(30), 12155–12163. https://doi.org/10.5897/AJBM11.1810

Merriam, S. B. (2009). *Qualitative Research: A Guide to Design and Implementation*. Hoboken, NJ: John Wiley & Sons.

Mohamad Suhaimi, F., Ab Rahman, A., & Marican, S. (2014). The role of share waqf in the socio-economic development of the Muslim community The Malaysian experience. *Humanomics, 30*(3), 227–254. https://doi.org/10.1108/H-12-2012-0025

Mohammed, N. F., Mohd Fahmi, F., & Ahmad, A. E. (2019). The need for Islamic accounting standards: the Malaysian Islamic financial institutions experience. *Journal of Islamic Accounting and Business Research*, *10*(1), 115–133. https://doi.org/10.1108/JIABR-12-2015-0059

Mohd Sharip, S., Awang, M., & Ismail, R. (2019). Conceptualizing the impact of Leader-member Exchange in non-profit and religious organisations: The case of waqf institutions in Malaysia. *Journal of Emerging Economies and Islamic Research*, *7*(3), 71. https://doi.org/10.24191/jeeir.v7i3.6197

Nahar, H. S., & Yaacob, H. (2011). Accountability in the sacred context: The case of management, accounting and reporting of a Malaysian cash awqaf institution. *Journal of Islamic Accounting and Business Research*, *2*(2), 87–113. https://doi.org/10.1108/17590811111170520

Nor `Azzah Kamri. (2010). The Roles of Ethics in Waqf Management: Case of Jawhar. *Jurnal Syariah*, *18*(3), 659–680.

O'Brien, E., & Tooley, S. (2013). Accounting for volunteer services: a deficiency in accountability. *Qualitative Research in Accounting & Management*, *10*(3/4), 279–294. https://doi.org/10.1108/QRAM-09-2012-0037

Pitchay, A. A., Mydin Meera, A. K., & Saleem, M. Y. (2014). Priority of Waqf Development among Malaysian Cash Waqf Donors : An AHP Approach. *Journal of Islamic Finance*, *3*(1), 13–22. https://doi.org/2289-2117 (O) / 2289-2109 (P)

Prior, L. (2008). Document analysis. In *The Sage Encyclopedia of Qualitative Research Methods*. https://doi.org/10.4135/9781412963909

Qu, S., & Dumay, J. (2011). The qualitative research interview. *Qualitative Research in Accounting & Management*, *8*(3), 238–264. https://doi.org/10.1108/11766091111162070

Rosnia Masruki, & Zurina Shafii. (2013). The Development of Waqf Accounting in Enhancing Accountability. *Middle-East Journal of Scientific Research 13 (Research in Contemporary Islamic Finance and Wealth Management)*, *13*, 1–6. https://doi.org/10.5829/idosi.mejsr.2013.13.1873

Sarea, A. M. (2013). The Need of Accounting Standards for Islamic Financial Institutions. *International Management Review*, *9*(2), 50–95. https://doi.org/10.1108/17590811311314294

Siekkinen, J. (2016). *Within and Cross-Country Differences in the Value Relevance of Fair Values*. https://www.semanticscholar.org/paper/Within-and-Cross-Country-Differences-in-the-Value-Siekkinen/646901eea0b78ede5e4dabe3560eb92a402705b6

Tohirin, A., & Hudayati, A. (2011). Cash waqf institution and accounting issues. Proceedings of the *International Seminar & Workshop on Islamic Accountin*g, 26-27 July, Universitas Islam Indonesia, Yogyakarta, Indonesia, 1–18.

Wadongo, B., & Abdel-Kader, M. (2014). Contingency theory, performance management and organisational effectiveness in the third sector: A theoretical framework. *International Journal of Productivity and Performance Management*, *63*(6), 680–703. https://doi.org/10.1108/IJPPM-09-2013-0161

Yaacob, H., Petra, S., Sumardi, A., & Nahar, H. S. (2012). Awqaf Accounting and Reporting for Accountability : A Case Study of Awqaf S. *19th International Business Research Conference*, *1*(189), 1–31.

Yaacob, H., Petra, S., Sumardi, A., & Nahar, H. S. (2015). Accountability through accounting and reporting lenses. *Humanomics*, *31*(3), 299–313. https://doi.org/10.1108/H-07-2013-0049

Young, J. J. (2006). Making up users. *Accounting, Organisations and Society*, *31*(6), 579–600. https://doi.org/10.1016/j.aos.2005.12.005

About the Author

Norlaila Yusof, is a PhD candidate at the International Islamic University Malaysia. Her PhD focuses on the topic of the absence of specific accounting standards, within the context of *waqf* in Malaysia. She held a bachelor's degree in Accounting from University of Teknologi MARA, and master's degree in Islamic Finance and Management from Durham University, UK. She can be reached through her email at norlailayusof@gmail.com.