



# ACCOUNTING FOR ISLAMIC BANK TRANSACTIONS

Hanudin Amin



**UMS**  
UNIVERSITI MALAYSIA SABAH

# **ACCOUNTING FOR ISLAMIC BANK TRANSACTIONS**

# ACCOUNTING FOR ISLAMIC BANK TRANSACTIONS

Hanudin Amin

**PENERBIT UNIVERSITI MALAYSIA SABAH**

Kota Kinabalu • Sabah • Malaysia

<http://www.ums.edu.my>

2014

---

A Member of the Malaysian Scholarly Publishing Council (MAPIM)

© Universiti Malaysia Sabah, 2008  
Reprinted 2014

All rights reserved. No part of this publication may be reproduced, distributed, stored in a database or retrieval system, or transmitted, in any form or by any means, electronics, mechanical, graphic, recording or otherwise, without the prior written permission of Penerbit Universiti Malaysia Sabah, except as permitted by Act 332, Malaysian Copyright Act of 1987. Permission of rights is subjected to royalty or honorarium payment.

Penerbit Universiti Malaysia Sabah makes no representation – express or implied, with regard to the accuracy of information contained in this book. Users of the information in this book need to verify it on their own before utilizing such information. Views expressed in this publication are those of the author(s) and do not necessarily reflect the opinion or policy of Universiti Malaysia Sabah. Penerbit Universiti Malaysia Sabah shall not be responsible or liable for any special, consequential, or exemplary problems or damages resulting in whole or part, from the reader's use of, or reliance upon, the contents of this book.

Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

Hanudin Amin

Accounting for Islamic bank transactions / Hanudin Amin.

Includes index

Bibliography: p. 99-100

ISBN 978-967-5224-06-5

1. Accounting--Islamic countries. 2. Banks and banking--Religious aspects--Islam.

3. Economics--Religious aspect--Islam. I. Title.

657.088297

Typeface for text:	Book Antiqua
Text type and leading size:	11/13.2 points
Published by:	Penerbit Universiti Malaysia Sabah Tingkat Bawah, Perpustakaan Universiti Malaysia Sabah Jalan UMS 88400 Kota Kinabalu, Sabah
Printed by:	Percetakan Keningau Sdn. Bhd. Lot 26, Phase 1, FSK Industrial Centre, Km 8, Jalan Penampang, 88300 Kota Kinabalu, Sabah

To my family, with love,  
Zuraidah Anis, Muhammad Nour Imran and Nasrullah.

# CONTENTS

---

List of Figures	viii
List of Tables	viii
Preface	ix
Glossary	x
<b>Chapter 1</b> What is an Islamic Accounting?	1
<b>Chapter 2</b> Islamic Accounting Standards	11
<b>Chapter 3</b> <i>Mudharabah</i> Accounting	33
<b>Chapter 4</b> <i>Musharakah</i> Accounting	43
<b>Chapter 5</b> <i>Murabahah</i> Accounting	57
<b>Chapter 6</b> <i>Salam</i> Accounting	71
<b>Chapter 7</b> <i>Ijarah</i> Accounting	79
<b>Chapter 8</b> <i>Zakat</i> Accounting	91
<b>Chapter 9</b> Auditing in Islamic Accounting	105
Sample of Exercises	113
Bibliography	121
Appendix	125
Index	127

## **LIST OF FIGURES**

<b>Figure</b>	<b>Page</b>
1.1 Islamic accounting standards development	9
5.1 Murabahah concept	58
5.2 Murabahah to the purchase orderer	61

## **LIST OF TABLES**

<b>Table</b>	<b>Page</b>
5.1 The differences between Murabahah, MPO and BBA	60
7.1 The differences between Ijarah and AITAB	83
9.1 The differences between SSB and external auditors	110

## GLOSSARY

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