



Implementation of ISAK 35 to Increase the Accountability of Mosque Financial Report

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Abstract. Mosque is center of Moslem worship activities. On the other hand, mosque also conducts variety of social and religious activities, thus it can be categorized as non-profit organization. In order to present its accountability, mosque needs to prepare financial report that is comply with Indonesia Accounting Standard for nonprofit organization, called ISAK 35. ISAK 35 was effectively applied on January 2020. The aim of this research is to increase the level of accountability of mosque by preparing financial report in accordance with ISAK 35. The research was conducted using descriptive case study method by investigating Khairullah Great Mosques in Banjarmasin city. The data used was primary collected by interviewing the mosque's organizers. Furthermore, secondary data also used by scrutinizing financial report of the mosque. The result shows that the financial report which was presented as cash inflow and cash outflow was not sufficient which then misled the reader. The organizers failed in documenting assets and costs of the mosque. By preparing the financial report in accordance with ISAK 35, it is proven that assets, costs and cash flows are truly and fairly presented, thus improve the quality of the Mosque financial report.

Keywords: Mosque · Financial report · ISAK 35 · Accountable

1 Introduction

Mosque is non-profit organization which is not just the center of worship activities but also a place of communal activities like study center and social religious ceremonial [1]. A research shows that mosque fund received from societies is getting increase each year [2]. An increase amount of mosque fund may indicate that people trust the mosque organizers. In addition, mosque organizers should consider preparing a transparent and accountable financial report [3].

As non-profit organization, mosque should prepare its financial report in accordance with accounting standard from IAI. Since 1977, the nonprofit organization used Statement of Financial Accounting Standard no.45 (PSAK 45). But as part of convergence process to the IFRS, from January 2020, Indonesia Accounting Association (IAI) established a new standard for nonprofit organization, so called ISAK 35. It is believed that

preparation of mosque financial report in accordance with accounting standard may raise people trust [4].

However, it is said that most of the mosques in Indonesia did not present their financial report based on accounting standard. The report that the organizers made was only report of cash in and cash out [5]. Another research in 2019 found that among 24 mosques in Banjarmasin, only two of them or 8,33% applied accounting standard in reporting their financial information [3]. It seems that using accounting standard to present financial information is not an issue in Indonesia. The form of mosque accountability is not measured by performing standardized financial report but how the role of the mosque in serving its congregation [6].

The report of cash in and cash out by mosque organizers failed in presenting true and fair information in regard with assets, liabilities, income and costs. As a consequence, society do not gather sufficient financial information.

This research was conducted in Khairullah Great Mosque in order to show to what extent the practice of financial reporting by the mosque failed in reporting true and fair financial information. This study will also discuss how the preparation of financial report in accordance with ISAK 35 would provide an accountable financial information.

2 Literature Review

2.1 Mosque and Its Accountability

The not-for-profit organizations are established by society for variety of objectives. The main characteristic of not-for-profit organization is that the fund form society is voluntarily donated. In addition, no obligation to give back the money to the donators, however, the donators may restrict the use of the fund they have donated only for specific purposes. Additionally, the organization should transparently presents these kind of information to public [7].

In Indonesia the legal forms of non-profit organizations are classified in to three categories, they are foundation, society organization and zakat institutions. It is agreeable that mosque organization should be categorized as foundation as it is fit the categories of foundations in UU RI No. 16-year 2001 [3].

According to Indonesia Mosque Chamber (DMI) there are three functions of mosque namely, center of worship, center of community development and center of communication [8]. In order to apply its function, Mosque received money from donators. Additionally, Mosque organizers should present financial report so they can raise trust from society.

Practically, the form of Mosque financial report only shows cash in and cash out which is not sufficient to inform financial information. Some previous researchers found that applying accountable financial report in accordance with suitable accounting standard is not an issue in Indonesia. Research on two mosques in East Java found that the Mosques only apply simple financial report using cash basis method [9]. Another research stated that mosques applied lack internal control in their fund management system. Low accountability in recording, authorizing and reporting financial transactions of mosques need to be addressed [1]. Research on 24 mosques in Banjarmasin showed

that only two mosques applied accounting standard in presenting their financial report, while another 22 mosques stated that they did not understand about reporting standardized financial information, however, the organizers agree that performing accountable financial report is important [3].

The challenge question on how to measure accountability of religious organization like mosque appears as the work of the organizers is done to pertain the soul [1]. Honesty of the organizers, capability to create prosperity for society and empowering community to involve in religious and social activities are form of accountability in one of Mosque in West Sumatra [10]. Another study on 211 mosques in Malaysia found that accountability has no influence on financial management practices. This study stated that financial management might heavily influenced by non-financial information [11]. A study stated that practice of good internal control by some Mosques in Malaysia is significantly applied by using income receipt and invoice of fund disbursement. Furthermore, record of transaction and authorization of document is only at the accepted level [12]. This finding indicated that transaction recording is not an issue in Malaysian Mosques.

Despite all debate on the form of mosque accountability, preparing sufficient financial reporting that suit accounting standard is important so the mosque able to inform true and fair information to their donators.

2.2 Accounting Standard on Reporting Mosque Financial Information

It is initially stated on the previous chapter that Mosque is categorized as non-profit organization (NPO). Under law of RI No.16, year 2001 Mosque organization is fit the form of foundation. As stated in the law No.16 article 52, as a foundation, Mosque in Indonesia should prepare its financial reporting in according with accounting standard [13]. However, there is no punishment for those who are not applying the standard.

The accounting standard that suitable for charitable foundation is ISAK 35. ISAK 35 was effectively applied by IAI in 2020, previously IAI implemented PSAK No.45. As of part of convergence process to IFRS, PSAK 45 was deleted from the standard. Since 2020 instead of PSAK 45, the non-profit organization applied ISAK 35 [7].

Paragraph 7 of the interpretation of accounting standard No. 35 stated that the standard is specifically applied for presentation of financial statement. Some description adjustments needed both on the accounts and on the financial report are discussed in the standard.

Paragraph 9 of ISAK 35 stated that NPO presents its financial report in accordance with minimal requirement that is regulated in PSAK No. 1. Accordingly, five components of financial report should be completed. Additionally, where necessary, some adjustments on the descriptions are allowed. For example, instead of report of changes on equity, NPO can use report of changes on net assets [7]. The complete reports of NPO in accordance with ISAK 35 are report of comprehensive income, report of changes on net assets, report of financial statement, report of cash flow, notes to financial statement.

According to paragraph 10 of ISAK 35 NPO can present its financial report in accordance with requests from donators. When donators restrict the use of the fund they donate, the NPO may classify the fund according to its nature. The fund may fall in to two categories, they are fund with restriction and fund without restriction.

In order to implement ISAK 35 in presenting its financial report, mosque should follow complete procedure of accounting cycle. The accounting cycle starts from classifying transaction correctly, recording it in to correct account, making necessary adjustment, posting it on to general ledger and finally present it correctly on complete set of financial report [14].

By applying complete accounting cycle, it is believed that the financial report results in a true and fair financial information. A research stated that Al Qalam Mosque in Jember has not applied accounting standard, however, the organizers agree that accountable financial report is extremely necessary [15]. Another survey on 24 mosques in Banjarmasin confirmed the finding said that Mosque organizers wanted to learn how to prepare financial report accountably [3]. Furthermore, to present financial information in accordance with ISAK 35 mosque organizers should provide sufficient transaction receipts. The true and fair receipts are potential source in creating accountable financial report. By providing income receipt and invoice of fund distribution, applying authorization procedure on every transaction documents Mosques has implement a good internal control practice [12].

In fact, there are other accounting standards for similar organization activities. Statement of Financial Accounting Standard No.112 (PSAK. 112) are formulated for Nadzhir and Waqif while Statement of Financial Accounting Standard No. 109 (PSAK. 109) is for Amil. They are indicated similar as in some case, Mosque also conduct a role as Nadzhir or Amil. However, as discussed earlier that Mosque is categorized as foundation so ISAK 35 is the most suitable standard to be applied.

3 Methods

This study was conducted using descriptive case study method by investigating the Mosque administrators and scrutinizing the financial report of the Mosque. We investigated one of mosques in Banjarmasin namely Khairullah Great Mosque. This mosque was chosen as fund received was getting increase each year, but the administrators never recording any assets nor costs. The data used was primary and secondary data. The primary data was collected by interviewing the Mosque administrator to get information about applied financial management and applied procedure in recording cash in and cash out. The secondary data was collected by scrutinizing the report of cash in and cash out and other supporting documents.

4 Results and Discussion

This study found that preparing only cash in and cash out report might mislead the donators as the mosque could not present total assets, income and costs. However, there was no complain by the communities. As discussed by previous researcher, culture of Indonesian people was heavily affected by religiosity. It is certain that the good or bad deed of Mosque administrators was being responsible to the almighty. As a consequence, how the money was spent by the administrators is not a concern [10]. Below is the only information made by the Mosque administrators, showing how they record their financial information every week (Fig. 1).

Beginning of week Balance	xxx
Revenue	
Friday saving	xxx
Direct donation	xxx
Parking	xxx
Total revenue	xxx
Expenditure	
Regular expenditure	xxx
Salary of staff	xxx
Cleaning service	xxx
Purchase of equipment & assets	xxx
Purchase of building materials	xxx
Payment of building workers	xxx
Repairment	xxx
Total expenditure	xxx
Balance at the end of the week (last week balance + Total revenue - Total expenditure)	xxx

Fig. 1. Example of weekly report of Khairullah Great Mosque.

Looking at the information above, it was seen that the report insufficiently informs financial condition of the Mosque. Administrators of Khairullah Great Mosque only can present amount of cash in, amount of cash out, and the balance every week. Assets and costs were not presented, meanwhile, position of cash was not properly recorded.

Another finding showed that the Mosque regularly published its cash in and cash out report. Publication method was managed by announcing it once a week, before Friday congregation pray. Moreover, there was no form of printed report that can be accessed by everyone. This finding indicates that Mosque administrators practiced transparent financial reporting although the report was not fulfilling the accountable definition. However, financial reporting transparency should be able to define to what extent the financial report exposes organization’s underlying economics in an understandable way [16]. The Mosque may provide an understandable report as it is easily figure out by the congregation. However, as everyone did not have access to the report, it may break the transparent reporting practice. Furthermore, the cash in and cash out report did not contain sufficient information in regard to organization’s underlying economics so that the Mosque administrators failed in practicing transparent financial statement.

In the view of agency theory, mosque administrator as the agent doing his job in the expectation of the donators as the principal [17]. However, unlike private corporation, the NPO, include mosque was barely complained by the donators. As a consequence, in the eye of Mosque organization the presentation of financial report was not important matter.

In order to present an accountable financial report in accordance with ISAK 35, Mosque should prepare it based on accounting procedures properly and accountably. In addition, all steps of accounting cycle have to be conducted. Firstly, this study classified the Mosque transactions by scrutinizing report of cash. Secondly, all the transactions from January 2020 to December 2020 were properly recorded in journals. All necessary

MASJID AGUNG KHAIRULLAH REPORT OF COMPREHENSIVE INCOME For the year ended at 31 Desember 2020		
Without Restriction from Donators		
Revenue		
Revenue-without restriction - alms	Rp	204.210.300
Revenue-without restriction – Friday alms	Rp	48.810.000
Income-short term investment	Rp	-
Income-long term investment	Rp	-
Miscellaneous	Rp	-
Total of Revenue	Rp	253.020.300
Expenses		
Wages for staffs	Rp	31.500.000
Salaries	Rp	21.500.000
Cleaning cost	Rp	220.000
Repairment cost	Rp	42.281.000
Depreciation cost	Rp	23.394.480
Miscellaneous	Rp	1.264.000
Total of expenses	Rp	120.159.480
Surplus (Deficits)	Rp	132.860.820
With restriction form donators		
Revenue		
Alms	Rp	-
Total of revenues	Rp	-
Expenses		
Total of expenses	Rp	-
Surplus (Deficits)	Rp	-
OTHER COMPREHENSIVE INCOME	Rp	-
TOTAL OF COMPREHENSIVE INCOME	Rp	132.860.820

Fig. 2. Report of comprehensive income.

adjustment were made to present true and fair financial information. Thirdly, the journals were summarized in general ledger based on its account. Finally, financial reports were presented in accordance with ISAK 35. Four sets of financial report presented were report of comprehensive income, report of changes of net assets, report of financial statement and statement of cash flow.

It is found that source of income of Khairullah Great Mosques came from alms or infaq fund which was classified as “without restriction from donators”. Total fund collection from January to December 2020 was around 253 million rupiahs. Costs occurred in Khairullah Great Mosque were identified as wages, salaries for *khatib* and *bilal*, cleaning fee, repairment and maintenance cost, depreciation cost and miscellaneous. From January to December 2020, it was seen that total costs occurred at around 120 million rupiahs. Figure 2 shows report of comprehensive income that was prepared in accordance with ISAK 35.

Furthermore, complete information of cash in and cash out in Khairullah Great Mosque are presented in cash flow statement as showed in Fig. 3.

Presentation of cash flow statement helped Khairullah Great Mosque to identify what happened to cash of Mosque during 2020. By classifying the cash activities in to three sections, it was found that the source of the fund mostly came from operational activity. Meanwhile, the cash distribution mainly went to investment activity, namely built an additional building. Finally, it can be presented that the total cash at the end of the period was at around 75 million rupiahs.

Purchased of assets and built an additional building have never been recorded by the administrators. Subsequently, there were no assets can be presented. Furthermore, the value of the Mosque building was remaining the same from the first time it was obtained.

KHAIRULLAH GREAT MOSQUE	
CASH FLOW STATEMENT	
For the year ended at 31 of December 2020	
OPERATING ACTIVITIES	
Revenue from operating activities	
Unrestricted revenue – alms	Rp 204.210.300
Unrestricted revenue – Friday alms	Rp 48.810.000
Total of revenue from Operating activities	Rp 253.020.300
Expenditures for operating activities	
Payment of debt expenses	Rp 2.520.000
Payment of salaries of Khatib dan Bilal	Rp 21.500.000
Payment of wages of staffs	Rp 28.500.000
Payment of cleaning fee	Rp 200.000
Payment of repairment cost	Rp 42.281.000
Miscellaneous	Rp 1.264.000
Total of Expenditures for operating activities	Rp 96.265.000
surplus (deficit) of cash from operating activities	Rp 156.755.300
INVESTING ACTIVITIES	
Revenue from investing activities	
Sale of old generator machine	Rp 1.500.000
Total of Revenue from investing activities	Rp 1.500.000
Expenditure for investing activities	
Purchase of equipment	Rp 52.346.000
Purchase of land next to the mosque	Rp 26.180.000
Building of bridge and place for wudhu	Rp 104.346.000
Total of expenditure for investing activities	Rp 242.872.000
surplus (deficit) of cash from investing activities	-Rp 241.372.000
Financing activities	
Revenue of financing activities	Rp -
Expenditure of financing activities	Rp -
surplus (deficit) of cash from financing activities	Rp -
CASH & CASH EQUIVALENT IN THE BEGINNING OF PERIOD	Rp 159.636.350
CASH & CASH EQUIVALENT IN THE END OF PERIOD	Rp 75.019.650

Fig. 3. Cash flow statement.

Value revaluation of Mosque building is necessary in order to present true and fair information. Process of revaluation was conducted by depreciating old building and capitalizing the capital expenditure of the new additional building. After the revaluation procedure, the value of the building increased at 100 million rupiahs, from 3.5 billion to 3.6 billion. On the other hand, as per 31 December 2020, the net value of Mosque equipment was recorded at around 136 million rupiahs. Below is information of total assets and liabilities in Khairullah Great Mosque, that was summarized in financial statement (Fig. 4).

This study has limitation as the only indicator used is ISAK 35. Future study may apply some other variables in order to measure the effectiveness of mosque financial management. For example variable of good internal controls or variables of accountability and transparency from perspective other than financial report.

KHAIRULLAH GREAT MOSQUE FINANCIAL STATEMENT AS PER 31 DECEMBER			
ASSETS		LIABILITIES	
Current Assets		Debt expense	Rp 500.000
Cash and cash equivalent	Rp 75.019.650	Long term debt	Rp -
Receivable	Rp -	Total of Liabilities	Rp 500.000
Short term investment	Rp -		
Other current assets	Rp -		
Total of current assets	Rp 75.019.650		
Non-current assets		NET ASSETS	
Land	Rp 209.930.000	Net assets with restriction	Rp 3.781.053.395
Building	Rp 3.664.346.000	Net assets without restriction	Rp -
Accumulation of building depreciation	-Rp 270.833.333	Total of Net assets	Rp 3.781.053.395
Equipments	Rp 136.385.983		
Accumulation of equipment depreciation	-Rp 33.294.905		
Total of non-current assets	Rp 3.706.533.745		
TOTAL OF ASSETS	Rp 3.781.553.395	TOTAL OF LIABILITIES & NET ASSETS	Rp 3.781.553.395

Fig. 4. Financial statement.

5 Conclusion

There are many ways of measuring the accountability of Mosque management. Although, presenting only cash in and cash out is not sufficient to be said as accountable organization. Access to the financial report also an important matter in the issue of Mosque management transparency. Furthermore, practice of transparent financial reporting requires a qualified financial statement that meet accounting standard.

By presenting 4 complete set of financial reports in accordance with ISAK 35, it is proven that the quality of the financial report of the Mosque will be improved. True and fair financial information was presented as every necessary information was properly recorded from the very beginning of the transaction.

Financial statement presents the detail assets and if any, liabilities owned by Khairullah Great Mosque per 31 December 2020. Report of comprehensive income presents the source of income and cost occurred in the Mosque during 2020. Report of changes in net assets presents the changes occurred in net assets and if any, will properly shows restriction by the donators. Cash flow statement shows complete information of cash amount entering and leaving Khairullah great Mosque.

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