



**FACULTY OF ECONOMICS
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THESIS

**A REVIEW OF THE PRINCIPLES OF ISLAMIC ACCOUNTING
IN INDONESIA**

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**Submitted in Partial Fulfillment of Requirement for The Undergraduate Degree
In Accounting**

PADANG

2011

CHAPTER 1

INTRODUCTION

1.1. Background

Recently, there is the revival of the so called “Islamic Economics System” indicated by the occurrence of sharia based finance institutions. This condition demands the academicians and the practitioners to sustainably preparing the supporting items such as islamic management, islamic operational production, islamic marketing and the last one is islamic accounting. It is expected all of the sharia institutions in the end purely apply sharia concept within all of their activities. Accounting as the integrated part of an economic system is urgently needed to implement an ideal islamic economic system.

Religion, particularly Islam, can exert a profound influence on individuals and societies. Throughout the muslim world, there has been a growing religious commitment during the past two decades to manage their economies in line with the precepts of Islam (Hassan, 1998 cited in Sulaiman, 2001). This phenomenon has generated considerable interest in literature in examining the influence of Islam on accounting and financial reporting.

The changes in accounting system is urgently needed in the future to fulfill the needs of muslim community. Sharia accounting is one of efforts to deconstruct modern accounting into humanistic and valuable form. The objective of the creation of islamic accounting is the existence of humanistic and transcendent horizon and business civilization.

Shaari Hamid, Russel Craig and Frank Clarke (1993) in their article entitled

“Religion: A Confounding Cultural Element in The International Harmonization of Accounting” propose two things:

1. That Islam is a religion which has special regulations in financial economic system (such as free interest banking system) must need special accounting theory able to accommodate the sharia rule.
2. In various of studies, it is said that locally cultural aspect (national boundaries) hugely affect the development of accounting, then Islam as the religion which beyond national boundaries cannot be ignored. Islam can push the internationalization and the harmonization of accounting.

Various of methodes are done in formulating the islamic accounting. Some start it from the very beginning by studying the basic principles of islam from the Koran, Hadith and opinions of islamic scholars and also the islamic world history. Or by reconstructing conventional accounting then testing it from the perspective of sharia.

Several islamic universities have put big attentions on this islamic accounting on the level of post graduate and doctoral as in Business Faculty of Al Azhar University Egypt, Economics Faculty of Ummul Qura University in Mecca and Economic Management Faculty of Malik Abdul Aziz University in Jeddah. From those universities, there have been a lot of references on islamic accounting produced. Not to mention, other results gained by other researchers besides those universities. To follow up all of these then it needs planning, regulation, sustainability, patience and hard working.

Those above things encouraging the author to do a research about this islamic accounting especially the basic concepts of islamic accounting. This research objects to do a literature studies to formulate the basic concepts of islamic accounting and islamic accounting principles in financial statements preparation.

Then, in respect of islamic economic institutions, we need a set of accounting standard as a reference for those institutions to account sharia transactions. Now in Indonesia, *Komite Akuntansi Syariah Dewan Standar Akuntansi Keuangan (DSAK)* has issued *The Framework for The Preparation and Presentation of Sharia Financial Statements* and accounting standards of PSAK (*Pernyataan Standar Akuntansi Keuangan*) 101-106 aimed to fullfill any analysis and treatments over all sharia financial institutions.

Actually this is not the first time for DSAK issuing accounting standard for sharia institutions, the existence of sharia financial accounting standar began by PSAK 59 legitimated on May 2002. The basic difference between these two previous and latest standards is the area of implementation. PSAK 101-106 are implemented not only for the sharia bank but also for sharia financial institutions and conventional one which have sharia transactions. DSAK-IAI make these standards by referring to *Pernyataan Akuntansi Perbankan Syariah Indonesia (PAPSI)* Bank of Indonesia and *fatwa akad keuangan syariah* released by *Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI)*.

The summary of this PSAK is as follows:

1. PSAK 101: Presentation of Sharia Financial Statements
2. PSAK 102: Accounting of Murabahah
3. PSAK 103: Accounting of Salam
4. PSAK 104: Accounting of Istishna'
5. PSAK 105: Accounting of Mudharabah
6. PSAK 106: Accounting of Musyarakah

This study is directed to review critically the framework for the PSAK 102, 103 and 104 concerning accounting of Murabahah, Salam and Istishna and their relevance and compatibility with the sharia concept itself. We need an unified set of concept which is able to be the instrument to help in understanding and developing sharia accounting. Without a set of unified concepts, standard setters are like a ship in a storm without an anchor (Financial Accounting Standards Advisory Council, 2004). The framework describes the basic concepts by which financial statements are prepared (IAS, 2008). The framework serves as a guide to the Board (DSAK) in developing other sharia accounting standards (PSAK 101-106) and as a guide to resolve accounting issues that are not addressed directly in those standards. Considering the importance of the framework, I choose it to be analyzed in this paper.

In fact the framework for the preparation and presentation of sharia financial report in Indonesia still adopt conventional accounting principle with some modification. However conventional accounting faces critiques towards its egoistic character (Triuwono, 2006). Through the entity theory, accounting shows its

egoistic, exists primarily as a mean of computing a residuum, a balance, the difference between costs (as efforts) and revenues (as accomplishment) for individual enterprises meanwhile the business enterprise is viewed as an organization designed to produce income (Paton and Littleton, 2000 cited in Chao, 2008). Measuring all activities by just a single dimension, that is the bottom-line profit. The profit and loss statement emphasizes the owner private interests above anything else. It appeals to the self-interested capitalist and the materialist philosophy on which that mind-set is based.

This thesis is a normative study in which the researcher will analyze the sharia accounting framework or conceptual framework of PSAK number 102 of murabahah accounting, PSAK number 103 of salam accounting and PSAK number 104 of istishna accounting by doing some reviews and give suggestions what the sharia accounting framework should be. According to PSAK number 102, 103 and 104, the reviews will be done only for the two levels: objectives and fundamentals.

1.2. Problem Definitions

Based on the background which has been explained above, thus it can be formulated some following problems:

1. Has PSAK represent the substance of islamic transaction?
2. Is PSAK Sharia suitable to islamic bank?

1.3. Problem Restriction

The Researcher aimed to restrict his study by reducing the scope into limitation of reviewing sales contract embedded at PSAK 102, 103 and 104. This restriction option was made due to the consideration and deliberation that those PSAKs are equally defined as sales transactions typical of accounting measurement and represent one of most fundamental aspect in accounting. The limitation is also deliberated due to the limited skill of the researcher in order to avoid the irrelevant and too exceeding topic of research.

CHAPTER 5

CONCLUSION

5.1. CONCLUSION

The framework for the PSAK 102, 103 and 104 restricted to sales transaction is relatively reliable and conducted based upon sharia accounting principles. It is understandable considering the fact that DSAK as the institution authorized to issue the PSAK are contained with many intellectuals and experts and also consulted with the Indonesian Ulama Council. However, continuing reviews should be continuously enhanced in order to making it compatible with the current challenge of world business which is indeed pragmatic. In final, it is relatively represent the substance of islamic transaction yet it needs continuing improvements.

As for the bank, there must be required to review its accounting record standard in order to synchronize between the conventional accounting standard which is not conflicted with the sharia principles and PSAK sharia. Is PSAK Sharia suitable to Islamic bank”? The answer is, in my opinion, relatively yes, it is

5.2. LIMITATION

This research is a normative study explaining how sharia accounting should be based on islamic values. It is about theory and does not provide any practical support. There could be probabilities that practise and theory do not coincide.

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