

IMPLEMENTATION OF *IJARAH* ACCOUNTING IN PT. BANK SYARIAH MANDIRI

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Abstract

The development of Islamic banking is fast and increased in the ability to survive in the economic crisis compared to conventional banks create public confidence. In addition to avoid interest, Islamic banking offers a wide range of financial products as well that can be enjoyed by customers. This study focuses on one of the Islamic banks' product namely ijarah. PT. Bank Syariah Mandiri is chosen to be the object of the study. The study investigated three aspects namely procedures, recording and reporting of ijarah transactions in PT. Bank Syariah Mandiri. Ijarah financing procedures in PT. Bank Syariah Mandiri had been properly operated by some prior analysis to the disbursement of funds from the bank. For the Ijarah transaction report, PT. Bank Syariah Mandiri has been noted several reports, for instance, the balance sheet, income statement, cash flow statement and reconciliation report income and profit-sharing statement. While for Ijarah transaction recorded in the financial statements are in line with SFAS Number 107.

Keywords: Islamic Banking, Ijarah, SFAS Number 107

INTRODUCTION

Islam puts money function solely as a medium of exchange and not as a commodity. Hence, it is not feasible to trade let alone contain elements of uncertainty or speculation (*gharar*). MUI fatwa No.1 year 2004 regarding interest is something which is prohibited by Islam. It makes the Indonesian, mostly Muslims change their mindset about banking. Conventional banking system applied interest in every transaction. Meanwhile, In Islam, interest or usury is something that is prohibited by banks, insurance, capital markets, pawn shops, cooperatives, and other financial institutions.

Various Islamic Banks operate in Indonesia by the end of 2013 were Bank Syariah Muamalat Indonesia, Bank SyariahMandiri, Bank Syariah Mega Indonesia, Bank Syariah BRI, Bank Syariah Bukopin, Bank Panin Syariah, Bank Victoria Syariah, BCA Syariah, BJB Syariah, BNI Syariah, and Maybank Syariah Indonesia. One of the contracts used by Bank Syariah Mandiri was *ijarah*. *Ijarah is a goods leasing activity with a fee for rental income. If there is a transfer of ownership agreement at the end of the lease, it is called Ijarah Muntahia Bittamlik (same as finance lease). Ijarah can be used to finance transportation, machinery, equipment, and*

aeroplane. Ijarah format with the transfer of ownership to the lessee to pay a certain amount of the remaining instalments is also allowed (hire purchase). Bank Syariah Mandiri offers kinds of products produced by the Ijarah contract, such as educational products for students, rental shop, aeroplane, ships, buildings, and many more.

LITERATURE REVIEW

Function and Purpose of Islamic Banking

Sharia is derived from the Arabic word which literally means the path or line he has taken. Islamic banks according to Alma in Asmitha (2009:7) is a bank which in principle, operations, and products developed based on the values contained in the Quran and operational guidelines on the hadith of the Prophet Muhammad.

Islamic banks are commercial banks and rural banks conducting business solely based on the principles of Shari'a (Islamic). (PP No. 72 on 1992). According to Perwataatmadja and Antonio (1992:1) Islamic bank is a bank that operates in accordance with the principles of Islamic law, or refers to the provisions of the Qur'an and al-Hadith, especially regarding Islamic ordinances. According to Wiyono (2005:75), "Islamic Banking is a bank principled by the partnership, fairness, transparency, and universal as well as banking operations based on Islamic principles. In this case, practices feared contains elements of

usury shunned, to be replaced by investment activities on the basis of the results.

The functions of Islamic banks and Islamic business units shall perform the function of collecting and distributing public funds, social function in the form of institutions that received the *Baitul Mal* funds derived from charity, donation, charity, grants, or other social funds and distribute the zakat organizations, as well as raise funds derived from endowments social money and distribute it to the management of *wakaf* endowments in accordance with the will of the giver.

Basic Law of Islamic Banking in Indonesia

With the issuance of Government Regulation Number 72 on 1992 regarding the results of which expressly provide that the bank limits for results should not be conducting business activities that are not based on the principle of profit-sharing (interest), in turn, the banks whose operations are not based on the principle of profit-sharing is not allowed to conduct business based on the principle of profit-sharing.

The development of Islamic banks increasingly widespread after UU No. 10 on 1998 concerning banking opportunities for anyone who would establish Islamic banks as well as the wish to convert from a conventional system to the Islamic system. This UU also revised several chapters that are considered important, and the rule of law are freely use the

name of sharia and stop using the profit-sharing term.

To execute the law, Bank Indonesia subsequently issued Decree of Bank Indonesia about commercial banks and rural banks on 1999 complete with Islamic Bank. The rules relating to commercial banks based on Islamic principles stipulated in the Bank Indonesia Directions Degree Number 32/34/KEP/DIR dated May 12, 1999. The legal basis has been updated on UU No. 21 on 2008 about Islamic banking. The basics of positive law is used as the foundation for Islamic banks in Indonesia to develop its products and operations.

Principles of Islamic Banking

Islamic transactions based on the five principles are brotherhood (*ukhuwah*), justice (*'adalah*), beneficiaries (*maslahat*), balance (*tawazun*), and universalism (*syumuliyah*). (Financial Accounting Standards Board, 2007). The objective of establishing Islamic banks is to create an economic justice, by way of leveling income through investment activities so there is no large discrepancy between the owners of capital to those in need of funds, improve the quality of life for people with a chance to make the road wide open and maintain a stable economic or monetary and avoid unhealthy competition among financial institutions, especially banks, financial institutions as well as tackling the independence of monetary shocks influence both domestically and abroad.

Islamic banks accounting principle refers to the Accounting and Auditing Standard for Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institution which based in Bahrain. It was established in 1991 by the initiative of the Islamic Development Bank (IDB) and some large Islamic financial institutions and now already have a member of almost all Islamic financial institutions.

The basic framework of Islamic banking system is a set of rules and laws, which are collectively referred to as Sharia. As for some of the basic principles of Islamic banking system is as follows:

Prohibition of Usury and Interest

The ban starts from the prohibition against usury firm. There is no doubt that what is forbidden by the *Qur'an* and *Al-Hadith* is usury. *Qur'an* said about the *riba'* restriction in four different verses. First paragraph is Qs. 30:39 in Mecca, and the other three (Qs. 4:161, Qs. 3:130-132 and Qs. 2:275-281) was in Medina. The last of these verses (*Qur'an* 2:275-281) appears before the death of the Prophet Muhammad. This paragraph prohibits the person who took usury, and declare them in a state of war with Allah and His Messenger. This verse also establishes a clear distinction between trade and usury, and ordered the Muslims to leave if usury is still there, instructing them to only take the amount of the loan principal only, and liberating if borrowers through

difficulty.

Islam permits the income from profits but forbids charging interest. Profit signifies entrepreneur' success and create additional wealth. While interest, is a fee charged to borrowers without regard to how the results of business activities whether profit or loss. Additionally, working and earning a living is worship and must be done so that no one is without work, which means ready to face the risks, can make a profit or benefit (compare bank interest earned from fixed deposits and virtually without risk)

Sharing Risk

Islam encourages lenders to become investors. So the concept of this investor is to substitute the concept of creditors within the framework of conventional banking. Capital providers and entrepreneurs share over the business risk, so they will share the profits when getting profit.

1. **Money as A "Potential" Capital.**

In the Islamic view money is a potential capital. Money will be a real capital when the money was cooperated and join other resources to undertake a productive activity. Islam recognizes the value of money contributions, when it acts as capital which used for business activities.

Prohibition of Speculative Behavior

Islamic financial system does not require hoarding and prohibits transactions with

uncertainty, gambling, and extreme risk.

Sanctity of Contract

Islam enforce the obligations in accordance with the agreement (contract) and the disclosure of information as a sacred duty. It is intended to reduce the risk of asymmetric information and moral hazard.

Sharia Approved Activity

Only business activity that does not violate the provisions of sharia are eligible for investment. For example, an investment which has related business with booze, gambling, and illicit goods forbidden by Islam. Not allowing various forms of activities that contain elements of speculation and gambling including economic activity that is believed to cause harm to society.

Transparency

The obligation to keep records of every transaction in particular that is not cash and the witnesses are to be believed.

The Foundation of Sharia and Sharia Contract

"And if you want your son breastfed by others, then no sin for you if you give payment according to the worth. Fear in Allah and know that Allah is seeing what you do". (*Al-Baqarah:223*). Sharia contract any difference to conventional bank (table 1).

Table 1. Kind of Contract on Islamic Bank

Products/Services	Sharia Principles
Clearing	<i>Wadhiah yadhamanah</i>
Savings	<i>Wadhiah yadhamanah mudharabah</i>
Deposit/free investment account	<i>Mudharabah</i>
Investment accounts are not free to use	<i>Mudharabah muqayyadah</i>
<i>Murabahah</i> receivable	Non-cash <i>Murabahah</i>
<i>Mudharabah</i> investment	<i>Mudharabah</i>
<i>Musyarakah</i> investment	<i>Musyarakah</i>
Assets investment for rent	<i>Ijarah</i>
Procurement goods to be sold or to be use	<i>Salam</i> atau <i>Istishna'</i>
Guarantee bank	<i>Kafalah</i>
Transfer, payment, L/C, etc.	<i>Wakalah</i>
Safe deposit box	<i>Wadiah amanah</i>
Securities	<i>Mudharabah</i>
Currency buying and selling (<i>non-speculative motive</i>)	<i>Sharf</i>

Mudharabah.

Mudharabah is an agreement between two parties in which the first party as the owner of the funds (*sahibul mal*) and the second as a fund manager (*mudharib*) to manage an economic activity with agreed profit sharing ratio of benefits to be obtained. While the risk of loss arising is the owner of all the funds there is no evidence that *mudharib* commit fraud or actions that are not trustworthy.

Pursuant to the authority granted to *mudharib* then *mudharabah* divided into *mudharabah mutlaqah* where *mudharib* given full authority to determine the desired investment options, whereas the other type is *mudharabah muqayyadah* where the investment direction is determined by the owner of the funds while *mudharib* acts as executor or manager.

The objective of *mudharabah* is to trade, industry or service with the goal of profit. The advantage can be shared between the owner and manager of funds in accordance with an agreed proportion. However, the loss is borne only by the owner of the funds in accordance with their share of the total capital. Manager's losses is not getting an advantage over her. This contract is a form of investment mechanism in which the bank manages a collection of funds (pool of funds). Capital by banks then invested in various business activities. The depositor clients share the risks and profits in proportion to their respective investments.

Musyarakah.

Musyarakah is an agreement between the parties to include capital in an economic activity with the distribution of profits or losses

based on the agreed ratio. *Musyarakah* can be permanent or temporary with a periodically decrease or all at once at the end of the project period.

Wadiah.

Wadiah is where the first deposit of funds or objects entrusted to the second party as the beneficiary of the deposit with the consequences can sometimes be taken back, with the cost care paid by the depositor. Pursuant to the authority granted the *wadiah* divided into *wadiah yadhamanah* which means the recipient is entitled to use the deposit of funds or goods entrusted to the recipient utilized without any obligation to provide compensation to deposit the depositor to keep the agreement can be taken any time of year, while on the other is *wadiah amanah* authorizes the recipient to utilize the goods deposited or deposited funds.

Salam

Salam namely the purchase of goods with an upfront payment and the goods are delivered later. *Salam* refers to the sales agreement in which payment is made in advance of an obligation to deliver goods that are determined on a specific date agreed upon in the future. This is not the same as speculative forward sale because the payment must be full, not partial.

Ishtisna

Ishtisna' is purchase orders and goods through the necessary process to manufacture according to customer order and payment is made upfront at once or in stages. *Ishtisna'* refers to an agreement where the goods manufacturer (contractor) agrees to produce (build) and deliver the goods (construction) at a certain price on a certain date in the future.

Ijarah.

Ijarah is goods leasing activities in exchange for rental income, if there is a transfer of ownership agreement at the end of the lease term called *Ijarah mumtahiya bi tamlik* (same as operating lease). *Ijarah* can be used to finance transportation, machinery, equipment, and airplane. *Ijarah* format with the transfer of ownership to the lessee to pay a certain amount of residual installments also allowed (hire purchase).

Wakalah.

Wakalah is the first party give authority to the second party (as a representative) for certain matters where both parties receive compensation in the form of fee or commission.

Kafalah.

Kafalah that the first party is willing to be a guarantor of the activities carried out by the second round in accordance with the agreement in which the first party receives in return for a fee or commission (warranty).

Sharf.

Sharf is the exchange or buying and selling of different currencies is based on the agreement with immediate delivery price according to the market price at the time of the exchange.

Indonesian Islamic Financial Accounting Standards

The responsibility of the development of accounting standards in Indonesia is held by the Financial Accounting Standards Board (FASB). By getting the review and approval of the National Islamic Indonesian Ulama Council, FASB has issued several statements of financial accounting standards specifically applicable to sharia entities.

In 2002 FASB issued SFAS Number 59 concerning Islamic banking accounting. FASB continue to develop Sharia SFAS. In 2007 National Islamic Indonesia Ulama Council issued several Sharia SFAS which is the Framework for the Preparation and Presentation of Sharia Financial Statements. Framework for the Preparation and Presentation of Sharia Financial Statements is expected to be a reference for financial accounting standard setters, auditors, and other interested users of the financial statements. Framework for the Preparation and Presentation of Sharia Financial Statements discuss some of the main topics, such as the paradigm of Islamic transactions,

sharia transactions principles, and sharia transaction characteristics.

Another result is SFAS Number 101, about Presentation of Islamic Financial Statements, SFAS Number 102 about *Murabahah* Accounting, SFAS Number 103 about *Salam* Accounting, SFAS Number 104 about *Istishna'* Accounting, SFAS Number 105 about *Mudharabah* Accounting, SFAS Number 106 about *Musyarakaha* accounting and SFAS Number 107 about *Ijarah* Accounting.

SFAS Number 101 discusses about Islamic financial statement presentation. According to the standard, the financial statements is "a structured representation of the financial position and financial performance of a sharia entity" (FSAB, 2007). Islamic financial statements should reflect the activities of Islamic banks as well as the rights and obligations of investors. Islamic financial reporting purposes, such as:

- a) Present information about financial position,
- b) Present information about financial performance,
- c) Present information about changes in financial position,
- d) Improve adherence to Islamic principles in all transactions and business activities,
- e) Present information about adherence to Islamic principles, as well as information about the source of funds derived from activities that

are not in accordance with Islamic principles,

f) Present financial information to evaluate compliance formatting responsible entity of the sharia in securing and investing the trust funds

g) Present financial information regarding the level of investment that investors and owners obtained temporary *syirkah* funds, and information about the fulfillment of the social function of the sharia entity.

Islamic financial statements covering at least two types of financial statements, is statements for commercial activities and social events. The financial statements include the balance sheet of commercial activities serving the financial position at a specific date, income statement presents the financial statements for the relevant period, statement of changes in financial position (including a cash flow statement and statement of changes in equity) which presents a financial change various elements or both accounts contained in the balance sheet or income statement for a given period, as well as notes and other statements and explanatory material that are an integral part of Islamic financial statements.

While the financial statements on social activities include reporting source and use of funds of zakat, as well as reporting virtue' uses of funds. 1)

Elements and Type of Islamic Financial Statements

Financial statements would be useful to

the users both in making business decisions (internal goal) or as a form of management accountability to stakeholders (external goals). Sharia entity's financial statements provide information about the type of resources and uses of funds as outlined in the form of elements of financial statements. SFAS Number 101 mentions the type of resource acquisition and use of Islamic funds include the assets, liabilities, temporary *syirkah* funds, equity, income and expenses, cash flow, *zakat* and charity fund.

Temporary *syirkah* funds' elements are one of source acquisition funds. Elements of this temporary *syirkah* funds can't be classified as liabilities because the sharia entity has no obligation, when losses, to restore the initial amount of the owner of the funds unless caused by the negligence or fault of sharia entity. Temporary *syirkah* funds' elements also can't be classified as an equity element because the temporary *syirkah* funds' element has due time and fund owners do not have the same ownership rights to the shareholders. (FSAB, 2007).

The financial statements present in the preparation form of various types of reports as follows:

- 1) Balance sheet; presents information about assets, liabilities, and equity of an sharia entity on a specific date,
- 2) Income statement; provides information about the difference between revenues and expenses

- for a specific period,
- 3) Cash flow report; presents information as cash inflows and outflows for a certain period,
 - 4) Statements of changes in equity; presents information about the change in equity of a sharia entity for a certain period, including equity position on a particular date,
 - 5) Sources and uses of *zakat*; presents information on the sources and uses of *Zakat* acquisition or distribution of such charity for a certain period,
 - 6) Sources and uses of funds virtue; provide information about the source of funding the acquisition of virtue and the use or distribution of the charity fund for a certain period,
 - 7) Notes to the financial statements; present the relevant non-financial information for decision making by the users of the financial statement.

Those responsible for the preparation and presentation of financial statements above is the management of sharia entity. Based on the financial statements then can make the financial statement analysis, both in the comparison (ratio) as well as the evaluation of the performance of the sharia entity in a given period. In addition to preparing the above financial statements, the sharia entity recommended to present "financial research paper" which explains:

- a. The factors and influences determining financial performance (including environmental changes, responses were entity, the results of

the response) and investment policy to maintain and strengthen financial performance, including its dividend policy.

Sharia entity's funding source and debt to equity ratio target, and Sharia entity sources that are not recorded in the balance sheet. (SFAS Number 101-FSAB Paragraph 15, 2007)

Principles of Islamic Financial Statements

In the preparation and presentation of financial statements, the entity should consider the sharia principles as follows:

Fair presentation; financial statements prepared under GAAP correctly with the required GAAP disclosures in the notes to the financial statements,

Accounting policies; financial statements should present information that is relevant, reliable, describe the economic substance of business events, neutral, reflecting caution, and complete,

Business continuity; "In the assessment of business continuity, a material uncertainty related to events or conditions that may lead to doubts over the sustainability of the business must be disclosed" (SFAS Number 101 Paragraph 23-FASB, 2007)

d. Accrual basis; financial statements "should" have been prepared on a cash basis, except for the cash flow statement and the calculation of the income distribution in order to use the

calculation results of operations.

- e. Consistency of presentation; presentation of the financial statements' accounts must consistent by the time, although it doesn't mean it couldn't be changed
- f. Materiality and aggregation; financial statements present the accounts information deemed material. Which is not considered material to be combined along have similar properties and functions
- g. Offsetting; any element of the financial statements should be presented separately, but can be done for offsetting the permitted standard
- h. Comparative information; certain period financial statements presented by the prior period's financial statements.

RESEARCH METHOD

The type of this research is a descriptive study using a qualitative approach. This research is thoroughly depicting of procedures, recording, and reporting of *ijarah* transaction in PT. Bank Syariah Mandiri.

Data collection technique is interview techniques. The author conducted a series of interviews and question and answer with the accounting department, Mr. Suhendar. Interviews were conducted at the headquarters of PT. Bank Syariah Mandiri at December 11, 2013. In addition to the interview, interviewers also provide some data on *ijarah* at PT. Bank Syariah Mandiri.

In this study the authors did not use samples and population used as the data source. Sources of data used to conduct the research are primary data and secondary data. Primary data is data that directly derived from the object of study and remains to be investigated and require further processing. The data such as interviews with the accounting department of PT. Bank Syariah Mandiri in connection with *ijarah* financing. Secondary data is data obtained from the company and the data is processed as a variety of literature and other literature that has relevance for the purpose of research such as text books on Islamic banking.

RESULTS AND DISCUSSION

Ijarah Financing Procedures on PT. Bank Syariah Mandiri

Ijarah financing procedures through several steps those initial process, analysis process, the process of investigation or warranty assessed, approval process, liquefaction process, insurance, payment by customers. In initial process, prospective costumers then meet account officer as a front line to obtain financing approval. Account officer then gives the form to be filled out by the prospective customer. The form contains personal data and other supporting data relating to the position of the legality of the prospective customer. In the beginning process, there are some things that need to be considered by the account officer in

assessing prospective customers, account officer typically collect information from various sources to determine the character of the prospective customers. Account officer do bank checking like collect some account officers from several other banks to check the character of prospective customers.

Data analysis is divided into two parts, namely the quantitative data analysis and qualitative data analysis. Quantitative data analysis is based on the analysis of the company's financial statements. Quantitative analysis is a picture of the financial health of a company is reflected in the ability to generate profits, the structure of data collection operations, and financial liquidity that can be seen from the cash flow projections. There are two main parts who doing the process of analysis. The first part is an account officer who conducted an analysis of financial statements such as balance sheet, income statement, and cash flow statement. The second part is the analysis done by the administration and financing of law(legal).

The process of investigation undertaken by funding support by the account officer' command. Assessment and investigation officials will help the bank to investigate the feasibility of the customer and to investigate the price of the collateral value of the property. The investigation began by investigating the completeness of the data belonging to customers. The next step is checking the

existence of collateral. Investigators can do their job went to the location to see the state and originality of the collateral. After that investigators can assess the authenticity and fairness of the collateral. In addition, investigators also conducted an investigation to other banks about collateral to avoid the possibility of dispute, disagreement, and possible if the collateral has been pledged to other banks.

If funding is approved by the finance committee, the account officer then made a Principle Approval Letter. Principle approval letter is the offering letter from BSM containing several terms to customers. After the agreement between the both sides of the amount of financing and payment terms, then account officer take care of matters related to the legal and binding process. Administration section is part of the bank to withdraw *ijarah* funds to customers, after getting approval from the financing support. Before thawing, there are things that need to be done such as checking the completeness of *ijarah* financing liquefaction facilities documents, for example the financing proposal, financing committee decree, and notary certificate as proof of the contract. Liquefaction process can be done after the required documents have been completed and checked its validity and has been made binding by law officials. Once the *ijarah* financing application is approved by the BSM and funds raised have been disbursed, the client must

close the financing by insurance.

Financial Statements of Bank Syariah Mandiri

Recording Results of Ijarah Transactions on

Table 1. Financial Position Statement of PT. Bank Syariah Mandiri

PT. BANK SYARIAH MANDIRI STATEMENT OF FINANCIAL POSITION
December 31, 2012 and 2011 (Expressed in full amount unless otherwise stated)

	Notes	2012	2011
<i>Ijarah</i> Receivables Third Party		136.307.696.686	62.451.306.841
Asset acquired for <i>ijarah</i> Acquisition value Accumulation Net Accumulation	2k, 11	375.242.524.434 (183.778.073.094) 191.464.451.340	332.727.800.804 (137.654.335.091) 195.073.465.713

Note: Assets acquired for *Ijarah*

Ijarah assets are assets that made the object of the lease and are recognized at cost. Lease objects in *Ijarah* transaction *Ijarah* are depreciated based on the assets depreciation policy for similar, while objects in the *ijarahmuntahiyah bi tamlik* are depreciated over the lease term. *Ijarah*

assets are stated at cost less accumulated depreciation and amortization. This account is the object of the *ijarahmuntahiyah bittamlik* transactions with the option to transfer ownership of the leased object with the following details:

Table 2. Notes of Financial Position Statement

	2012	2011
Vehicles	77.491.245.644	54.270.755.194
Multi-services	54.106.667.252	59.432.375.298
Machine and installation	49.717.454.299	39.617.748.750
Airplane	28.912.500.000	27.202.500.000
Others	165.014.657.239	152.204.421.562
Total	375.242.524.434	332.727.800.804

Reduction accumulation and amortization	(183.778.073.094)	(137.654.335.091)
Netto	191.464.451.340	195.073.465.713

Table 3. Comprehensive Income Statement of PT. Bank Syariah Mandiri

PT. BANK SYARIAH MANDIRI STATEMENT OF COMPREHENSIVE INCOME
Year ended on the dates December 31, 2012 and 2011
(Expressed in full amount unless otherwise stated)

	Notes	2012	2011
Lease Income			
<i>Ijarah</i> Income	2u. 28	33.111.317.787	14.758.990.829

Funding management revenue by the Bank as *mudharib* consisting of *murabahah*, *istishna*, *ijarah* (lease), and income from profit sharing is *mudharabah*, *musyarakah* and other main business income. Banks determine level of risk based on internal regulations. Bank suspends amortization of deferred income at the time the financing is classified as non-performing. *Ijarah* income is recognized over the contract period proportionally.

Deposit of debtors with non-performing quality is treated as the acquisition cost or principal receivables/financing. Excess payment above the principal receivable or purchase price/financing is recognized as income upon receipt. Especially for *Ijarah* transactions, payments from the debtor to the quality of non-performing lease receivables are treated as repayment.

Analysis

Ijarah financing procedures on PT.

Bank Syariah Mandiri has been goes well with some analysis before funds are disbursed financing. Analyzes such as investigations, both from the own customer and customer's business associates do to avoid covenant violations that may cause harm to the bank. In the beginning of the process was also conducted qualitative and quantitative data checking repeatedly. Islamic banking concepts are containing some goodness such as financing provided always related to the real sector, because of which the item is sold. Besides the agreed rental price will not change until the expiry of the contract. BSM do into an agreement with the customer through several steps of analysis. In addition to avoiding the loss, the goal of the analysis is done to ensure that the customer or the company does not use the financing provided by the BSM to avoid illegal transactions in customer activity.

Of the four analyzes performed on four financial position is statement, comprehensive income statement, cash flow statement, and

statement reconciliation and profit sharing is seen that *ijarah* still holds a small role in the transaction PT. Bank Syariah Mandiri Islamic banks compared with other products. It could be due to lack of socialization and a sense of community about the existence of the product *Ijarah* in Islamic banks has the same function with lease in conventional banks. Transactions that run in BSM was already in accordance with SFAS Number 107.

CONCLUSIONS

There are several procedures followed by BSM to meet the financing demands of prospective customers. The first procedure is initial process consists of collecting data from prospective customers, checking data belonging to customers by account officers, interview prospective clients, and collecting information from neighbors (if an individual) or from a business partner (if customer is a company). Second procedure is the analysis process done by the account officer who is assisted by funding support section. The next procedure is the process of investigating a guarantee that the survey directly to the location of the collateral. Next is the approval procedure which was marked by the publication of Principle Approval letter from BSM. After BSM and prospective customers agreed with the principle approval letter, then financing can be availed by the administrative section with the approval of the financing support section.

For the reporting of *Ijarah* transactions on PT. Bank Syariah Mandiri has been noted in several reports that both the balance sheet, income statement, cash flow statement and reconciliation income and profit-sharing report. All these statements are appropriate with SFAS number 107 about *ijarah* accounting. In the financial statements has been noted that the *Ijarah* assets are assets that made the object of the lease and are recognized at new value. For depreciation or amortization, in the statement of financial position of PT. Bank Syariah Mandiri, said that the object of the *ijarah* lease transaction are depreciated based on the depreciation policy for similar assets, while the rental object in *ijarahmuntahiyah bi tamli kare* depreciated over the lease period. From *ijarah* transaction journals on BSM seen that the records prepared in accordance with SFAS, as an example of non-routine repairs on an *ijarah* object are recognized when incurred, in *Ijarahmuntahiyah bi tamlik* the repair cost is borne by the owner of the *ijarah* object, recording the number of *ijarah* objects as a burden and the difference between the selling price and the carrying amount is recognized as *ijarah* objects profit and *ijarah* revenues which *ijarah* revenues is presented net of related expenses, such as depreciation expense, the burden of maintenance and repairs, and so on. The registries in accordance with SFAS Number 107 of *ijarah*.

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