



**ACCOUNTING
FOR ISLAMIC BANK
TRANSACTIONS**

ACCOUNTING FOR ISLAMIC BANK TRANSACTIONS

Hanudin Amin

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

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PREFACE

The scarcity of reference in Islamic accounting has inspired me to write this short book. The target audience of the book is undergraduate students. This book attempts to discuss the concepts, standards, journal entries and auditing in Islamic accounting. The knowledge I gained from my MBA, with specialization in Islamic Banking Finance in the International Islamic University Malaysia (IIUM) has become the fundamental background for this book.

In order to increase students' understanding in Islamic Accounting, this book discusses the definition, concept of Islamic accounting in its first few chapters, and this is followed by computational discussion in selected chapters. Several exercises are also provided in the Appendix for practice.

It is hoped that this book would be useful at least as a reference book especially for Malaysian public universities offering an Islamic accounting course as it offers adequate contents for teaching Islamic accounting course. Most importantly, the book also provides exercise at the end of each chapter in order to develop a good understanding among students on Islamic accounting topics.

It is my pleasure to express my appreciation to a number of people. Special thanks goes to my lecturer, Assoc. Prof. Dr Abdul Rahim Abdul Rahman, who had inspired me to write this book. In addition, special thanks also goes to Assoc. Prof. Dr Ricardo Baba who helped me in the proofreading of this book. Also to Penerbit Universiti Malaysia Sabah for facilitating the publication of this book.

Finally, if you have any comments or opinions, feel free to e-mail me at hanudin@ums.edu.my or hanudin_zu@yahoo.com.

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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 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-Mudarabah Al-Mutlaqah</i>	General investment account
<i>Al-Mudarabah Al-Moqayyadah</i>	Specific investment account
<i>Qard</i>	Loan