

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

The important role of accounting in a business is to find out how the business's financial situation is. Accounting has often been called the "language of business." In order to capture, analyze, publish, and understand fundamental economic data for the benefit of individuals, corporations, governments, and other members of society, the "language" used is increasingly complex as a result of the rapid change in our society. In the context of the distribution and use of this finite national resource, making the right decisions on the basis of trustworthy information is crucial. As a result, accounting is crucial to both our social and economic systems. Such terms as assets, liabilities, revenue, expense, cash flow, inventory turnover, and earnings per share are but a few examples of technical accounting terms widely used in the business community (Meigs & Meigs, 1990). Business managers and executives require the financial data offered by an accounting system to aid in the planning, management of the company's operations and decision making.

Accounting consists of three basic activities—it identifies, records, and communicates the economic events of an organization to interested users (Weygandt et al., 2018). A corporation first determines the economic events that are important to its business before beginning the accounting process. It is important to record economic events to communicate the history of financial activity to users who are curious about the availability of financial reports. The accountant's ability to evaluate and comprehend the data provided is essential to effectively explaining economic happenings. Ratios, percentages, graphs, and charts are used in analysis to illustrate important financial patterns and correlations. Every company transaction, including the purchase and sale of products and services, the extension of credit to clients, the incurrence of accounts payable, and the receipt and payment of cash, must be documented and entered in the accounting records. A transaction is a completed activity, not an anticipated or likely future action. Accounting principles and accounting information are needed for creating a family

budget, balancing a checkbook, completing an income tax return, and other tasks related to finance.

Some individuals believe that accounting is a highly technical topic that can only be addressed by professional accountants. In reality, practically everyone engages in some type of accounting on a regular basis, whether it be for income tax filing, credit card application, loan application, or income accountability. Large enterprises must answer to the public, the government, and their shareholders. Governments at all levels, including the federal, state, local, and school districts, should utilize accounting as a foundation for managing their finances and gauging their success. Accounting is equally essential to the successful operation of a business, a university, a fraternity, a social program, or a city (Meigs & Meigs, 1990). As a result, everyone has to have a basic mastery of accounting in order to make wise judgments.

Accounting has an important role from an Islamic perspective. The early development of the accounting system according to Islamic rules was due to the process of organizing the collection of funds from different sources and then dividing them into different expenditures, as well as the management of this process. In the Islamic accounting system, it is the role of religious rules and principles that differentiates it from other accounting systems. This system, which deals with the accounting of financial rights and liabilities or obligations within the framework of Sharia regulations relating to financial transactions, is based on the principles and techniques guiding its operations. One of the sharia rules related to accounting is the obligation to pay zakat<sup>1</sup>. There are different types of zakat, namely trade zakat, livestock zakat, gold and silver zakat, agricultural zakat, and others. The accounting treatment of zakat must still refer to the general principles and provisions of zakat, namely determining haul<sup>2</sup> and having reached nishab<sup>3</sup>, then the person is obliged to issue zakat.

In this study, I will discuss the gold trade zakat. A person is required to pay 2.5% zakat if they hold commercial assets with maturities greater than one year and have reached nishab in that year. According to Yusuf Qaradawi (2007), trade is a form of legal business. A large number of people's wealth has been functional in trade, and trade has become a livelihood that generates

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<sup>1</sup> Zakat is a certain amount of property that is required by Allah to be handed over to the rightful owners.

<sup>2</sup> Haul is the period of ownership of property that has passed for 12 months of Hijriyah year.

<sup>3</sup> Nishab is the minimum amount that must be subject to the obligation of zakat.

large profits; there are even traders who already have wealth and goods worth thousands or millions of dollars. So it is natural that Islam requires that zakat be issued every year as zakat money, as gratitude to Allah SWT, to pay the rights of those who are entitled, and as a contribution to the public good for the sake of religion and the country. Traders consist of various types, namely gold traders, vegetable traders, basic food traders, clothing traders, and others. I chose a gold trader because gold traders make buying and selling transactions of more than 1 million per day, requiring a lot of capital and trading that has a high income compared to other trades. Therefore, financial reports are needed, and from these financial reports, it will be easier to calculate zakat gold trading every year.

The payment of trade zakat is calculated based on capital and profits, not just profits. The trading capital that must be issued for zakat is the capital used for trading. Every entrepreneur who runs his business aims to increase his business profits so that the value of zakat issued can also increase. Several previous studies also discussed how to calculate zakat on gold trading. Research from Abdulahana (2021) discusses how to calculate zakat in gold trading and its application by gold traders in Watampone Central Market. The degree of understanding and practice of trading zakat for gold dealers at the Pekkabata market in the Pinrang area is also covered in the study by Agussalim (2021). Kurniawan et al. (2021) also discussed digital financial applications for MSMEs in Sampit City. This research is different from previous research because it discusses the application of accounting and trade zakat to gold traders in the cities of Solok and Padang.

Based on the explanation above, I am interested in discussing how financial records and bookkeeping are carried out at gold shops in the cities of Solok and Padang and whether they are in accordance with the applicable accounting concepts. I also examine the calculation and distribution of zakat on the gold trade in the cities of Solok and Padang. So I am interested in doing research entitled "Accounting Studies and Zakat Practices Among Gold Traders: Case Studies in Padang and Solok". In order to clarify the information, I conducted a preliminary study. Of the 19 gold traders interviewed by the author, this information turned out to be true.

## **1.2 Problem Identification**

1.2.1 How is the application of accounting to gold traders in the city of Solok and the city of Padang?

1.2.2 How is the application of the calculation of zakat on gold trade to gold traders in the city of Solok and the city of Padang?

## **1.3 Research Objectives**

1.3.1 To find out whether the gold traders in City of Solok and the city of Padang have implemented the correct accounting

1.3.2 To find out how the application of trade zakat calculation to gold traders in the City of Solok and the City of Padang

## **1.4 Research Benefits**

### **1.4.1 For Gold Traders**

Provide advice to gold traders so they can use the right way of applying accounting and calculating trade zakat when implementing good sharia accounting practices.

### **1.4.2 For Society**

Introducing the development of trade zakat, which will later be charged to the assets of a business, and increasing the potential for large zakat funds with the aim of providing welfare for the community.

### **1.4.3 For Researchers**

This research is a medium for applying the knowledge that researchers gain in lectures to solve problems scientifically.

## 1.5 Writing Systematic

1.5.1. Chapter I: Introduction. This chapter describes the background of the research, the problem identification, the research objectives, the research benefit, and the writing systematic.

1.5.2. Chapter II: Literature Review. This chapter contains a theoretical framework that researchers can use to explain research findings, as well as an overview of previous research that researchers can use to broaden their research expertise

1.5.3 Chapter III: Research Methods. This chapter consists of types and research approaches, research sites, data sources, data collection techniques, and qualitative data analysis.

1.5.4. Chapter IV: Finding and Analysis. This chapter consists of general description of the research object, accounting practices and reporting methods of gold traders, calculation of zakat for gold traders and distribution zakat in gold traders

1.5.5. Chapter V: Closing. This chapter contains the conclusions, suggestions, and limitations of the research.

