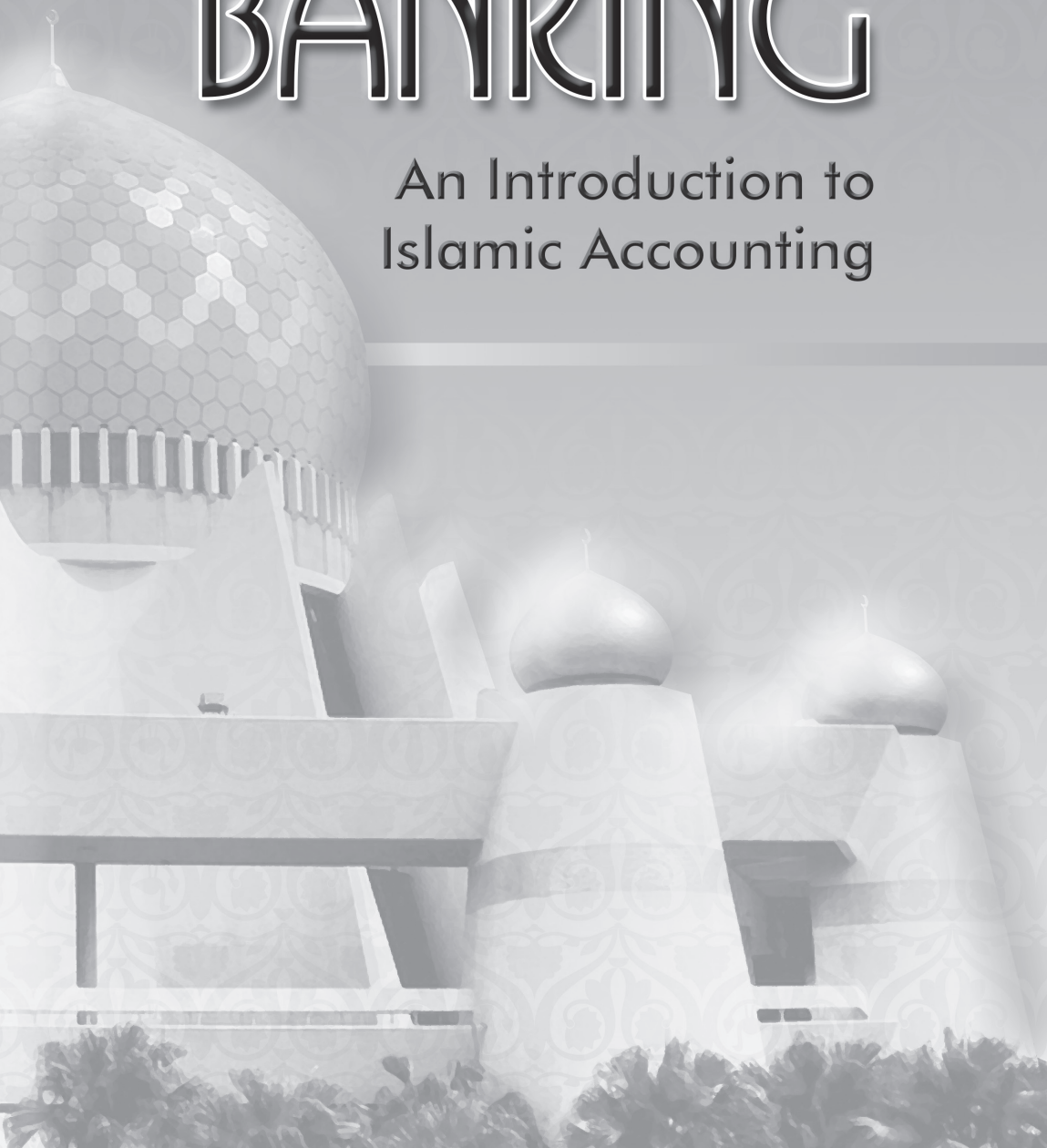


ISLAMIC BANKING

An Introduction to
Islamic Accounting



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PENERBIT UNIVERSITI MALAYSIA SABAH

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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

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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>Mudarabah</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>Mudarib</i>	Entrepreneur
<i>Faraid</i>	Inheritance divisions according to <i>al-Quran</i>
<i>Ikhtikar</i>	Exploitative monopoly
<i>Sadaqah</i>	Gift, voluntarily given
<i>Waqf</i>	Charitable endowments
<i>Fatwa</i>	Unanimous opinion
<i>Fuqaha</i>	<i>Fiqh</i> expert
<i>Fiqh</i>	Understanding
<i>Ijarah Muntahia Biltamleek</i>	<i>Ijarah</i> form, ownership is changed from lessor to lessee
<i>Al Ijarah Thumma al bay</i>	<i>Ijarah</i> form, two contracts sale and leasing
<i>Hemish gedyyah</i>	Deposit
<i>Murabahah</i> to the purchase orderer	Involves financier, supplier and purchase in <i>Murabahah</i>
<i>Halal</i>	Permitted
<i>Musharakah Mutanaqisah</i>	Diminishing <i>Musharakah</i>
<i>Al-Mudarabah Al-Mutlaqah</i>	General investment account
<i>Al-Mudarabah Al-Moqayyadah</i>	Specific investment account
<i>Qard</i>	Loan

PREFACE



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.

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