

SYARIAH ACCOUNTING STANDARDS

M. Jusuf Wibisana
Partner at PwC Indonesia
Lecturer at FEB University of Brawijaya



Outline

- ▶ Development of Syariah Accounting Standards
- ▶ Syariah Principles
- ▶ Example of Syariah Transactions

Development of Syariah Accounting Standards



Three Pillars of Accounting Standards in Indonesia

- ▶ **Financial Accounting Standards;**
 - Since 1972 with USA influence
 - Harmonize to IAS/IRFS since 1994
 - Fully adopt IFRS as available at January 2009 since January 2012
- ▶ **Syariah Accounting Standards since 2002;**
 - Internally developed
 - Refer to the AAOFI's Standards to certain extent
 - Liaise heavily to Syariah Rules issued by the National Syariah Council (DSN)

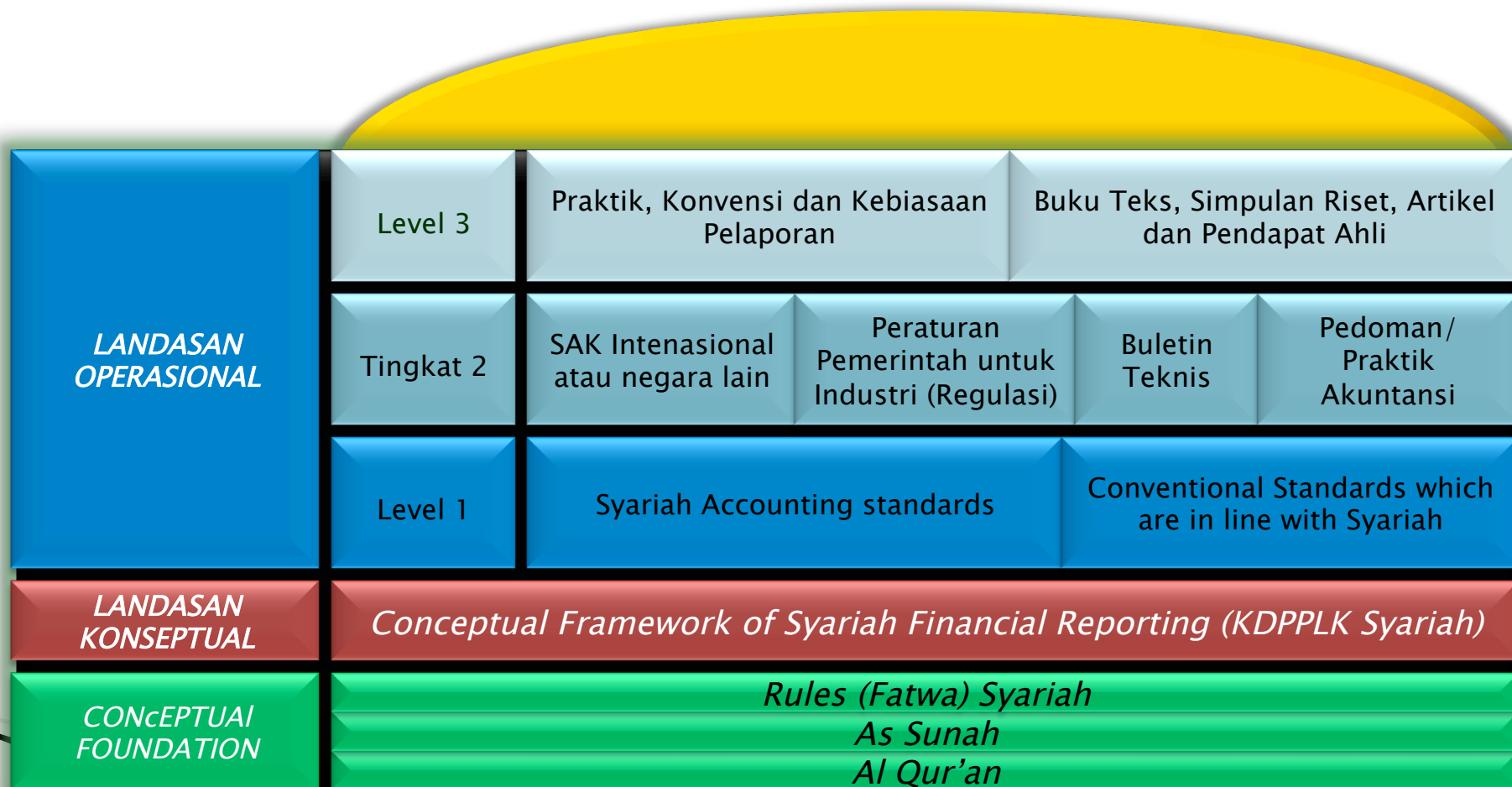
Three Pillars of Accounting Standards (continued)

- ▶ Accounting Standards for Non Public Entities;
 - Developed in 2008 and effective since 2009
 - Refer to the IASB's Standards

Reasons for not Adopting AAOIFI Standards in the way We Adopt IFRS

- ▶ AAOIFI's standards deal with financial institutions only, and not deal with parties transacting with the institutions
- ▶ AAOIFI's standards are too broad and less detail, since dealing with auditing as well as accounting
- ▶ There might be differences in the Islamic rules applied on certain transactions as the result of local deliberation (ijtihad)

House of Generally Accepted Syariah Accounting Standards



SYARIAH PRINCIPLES



Principles (Azas) of Syariah Transactions

- ▶ Principle of brotherhood (ukhuwah)
- ▶ Principle of fairness ('adalah)
- ▶ Principle of betterness (maslahah)
- ▶ Principle of balance (tawazun)
- ▶ Principle of universalism (syumuliyah)

Characteristic:

- ▶ Transaction is only conducted between knowledgeable and willing (ridha) parties
- ▶ People are free to enter into transaction as long as the object is halal dan good
- ▶ Money is a means of transaction and measurement unit, and not object of transactions
- ▶ No riba
- ▶ No dzalim (unfairness)
- ▶ No gamble (maysir)
- ▶ No un-clarity (gharar)
- ▶ Not containing unlawful (haram) articles

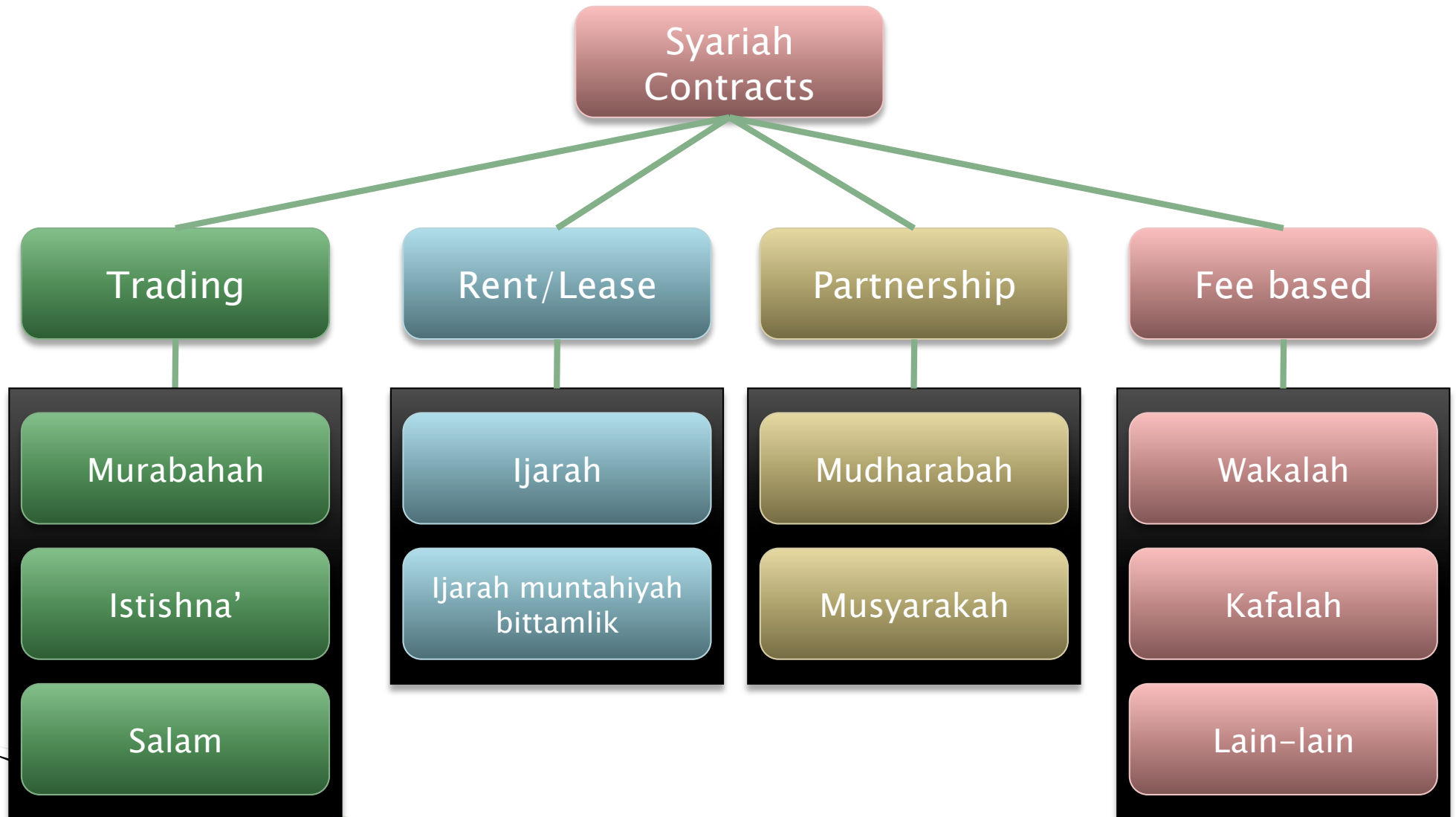
Characteristic: (concluded)

- ▶ Do not recognized time value for money, or There should be no gain without accompanying risk
- ▶ Based on clear contracts for the benefit of all parties
 - No more than one price in one contract
 - No more than one transaction in one contract (ta'alluq)

Challenges in Establishing Syariah Rules

- ▶ There are several Schools of Thoughts in Syariah. They sometime come to different conclusion. E.g. Murabahah tawaruq is lawful or permitted in UAE and Malaysia, but prohibited in Indonesia. Bai innah (repurchase agreement) is permitted in Malaysia, but prohibited anywhere else.
- ▶ Fiqih ahkam tends to apply ‘form over substance’ principle, whilst fiqih maqashid applies ‘substance over form’ principle.

Types of syariah akad (contracts)



EXAMPLE OF SYARIAH TRANSACTIONS



Mudharabah – Profit Sharing

Sales	Rp.10.000,-
Cost of sales	Rp.6.500,-
Gross Profit	Rp.3.500,-
Expenses	Rp.2.000,-
Profit	Rp.1.500,-

Bank: Rp.2.800,-

Mudharib: Rp. 700,-

Bank: Rp.750,-

Mudharib: Rp.750,-

- ▶ Profit sharing can be applied from
 - Gross profit: e.g. Bank 80 % and Mudharib 20 % from gross profit
 - Net: e.g. Bank 50% and Mudharib 50% from net profit

Mudharabah – musytarakah

- ▶ Mudharabah with mudharib (management) also invests his/her assets in the joint venture.

Profit	Rp2.000	Mudharabah
Management fees for mudharib, say 60%	(Rp1.200)	
Profit available for musytarik (investors)	Rp800	Musytarakah
Management which is also shahibul mal; say 25 %	(Rp200)	
Shahibul mal (investor); 75 %	Rp600	

WASSALAM

