ISLAMIC BANKING

An Introduction to Islamic Accounting
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Hanudin Amin
Abdul Rahim Abdul Rahman

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To my family with love, especially my wife Zuraidah Anis and my children, Muhammad Nour Imran, Nasrullah, Nasrudin and Nasrulhaq. To my father, Hj. Amin Hassim and my mother, Hjh. Halima Undang – who inspire me to be a good learner. To my elder brother (Samsuddin), elder sister (Saripah) and younger sisters (Apidah and Suliana), for their love.

Dr Hanudin Amin

To my wife, Masniah, and my children, Nurul Iman, Nur Hidayah, Abdul Mun‘im, Abdul Muhamin and Nur Husnina, for their continuous supports and understanding. To my mother and late father, for their love and dua‘. To my teachers and students, for their knowledge and sharing.

Prof. Dr Abdul Rahim Abdul Rahman
CONTENTS

List of Figures xi
List of Tables xi
Glossary xii
Preface xiii

Chapter 1  1
Islamic Banking and Finance: An Introduction
Introduction 1
Islamic Law and Banking 2
Characteristics of an Islamic Bank 4
Objectives of an Islamic Bank 6
Business Philosophy of an Islamic Bank 11
Functions of an Islamic Bank 13
Islamic Banking versus Conventional Banking 16
Conclusion 17
Test Your Memory 18

Chapter 2  19
An Overview of Islamic Banking and Financial System
Introduction 19
Dual Banking and Financial System 20
Islamic Banking Products and Services 23
Islamic Money Market 29
Conclusion 31
Test Your Memory 31
Chapter 3
Accounting: An Islamic Perspective
Introduction 33
Basic Sources for Islamic Accounting 34
Features of Islamic Accounting 36
Islamic Accountability 38
Developing Islamic Accounting Standards 40
Conclusion 41
Test Your Memory 42

Chapter 4
Islamic Accounting Standards
Introduction 43
Objectives of the Standards 44
The Need for Islamic Accounting Standard 46
The Objective of Financial Statements 47
Scopes of the FRSi-1 and AAOIFI FAS 1 49
A Comparative Islamic Accounting Standards 49
Substances of the Standards 50
Why these Standards Differ? 54
Similarities of AAOIFI FAS 1 and FRSi-1 58
Conclusion 62
Test Your Memory 63

Chapter 5
Mudarabah Accounting
Introduction 65
Elements of Mudarabah 67
Nature of Mudarabah Financing 67
Forms of Mudarabah Transaction 68
Mudarabah Account in Islamic Banks 69
Accounting for Mudarabah: A Journal Entry 70
Example of Accounting for Mudarabah: A Journal Entry 72
Conclusion 73
Test Your Memory 74

Chapter 6 77
Musharakah Accounting
Introduction 77
Fundamentals of Musharakah 79
Musharakah Principles 80
Types of Musharakah 82
Accounting Treatments of Musharakah Financing 83
Musharakah Accounting for a Journal Entry 84
Cash versus Accrual Basis 87
Conclusion 88
Test Your Memory 89

Chapter 7 91
Murabahah Accounting
Introduction 91
Types of Murabahah 94
Accounting Treatment 97
Why Do We Need Murabahah to the Purchase Orderer? 98
Recognition of Profit 98
Accounting Treatment for Murabahah Financing 99
Conclusion 102
Test Your Memory 102

Chapter 8 105
Salam Accounting
Introduction 105
Applicable Definitions in Salam 107
The Legitimacy of Salam 107
Chapter 9
Ijarah Accounting

Introduction
Elements of Ijarah
Nature of Ijarah
Participants in the Ijarah Contract
Ijarah Muntahia Biltamleek versus Al-Ijarah Thumma Al-Bay (AITAB)
Categories of Ijarah Muntahia Biltamleek
Accounting Treatment for Ijarah
Example of Ijarah Muntahia Biltamleek
Terminologies
Test Your Memory

Chapter 10
Zakat Accounting

Introduction
The Recipients of Zakat
Wealth Subjected to Zakat
Zakat Accounting Principles
The Needs of Zakat Accounting
Methods of Zakat Measurement
Conclusion
Test Your Memory

Sample of Examination Questions
References
Index
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Islam, Shariah, Muamalat, banking and finance</td>
<td>3</td>
</tr>
<tr>
<td>3.1</td>
<td>Development of Islamic accounting standards</td>
<td>41</td>
</tr>
<tr>
<td>7.1</td>
<td>Murabahah concept</td>
<td>92</td>
</tr>
<tr>
<td>7.2</td>
<td>Murabahah to the purchase orderer</td>
<td>94</td>
</tr>
</tbody>
</table>

LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Differences between murabahah, MPO and BBA</td>
<td>94</td>
</tr>
<tr>
<td>9.1</td>
<td>Differences between Ijarah Muntahia Biltamleek and AITAB</td>
<td>117</td>
</tr>
</tbody>
</table>
# GLOSSARY

<table>
<thead>
<tr>
<th>Arabic Term</th>
<th>English Term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Murabahah</strong></td>
<td>Mark-up sale</td>
</tr>
<tr>
<td><strong>Bai Bithaman Ajil</strong></td>
<td>Deferred payment sale</td>
</tr>
<tr>
<td><strong>Salam</strong></td>
<td>Deferred delivery sale</td>
</tr>
<tr>
<td><strong>Musharakah</strong></td>
<td>Profit and loss sharing</td>
</tr>
<tr>
<td><strong>Mudarabah</strong></td>
<td>Profit sharing</td>
</tr>
<tr>
<td><strong>Ijarah</strong></td>
<td>Leasing</td>
</tr>
<tr>
<td><strong>Zakat</strong></td>
<td>Compulsory levy for Muslims</td>
</tr>
<tr>
<td><strong>Shariah</strong></td>
<td>A way of life (Muslims)</td>
</tr>
<tr>
<td><strong>Riba</strong></td>
<td>Interest</td>
</tr>
<tr>
<td><strong>Gharar</strong></td>
<td>Uncertainty</td>
</tr>
<tr>
<td><strong>Wadiah</strong></td>
<td>Safe custody</td>
</tr>
<tr>
<td><strong>Rabbulmal</strong></td>
<td>Provider of funds</td>
</tr>
<tr>
<td><strong>Mudarib</strong></td>
<td>Entrepreneur</td>
</tr>
<tr>
<td><strong>Faraid</strong></td>
<td>Inheritance divisions according to al-Quran</td>
</tr>
<tr>
<td><strong>Ikhtikar</strong></td>
<td>Exploitative monopoly</td>
</tr>
<tr>
<td><strong>Sadaqah</strong></td>
<td>Gift, voluntarily given</td>
</tr>
<tr>
<td><strong>Waqf</strong></td>
<td>Charitable endowments</td>
</tr>
<tr>
<td><strong>Fatwa</strong></td>
<td>Unanimous opinion</td>
</tr>
<tr>
<td><strong>Fuqaha</strong></td>
<td>Fiqh expert</td>
</tr>
<tr>
<td><strong>Fiqh</strong></td>
<td>Understanding</td>
</tr>
<tr>
<td><strong>Ijarah Muntahia Biltamleek</strong></td>
<td>Ijarah form, ownership is changed from lessor to lessee</td>
</tr>
<tr>
<td><strong>Al Ijarah Thumma al bay</strong></td>
<td>Ijarah form, two contracts sale and leasing</td>
</tr>
<tr>
<td><strong>Hemish gedyyah</strong></td>
<td>Deposit</td>
</tr>
<tr>
<td><strong>Murabahah to the purchase orderer</strong></td>
<td>Involves financier, supplier and purchase in Murabahah</td>
</tr>
<tr>
<td><strong>Halal</strong></td>
<td>Permitted</td>
</tr>
<tr>
<td><strong>Musharakah Mutanaqisah</strong></td>
<td>Diminishing Musharakah</td>
</tr>
<tr>
<td><strong>Al-Mudarabah Al-Mutlaqah</strong></td>
<td>General investment account</td>
</tr>
<tr>
<td><strong>Al-Mudarabah Al-Moqayyadah</strong></td>
<td>Specific investment account</td>
</tr>
<tr>
<td><strong>Qard</strong></td>
<td>Loan</td>
</tr>
</tbody>
</table>

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*xii*
The book is written with the purpose of sensitizing readers especially students to the various issues of accounting according to the al-Quran and the Hadith, Islamic accounting concepts, and accounting for Islamic financial transactions. The knowledge and skills gained from the course is able to add value to the students to prepare themselves for their career advancement. It is expected that, these topic of Islamic accounting will pave the way of disseminating the complete Islamic finance discipline to those students. As such, the book plans to communicate the pivotal contents of Islamic accounting both theoretically and practically. With these skills in mind, the students are hoped to apply them into the real world once they have graduated.

In this first edition of this book, we expound the following 10 topics of interest:

1. Islamic banking and finance: An introduction
2. An overview of Islamic banking and financial system
3. Islamic accounting concepts
4. Islamic accounting standards
5. Mudarabah accounting
6. Musharakah accounting
7. Murabahah accounting
8. Salam accounting
9. Ijarah accounting
10. Zakat accounting

Completing this book, is not only time-consuming but also involved a lot of effort and commitment. Thanks to Allah S.W.T., where we managed to complete this book along with some shortcomings. This book has been constructed briefly in order to provide a very basic and preliminary approach of communicating the Islamic accounting to the readers. The book thus, is useful as a guide, study material and research for those who are interested in
Islamic accounting. In addition, it is a pleasure for us to thank Prof. Dr Mohd Sahar Sawiran of the Universiti Teknologi MARA (UiTM) for his review in this book.

Although this work is successfully published, nevertheless errors and shortcomings occur in this work are of our responsibility. As always, we welcome constructive comments from all who use this book, as the undergraduate students are the ultimate beneficiaries of your thought. Finally, we hope the readers enjoy of reading the book.

Hanudin Amin, PhD  
Senior Lecturer of Islamic Finance  
Labuan Faculty of International Finance  
Universiti Malaysia Sabah  
Labuan, Malaysia

Abdul Rahim Abdul Rahman, PhD  
Professor of Accounting  
Faculty of Economics and Muamalat  
Universiti Sains Islam Malaysia  
Negeri Sembilan, Malaysia

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