

The Basic Concepts of Preparation and Presentation of Islamic Financial Statements

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Abstract

The potential of Islamic banking continues to be enhanced to build a national sharia economic ecosystem, it's can contribute optimally to the national economy and social development. Operational principles and accounting standards are one of the foundations for progress in Islamic banking. An overview of the pros and cons of Islamic banking can be identified through its performance which is reflected in the financial statements. The focus of this paper is on the preparation and presentation of Islamic financial statements along with a comparison of financial statements between sharia and conventional, in which conventional financial statements contain fewer elements of financial statements. This type of research is library research which analyzes data with descriptive analysis. The results of this research indicate that Islamic financial statements are not only related to commercial aspects but also cover all aspects of human life, be it economic, political, social, or moral philosophy. In addition to reflecting Islamic banking activities, the Islamic financial statement also divides its rights and obligations as reported in the statement of financial position (balance sheet), income statement, cash flow statement, and changes in equity. But it also reflects as a mandate holder of social activity funds that are managed separately, which is reported

in the report on the source and use of zakat funds and the report on the source and use of benevolent funds (qardhul hasan).

Keywords: *Islamic Financial Statements; Islamic Banking; Islamic Accounting*

Abstrak

Potensi perbankan syariah terus ditingkatkan untuk membangun ekosistem ekonomi syariah nasional, sehingga dapat berkontribusi secara optimal dalam perekonomian nasional dan pembangunan sosial. Prinsip-prinsip operasional dan standar akuntansi menjadi salah satu dasar kemajuan perbankan syariah. Gambaran tentang baik dan buruknya suatu perbankan syariah dapat dikenali melalui kinerjanya yang tergambar dalam laporan keuangan. Fokus tulisan ini adalah tentang penyusunan dan penyajian laporan keuangan syariah berikut dengan perbandingan laporan keuangan antara syariah dan konvensional. Jenis penelitian ini adalah penelitian kepustakaan (library research) dengan analisis data berupa metode deskriptif. Hasil penelitian ini menunjukkan bahwa laporan keuangan syariah merupakan laporan keuangan yang tidak hanya berhubungan dengan aspek komersial, tetapi juga mencakup seluruh aspek kehidupan umat manusia, baik ekonomi, politik, sosial, dan filsafat moral. Laporan keuangan syariah selain mencerminkan kegiatan perbankan syariah yang membagi hak dan kewajibannya seperti yang dilaporkan dalam laporan posisi keuangan (neraca), laporan laba rugi, laporan arus kas, dan laporan perubahan ekuitas, juga mencerminkan sebagai pemegang amanah dana kegiatan sosial yang dikelola secara terpisah dan dilaporkan dalam laporan sumber dan penggunaan dana zakat dan laporan sumber dan penggunaan dana kebajikan (qardhul hasan).

Kata Kunci: *Laporan Keuangan Syariah; Perbankan Syariah; Akuntansi Syariah*

Introduction

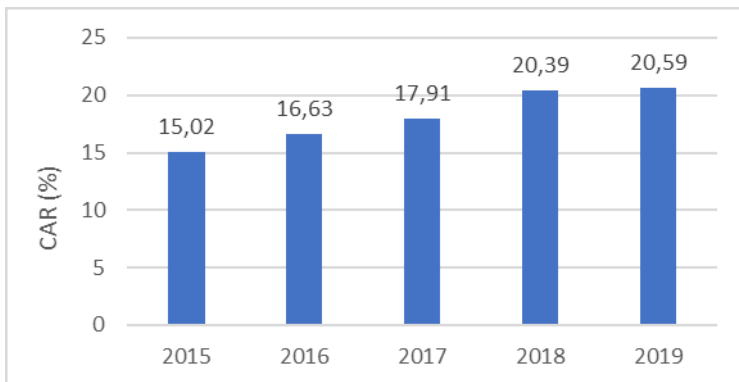
Islamic banking is a driving force that acts as a liaison between various sectors, such as the real sector, commercial finance, social finance, and the religious sector. The potential of Islamic banking continues to be increased to build a national sharia economic ecosystem, so that it can contribute optimally to the national economy and social development.¹ This refers to one of the objectives of the establishment of Islamic banking which is to support

¹OJK, *Roadmap Pengembangan Perbankan Syariah Indonesia 2020-2025*, Direktorat Pengaturan Dan Perizinan Perbankan Syariah, Otoritas Jasa Keuangan (Jakarta: Direktorat Pengaturan dan Perizinan Perbankan Syariah Otoritas Jasa Keuangan, 2020), 1.

the implementation of national development in order to improve justice, togetherness, and equitable distribution of people's welfare.² Therefore, Islamic banking was developed on a basis that does not separate between world problems and religious problems. This basis is subject to and obedient to sharia as the basis for all aspects of life.³

In an effort to increase the growth of Islamic banking activities, a policy direction, and development of Islamic banking is formulated, known as the Indonesian Islamic Banking Roadmap (RPSI). Seen in the Indonesian banking booklet 2020, there are seven policy directions for the Roadmap in the 2015-2019 period.⁴ And the achievement of one of the policy directions of the 2015-2019 Indonesian Islamic Banking Roadmap in 2019 is strengthening the capital and business scale of Islamic banking. Judging from the graphic image of the financial ratios of Islamic Commercial Banks according to CAR (Percent) in 2015-2019 below.

Figure 1. Financial Ratios of Islamic Commercial Banks According to CAR (Percent), 2015-2019



Source: Sharia Banking Statistics, December 2020

²Heri Sudarsono, *Bank Dan Lembaga Keuangan Syariah: Deskripsi Dan Ilustrasi* (Yogyakarta: Ekosoria, 2012), 12.

³Zainul Arifin, *Dasar-Dasar Manajemen Bank Syariah* (Jakarta: Pustaka Alvabet, 2006), 19.

⁴OJK, *Booklet Perbankan Indonesia 2020* (Jakarta: Departemen Perizinan dan Informasi Perbankan, Otoritas Jasa Keuangan, 2020), 6.

It can be seen from the graphic above that the increase in the percentage of CAR (Capital Adequacy Ratio) in 2019 was 20,95% from the previous period of 15,02% in 2015, which indicates that the higher the CAR, the higher the Bank's ability to bear risks from every credit/productive asset, thereby increasing customer security which indirectly can also increase customer confidence and then can have a positive impact on increasing the Bank's profitability. In addition to the positive increase in CAR also occurred in total assets of Rp 537,4 T, Disbursed Financing (PYD) of Rp 265,5 T, and Third Party Funds (DPK) of Rp 424,1 T.⁵

In line with the development of Islamic banking, operational principles are also the basis for the progress of Islamic banks. Accounting standards are one of the basic keys to the success of Islamic banks in serving the community. The basis includes the presentation of sufficient, reliable and relevant information for its users, but still in the context of Islamic sharia. Among the important sources of information are financial reports from Islamic banking that comply with established standards. A financial report is a summary of the operations, financing, and investment activities of a business that provides information and tools to communicate financial data or activities of a company and parties with an interest in company data or activities.⁶ In addition, financial reports are also prepared with the aim of providing progress reports to periodic company, which consist of data that is the result of a combination of recorded facts accounting, principles, and habits as well as personal opinions.⁷

Basically, the basic framework for the preparation of financial reports between conventional and sharia is not much different, namely the similarity lies in the preparation of financial reports on commercial activities consisting of balance sheets, income reports, and reports of changes in elements (cash flow reports and reports

⁵OJK, *Statistik Perbankan Syariah Desember 2020* (Jakarta: Departemen Perizinan dan Informasi Perbankan, Otoritas Jasa Keuangan, 2021), 1.

⁶Frank J. Fabozzi and Pamela P. Peterson, *Financial Management & Analysis*, 2nd ed. (New Jersey: John Wiley & Sons, Inc., 2003), 132.

⁷Dadang Husen Sobana, *Manajemen Keuangan Syari'ah* (Bandung: Pustaka Setia, 2017), 9.

of changes in equity),⁸ whereas in Islamic financial reports also consist of other activities besides commercial activities, namely based on social activities. In addition, the preparation of financial reports does not only refer to commercial and social activities but also in accordance with the applicable Statement of Financial Accounting Standards (PSAK), because financial reports cannot be separated from accounting activities.⁹ Today, there are still many types of Islamic Financial Institutions that have not implemented the preparation of financial reports in accordance with applicable accounting principles and PSAK. It can be seen from the research of Diana Fajarwati and S. Djoko Sambodo that most who have not applied accounting principles in financial reports are from other than banking institutions, such as the Waqf Board, City Amil Zakat Agency, Islamic Center, and Masque.¹⁰

Therefore, this research needs to be carried out to provide literacy and the importance of knowledge in the preparation and presentation of financial statements that are standardized with accounting principles and in accordance with each applicable PSAK. This research aims to examine the basic concepts of the preparation and presentation of Islamic financial statements.

Methodology

This research used qualitative, descriptive, library

⁸Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2007), 23.

⁹Meichio Lesmana, Siti Nurma Rosmitha, and Andika Rendra Bimantara, "Analisis Penerapan Etika Jual Beli Islami Dalam Meminimalisir Distorsi Pasar Pada Pasar Tradisional," *Islamic Economic Journal* 6, no. 2 (2020): 179, <https://doi.org/10.21111/iej.v6i2.4865>.

¹⁰Diana Fajarwati and S. Djoko Sambodo, "Pengkajian Tentang Penyusunan Dan Penyajian Laporan Keuangan Pada Lembaga Keuangan Syariah," *JRAK: Jurnal Riset Akuntansi & Komputerisasi Akuntansi* 2, no. 1 (2010): 20, <https://doi.org/10.33558/jrak.v1i2.127>.

methodology,^{11 12 13} that is trying to describe and analyze in depth based on the library data obtained.¹⁴ According to Abdul Rahman Sholeh, library research is research that uses methods to obtain information data by placing existing facilities in the library, such as books, magazines, documents, records of historical stories.¹⁵ Or pure library research related to the object of research. Based on this method, the data collection used the documentation method.¹⁶¹⁷ In this research, the author uses a content analysis approach. This research is an in depth discussion of the content of written or printed information in the mass media. This analysis is usually used in qualitative research. Content analysis is generally defined as a method that includes all analysis of the content of the text, but on the other hand content analysis is also used to describe a specific analytical approach. The analysis process is carried out continuously from start to finish. The analysis process in question includes data interpretation, language translation, word editing, and compiling

¹¹Devid Frastiawan Amir Sup, "Amdal Dalam Tinjauan Maqasid Al-Syari'ah," in *Proceeding International Conference on Usul Fiqh* (Ponorogo: UNIDA Gontor Press, 2019), 63, <http://hes.unida.gontor.ac.id/wp-content/uploads/2020/06/Proceeding-ICUF-2019-Universitas-Darussalam-Gontor.pdf>.

¹²Daud Sukoco et al., "Sharia Economic Views on Tabzir Behavior," *Al-Iktisab: Journal of Islamic Economic Law* 5, no. 2 (2021): 150, <https://doi.org/10.21111/al-iktisab.v5i2.7032>.

¹³Selamet Hartanto and Devid Frastiawan Amir Sup, "The Concept of Production and Environment in the Perspective of Islamic Economic," *Journal of Economic Studies* 5, no. 2 (2022): 1, <https://doi.org/10.32506/joes.v5i2.705>.

¹⁴Nurizal Ismail, Siti Aisyah, and Devid Frastiawan Amir Sup, "Faktor Penentu Harga Dalam Tinjauan Pemikiran Ekonomi Islam," *Islamic Economics Journal* 6, no. 2 (2020): 211, <https://doi.org/10.21111/iej.v6i2.4880>.

¹⁵Adib Susilo et al., "Recruitment Flow Model of Lecturers in Islamic Economic Department at Public and Private Islamic University," *International Journal of Business and Economy (IJBEC)* 3, no. 3 (2021): 75, <https://myjms.mohe.gov.my/index.php/ijbec/article/view/15749>.

¹⁶Devid Frastiawan Amir Sup, "The State's Efforts in Preserving the Environment Through Regulation," *Sustainability: Theory, Practice and Policy* 1, no. 2 (2021): 200-214.

¹⁷Fadhila Sukur Indra, Devid Frastiawan Amir Sup, and Sahira Sajjadia Luthia, "The Application of Al-Wakalah Bil Ujrah Contract on PRULink Syariah Generasi Baru (Approached with Fatwa DSN-MUI No: 52/DSN-MUI/III/2006)," in *Proceeding 9th AICIF 2021 (Asean Universities International Conference on Islamic Finance)* (Yogyakarta: UIN Sunan Kalijaga, 2021), 21, <http://febi.uin-suka.ac.id/web/agenda/download/834/asean-universities-international-conference-on-islamic-finance-aicif-2021>.

them in a logical systematic way, so that the resulting description can become a complete concept building that is easy to understand.^{18 19}

Results and Discussion

Financial statements are part of the financial reporting process that is prepared and presented at least once a year to meet the needs of a large number of users who need and are entitled to obtain additional information.²⁰ In addition, financial statements also describe the results of the accounting process that is used as a communication tool between financial data/company activities and parties with an interest in these data/activities.²¹

The format in the financial statements presents a large number of assets, liabilities, income, and expenses. This information is needed by capital owners, shareholders, and company owners. Within the framework of the capitalist system, the main goal of the organization of a business is to maximize profits and maintain the survival of the company, they do not accept that the company has social, economic, and cultural goals. Therefore, they do not record or report on company performance related to worker welfare.²²

Islam has different assumptions from the framework of the capitalist system in the preparation of financial statements. Islam assumes that humans are in the concept of Allah's caliphate on earth. Thus humans have only limited freedom in terms of income, spending, saving, and investing their resources. If in carrying out business, humans (personal) cannot run alone, humans will relate to society (general).²³ Because people have the freedom to use the earth's physical resources, but with limits that are determined

¹⁸Devid Frastiawan Amir Sup, "Government Efforts to Prevent Potential Violence Against Women During the Covid-19 Pandemic in Indonesia," *Syariah: Jurnal Hukum Dan Pemikiran* 21, no. 1 (2021): 103–24, <https://doi.org/10.18592/sjhp.v21i2.4146>.

¹⁹Devid Frastiawan Amir Sup, "Tinjauan Masalahah Terhadap Amdal" (IAIN Ponorogo, 2018), 15, <http://etheses.iainponorogo.ac.id/4794/1/212116013> - DEVID FRASTIAWAN AMIR SUP.pdf.

²⁰Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)*, 24.

²¹Sobana, *Manajemen Keuangan Syari'ah*, 10.

²²Muhammad, *Manajemen Bank Syariah* (Yogyakarta: UPP AMP YKPN, 2002), 273.

²³Ibid.

according to moral and social. Thus they can coordinate with each other to run funds and business cooperation, but still comply with sharia guidelines.

Financial institutions and forms of business within the Islamic framework are very different from the capitalist framework. For example, in the case that credit is not allowed to use interest, then in Islam an alternative business design from the interest system is profit sharing. In addition, all individuals who have assets/wealth beyond the predetermined limits must distribute *zakat*, which indicates that each individual will maintain the number of assets he has, so the Islamic community guarantees its citizens to act on the basis of justice and *ihsan*.²⁴ Therefore, financial statements are not only related to environmental and commercial aspects, but also cover all aspects of human life, including economic, political, social, and moral philosophy.

Islamic financial statements are a series of processes that have the main objective of providing financial information within a certain period that is useful for interested parties. Thus, Islamic financial statements highly uphold the values of responsibility, justice, and truth. These three values become universal basic principles in the preparation of Islamic financial statements. *First*, responsibility principle. The principle of accountability is a principle that is closely related to the concept of trust. The issue of trust is the result of human transactions with the *khaliq* from the womb, therefore humans are entrusted with the mandate by Allah Swt. to carry out the function of his caliphate. The implication of trust in business and banking activities is to carry out accountability. The form of accountability is usually in the form of financial statements. *Second*, principle of justice. The principle of justice is a value that is indirectly inherent in human nature. The word justice in the context of the application of financial statements contains two meanings, namely it relates to moral practice, namely honesty. Without honesty financial statements will be misleading and very detrimental. Then, the word fair is more fundamental, namely fair which is still based on ethical/sharia and moral values. *Third*, principle of truth. The principle of truth cannot

²⁴*Ibid.*

be separated from the principle of justice. Financial statements will always be faced with problems of recognition, measurement, and reporting, this activity will be carried out properly if it is based on the value of truth which will create justice.²⁵

In addition to upholding the three basic principles above, quality financial reports must also meet the criteria, namely understandable, relevant, reliable, comparable, and verifiable.²⁶ The characteristics of the principles and several criteria above are characteristics that make the information in financial statements very useful for users.

The purpose of financial statements is to provide information regarding the financial position, performance, and changes in the financial position of an Islamic entity that is useful for a large number of users in making economic decisions. Furthermore, the objectives of other generally accepted financial statements include: (1) Improving bank compliance with sharia principles, as well as providing information on income and expenses that are not in accordance with sharia principles if any and how the income is obtained and how it is used; (2) As information to help evaluate the fulfillment of the responsibility for the trust in securing funds, investing them at a reasonable profit level, and providing information about the level of investment returns obtained by the owner and owner of the tied investment fund; (3) Provide information regarding the fulfillment of bank social functions, including the management and distribution of *zakat*.²⁷

In doing the preparation will pass from one process to another. Just like in preparing financial reports, it will go through several stages, including: (1) Proof of transaction. It is the certainty and validity of recorded transactions and as a reference in the event of problems and discrepancies in the financial statements in the future; (2) Journal. There must be at least one debit and one credit account for each journal entry, so the debit amount must equal the credit amount.

²⁵Ibid.

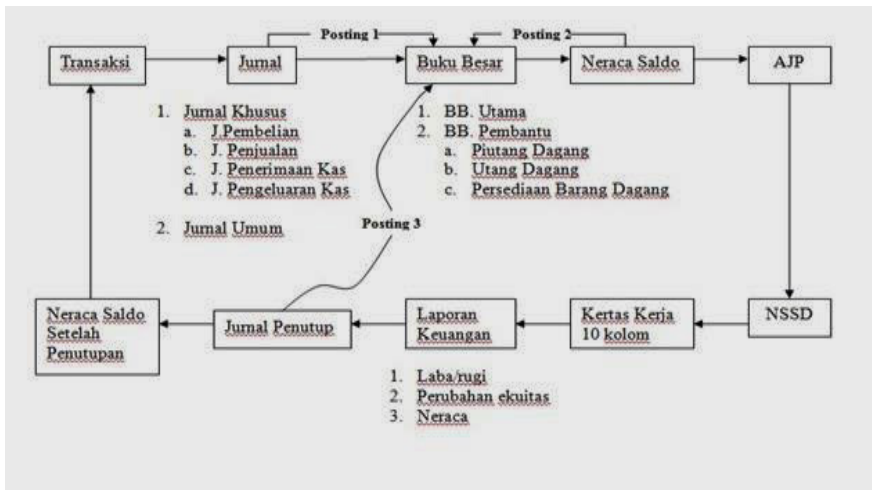
²⁶Rahmat Ilyas, "Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah," *Jurnal Asy-Syari'iyah: Jurnal Ilmu Syari'ah Dan Perbankan Islam* 1, no. 1 (2016): 25, <https://doi.org/10.32923/asy.v1i1.603>.

²⁷Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPLK)*, 25.

And this method of recording journal entries is known as the double entry accounting system; (3) Ledger. Represents the transfer data from the journal into the respective estimates (posting), ie debits and credits will be transferred to the general ledger estimates; (4) Trial balance. It is a grouping of general ledger estimates based on their debit and credit balances, so that the total balance will be the same on the debit and credit sides; (5) Adjusting journal entry. Is a journal that is made at the end of the period with the aim of correcting estimates so that they reflect actual conditions; (6) Financial statements. The basic financial statements consist of the balance sheet, profit and loss, and changes in net worth. The balance sheet is the state of financial position on a certain date, profit and loss is a summary of income and expenses for a certain period of time, while changes in net worth is a summary of the increase and decrease in wealth in a company.²⁸

If the above stages are described by a scheme of the accounting process (cycle) for financial statements, they are as follows:

Figure 2. Process (Cycle) of Accounting for Financial Statements



Source: Processed Data

²⁸Muhammad, *Manajemen Bank Syariah*, 273.

It is depicted in the schematic above that to understand the process or cycle in accounting which will lead to a financial report. Therefore, it is important to have a strong understanding and knowledge of the basic elements of financial statements.

Financial statements describe the financial effects of transactions and other events that are classified into several major groups according to their economic characteristics. This large group is the basic element of financial statements. The elements that are directly related are measurement of financial position (assets, liabilities, temporary *syirkah* funds, and equity) and measurement of performance in the income statement (income and expenses), while the statement of changes in financial position usually reflects various elements of the income statement and changes in the income statement various elements of the balance sheet. Thus, this basic framework does not identify the elements of the statement of changes in financial position specifically.²⁹

In addition, the presentation of these various elements in the balance sheet and income statement requires a subclassification process. That is like assets and liabilities can be classified according to their nature or function in the business of Islamic entities. The classification is intended to present information in the best and most useful way for users for the purpose of making economic decisions.

In Islam, Islamic financial reports focus more on honest reporting of the entity's financial position and the results of its operations, namely by disclosing what is lawful and what is unlawful. That means that Islamic financial statements in Islam have targets that must be realized and obeyed. So that all activities in Islamic financial statements are clear and true without any hesitation, let alone to be covered up. In the field of recording in accounting, there are fundamental changes, namely if the general accounting equation for the elements of the balance sheet is as follows:³⁰

²⁹Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)*, 26.

³⁰Sofyan Safri Harahap, Wiroso, and Muhammad Yusuf, *Akuntansi Perbankan Syariah* (Jakarta: LPFE Usakti, 2010), 68–69.

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

Because of its characteristics, Islamic accounting has an accounting equation that is different from the general (conventional) accounting equation. If the accounting equation on the elements of the balance sheet in sharia is as follows:

$$\text{Assets} = \text{Liabilities} + \text{Temporary } \textit{Syirkah} \text{ Funds} + \text{Capital}$$

From the above equation, the difference lies in the types of assets and liabilities. Assets in Islamic accounting include receivables from the buying and selling process (*murabahah*, *salam*, and *istishna*). *Ijarah* from *ujrah* and investment from the profit sharing process for *mudharabah* and *musyarakah*. In addition to the addition on the liability side, namely temporary *syirkah* funds, namely funds received as investments with a certain period of time from individuals and other parties where sharia entities have the right to manage and invest these funds with the distribution of investment results based on an agreement.³¹ This difference indicates that there is an additional unrestricted investment in the temporary *syirkah* fund in the form of an unrestricted investment fund (*mudharabah muthlaqah*) consisting of *mudharabah* savings and *mudharabah* deposits.³²

³¹Ikatan Akuntan Indonesia, *Kerangka Dasar Penyusunan Dan Penyajian Laporan Keuangan Syariah (KDPPLK)*, 27.

³²Sobana, *Manajemen Keuangan Syariah*, 11.

Table 1. Differences in Islamic Financial Statements with Conventional Finance

Elements of Difference	Conventional Bank Financial Report	Islamic Bank Financial Report
Reporting Corner	The elements of conventional financial statements, consisting of income statement, balance sheet, cash flow statement, statement of changes in equity, and notes of financial statements.	The elements of Islamic financial reports, including income statement, balance sheet, cash flow statement, statement of changes in equity, income reconciliation report, and profit sharing, report on changes in investment funds, reports on sources and uses of <i>zakat</i> funds, and reports on sources and uses of benevolent funds (<i>qardhul hasan</i>).
Contract (<i>Akad</i>) and Legality	Legality which refers to accounting rules, that's where the appropriate preparation of financial statements is based on Financial Accounting Standards (SAK).	Using a contract (<i>akad</i>) as a sign of agreement between two parties, where the terms and conditions have clearly been agreed at the beginning, that's include pillars and conditions. Which in the pillars there are physical elements such as goods, prices, sellers, and buyers, and on the conditions required for the goods and services to be <i>halal</i> , clear, and have ownership.

Elements of Difference	Conventional Bank Financial Report	Islamic Bank Financial Report
Organization	There is no DPS, but this financial report is only addressed directly to all interested parties such as company owners, company management, investors, creditors, and for analysis, and academic financial statements.	There is a DPS (Sharia Supervisory Board) which is responsible for issuing religious <i>fatwa</i> and supervising the board of commissioners of companies that are also sharia based.
Dispute Resolution	If there are financial statement problems with conventional companies, the dispute will be resolved in the district court.	If there is a problem, the financial statements of the sharia company will be resolved using sharia rules and laws at the sharia law institution, the name is Indonesian <i>Muamalah</i> Arbitration Board (BAMUI).
Funded Business	Financial reports on conventional businesses are only used to find out the company's profits and losses, which are only based on business without being based on other things.	Meanwhile, financial reports on Islamic businesses will emphasize belief, where every human activity has accountability and is divine that uses morals and sharia tools as a benchmark for the good or bad of a business activity.

Source: Sobana, 2017.

In addition to the general similarities in accounting, differences also exist in accounts receivable. Accounts receivable in Islamic financial statements are accounts receivable sales, which consist of receivables *murabahah*, receivables *salam*, receivables *istishna*, receivables *qardh*. Whereas in conventional financial statements the accounts receivable account will be named accounts receivable.

Table 2. Assets and Liabilities in Islamic Financial Statements

Assets Receivable Buy and Sell	Passive Financing
<i>Mudharabah</i>	Third Party Funds
<i>Salam</i>	<i>Wadiah</i> Current Account
<i>Istishna</i>	<i>Wadiah</i> Savings
	<i>Wadiah</i> Deposit
Financing Activities	Unbound Investment
<i>Mudharabah</i>	<i>Mudharabah</i> Savings
<i>Musyarakah</i>	<i>Mudharabah</i> Deposits

Source: Sobana, 2017.

Based on the assumptions and principles of Islamic accounting, the contents of Islamic financial statements are certainly different from conventional financial statements. After the formulation of PSAK 59 on Accounting for Islamic Banking in 2002, then in 2007 IAI (Indonesian Institute of Accountants) launched PSAK Syariah, namely PSAK 101 which discusses Islamic financial statements which is also KDPPLKS (Basic Framework for the Preparation and Presentation of Islamic Financial Statements). Therefore, Islamic banking has a standard reference in the preparation of its financial statements. *First*, financial statements that reflect the activities of Islamic banks as investors and their rights and obligations, which are reported in: (1) Statement of financial position (balance sheet); (2) Income statement; (3) Cash flow statement; (4) Statement of changes in equity. *Second*, financial statements reflecting changes in restricted investments managed by Islamic banks for the benefit of other parties based on *mudharabah* contracts or investment agents reported in the report on changes in restricted investment funds. *Third*, financial statements that reflect the role of Islamic banks as trust holders of social activity funds that are managed separately, which are reported in: (1) Report on the source and use of *zakat* funds; (2) Report on the

source and use of benevolent funds (*qardhul hasan*).³³

When compared with the financial reporting instruments of conventional banks as regulated in PSAK 31 concerning Banking Accounting, the conventional and Islamic financial reporting instruments are as follows:

Table 3. Comparison of Financial Statements Conventional Banks and Islamic Banks

Conventional Bank Financial Report	Islamic Bank Financial Report
1. Statement of financial position (balance sheet).	1. Statement of financial position (balance sheet).
2. Income statement.	2. Income statement.
3. Statement of changes in equity.	3. Statement of changes in equity.
4. Cash flow statement.	4. Cash flow statement.
5. Financial statement notes.	5. Report on changes in restricted investment funds.
	6. Report on source and use of <i>zakat</i> funds.
	7. Report on source and use of benevolent funds (<i>qardhul hasan</i>).
	8. Financial statement notes.

Source: Harahap, Wiroso, Yusuf, 2010.

Briefly and in outline, matters related to financial statement tools will be explained as follows.³⁴ *First*, statement of financial position (balance sheet). In the balance sheet elements of conventional banks, the distribution of funds will be written in the estimate of “*credit*” or “*loans granted*”, this is different from Islamic banks where in the distribution of funds will be in accordance with the distribution

³³Harahap, Wiroso, and Yusuf, *Akuntansi Perbankan Syariah*, 68–69.

³⁴Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 59 Tentang Akuntansi Perbankan Syariah* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2002), 35.

principle, namely: (1) The principle of buying and selling is recorded in the estimate of “*receivables*” (*murabahah* receivables, *istishna* receivables, *salam* receivables); (2) The principle of profit sharing is accommodated in the “*investment*” estimate (*mudharabah* financing and *musyarakah* financing); (3) The *ijarah* principle is recorded in the “*ijarah assets*” account. Accordingly, the disclosures in the notes on assets financed by the bank itself and assets financed by the bank together with the owners of unbound investment funds are carried out separately.³⁵

Second, income statement. The presentation of profit reports at Islamic banks will consist of main operating income, third party rights to profit sharing from temporary *syirkah* funds, other operating income and expenses. What distinguishes it from conventional bank income statements is that Islamic banks use the “*revenue sharing*” profit sharing method, while conventional banks use the “*profit sharing*” profit and loss method.

Third, cash flow statement. Presentation of cash flow statements in accordance with PSAK 02 concerning Statements of Cash Flows, which must report cash flows during a certain period and be classified according to operating, investing, and financing activities.³⁶

Fourth, statement of changes in equity. The presentation of the statement of changes in equity is in accordance with PSAK 01 concerning the Presentation of Financial Statements, namely presenting the amount of dividends recognized as distributions to owners during the period, and the value of dividends per share.³⁷

Fifth, report on changes in restricted investment funds. This is a report that separates tied investment funds based on the source of funds and separates investments by type. This report contains a report on *mudharabah muqayyadah* (bound investment) with a channeling

³⁵Nafilatur Rohmah, Meichio Lesmana, and Ahmad Suminto, “Intervensi Harga Produk Sekunder Pada Masa Pandemi Covid-19 Perspektif Islam” 7, no. 1 (2021): 80, <https://doi.org/10.21111/iej.v7i1.6397>.

³⁶Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 02 Tentang Laporan Arus Kas* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2009), 1.

³⁷Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 01 Tentang Penyajian Laporan Keuangan* (Jakarta: Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, 2009), 1.

distribution pattern, while the executing distribution pattern is reported in the balance sheet.

Sixth, report on source and use of *zakat* funds. Islamic banks present reports on sources and uses of *zakat* funds as the main components of financial statements, which show: (1) Sources of *zakat* funds come from receipts, namely *zakat* from within the sharia entity and *zakat* from parties outside the sharia entity; (2) Users of *zakat* funds that will be given to eight *asnaf* recipients of *zakat*, namely the indigent, the poor, slaves (*riqab*), people who are in debt (*gharim*), people who have just converted to Islam (*muallaf*), people who do *jihād* (*fisabilillah*), people who are on the way of Allah Swt. (*ibn sabil*), and *amil*; (3) Increase or decrease in sources of *zakat* funds; (4) Initial balance of *zakat* funds; and (5) The ending balance of *zakat* funds.³⁸

Seventh, report on the source and use of benevolent funds (*qardhul hasan*). Islamic banks present reports on sources and uses of *qardhul hasan* funds as the main component of financial reports, which show: (1) Sources of *qardhul hasan* funds come from revenues, namely *infaq*, *shadaqah*, results of waqf management (according to legislation), fines, and non *halal* profit income; (2) Users of *qardhul hasan* funds for loans (productive virtue funds) and donations; (3) Increase or decrease in sources of *qardhul hasan* funds; (4) Initial balance of *qardhul hasan* funds; and (5) The final balance of the *qardhul hasan* fund.³⁹

Conclusion

Based on the discussion that has been described above regarding “*basic concepts for the preparation and presentation of Islamic financial statements*”, it can be concluded that Islamic financial statements are the result of an accounting process that is prepared and presented at least once a year to meet the needs of a large number of users who need to obtain additional information. In addition, Islamic financial

³⁸Mufti Afif et al., “Implementation Shariah Compliance at the Mui Cash Waqf Agency for the Special Region of Yogyakarta,” *International Journal of Business and Economy* 3, no. 4 (2021): 55, <https://myjms.mohe.gov.my/index.php/ijbec/article/view/16393>.

³⁹Ikatan Akuntan Indonesia, *Pernyataan Standar Akuntansi Keuangan (PSAK) 59 Tentang Akuntansi Perbankan Syariah*, 35.

reports are not only related to environmental and commercial aspects, but also cover all aspects of human life, including economic, political, social, and moral philosophy. Broadly speaking, the basic framework for the preparation and presentation of Islamic financial statements has a scope that discusses the principles and objectives of financial statements, the process which is the cycle of the preparation of financial statements, general accounting equations for financial statements, and the elements that make up financial statements, so that with this framework is expected to be a reference in the presentation of Islamic banking financial statements. Islamic financial statements in addition to reflecting Islamic banking activities that share rights and obligations as reported in the statement of financial position, income statement, cash flow statement, and statement of changes in equity. But it also reflects as a trustee of social activity funds that are managed separately, which are reported in the report on sources and uses of *zakat* funds and reports on sources and uses of benevolent funds (*qardhul hasan*). These two reports are the difference between Islamic financial statements and conventional financial reports. In addition, another differentiator is that Islamic banks also use the profit sharing method in every transaction and collaboration, while conventional banks use the profit (interest) method.

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