

## **Analysis of the Concepts and Regulations of Sharia Accounting in Sharia Insurance Transactions in Indonesia**

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### **Abstract**

*The rapid development of the world economy has produced various companies and financial institutions in Indonesia, both banks and non-banks. In line with this development, it also triggers the thinking of the Muslim community about the existence and activities of companies and financial institutions. The Muslim community doubts the activities of financial institutions, so that financial institutions with a sharia basis are established. However, the rapid development of Islamic financial institutions also triggers the community to treat their accounting the same as other conventional financial institutions, so that the sharia accounting system is established for Islamic financial institutions. In this case, the author discusses the sharia accounting system in Islamic insurance using a research method of the type of study whose data is taken from books to scientific journals. The results of the discussion that the author obtained in this article's research are that Islamic accounting is the process of recording, classifying, summarizing and reporting finances in a company during a certain period that refers to Islamic law. The accounting system in sharia-based insurance is found in its treatment, its principles, namely justice, and its application. Unlike accounting in general, Islamic accounting prioritizes sharia principles. the application of accounting in sharia insurance, one of which is recognized in the financial statements of the next period if the acquisition of the insurance premium occurs before the transaction date. From these results, the author concludes that sharia insurance has implemented accounting in accordance with Islamic law, namely sharia accounting. This sharia accounting is very important in making financial reports in sharia insurance and also other sharia institutions. The more we understand the concept of sharia accounting, the better the reporting we will make.*

**Keywords:** *Concepts, Regulations, Sharia Accounting.*

## **INTRODUCTION**

The development of the Islamic financial industry in Indonesia has shown rapid growth, particularly in the sectors of Islamic banking and Islamic insurance. Islamic insurance has emerged as an alternative to conventional insurance, based on principles that align with Islamic law, such as avoiding elements of *riba* (usury), *gharar* (uncertainty), and *maisir* (gambling). One important component in the operations of Islamic insurance is the implementation of an Islamic accounting system that adheres to the standards and principles set by Islamic law (Nasution, 2023).

In the implementation of the Islamic accounting system, there are significant differences compared to conventional accounting practices. One important aspect is the accounting measurement methods used, particularly in *murabaha* financing (Nasution et al, 2024). The established sharia provisions and banking regulations must be adhered to. In this context, the principles found in the Qur'an are highly relevant, especially those related to profit in business and human behavior in everyday life. The sharia foundation for *murabaha* transactions can be

found in Surah Al-Baqarah, verse 275, which emphasizes the importance of justice and transparency in economic activities (Nasution et al, 2024).

The increasing adoption of sharia principles in economic systems reflects a positive trend. In Indonesia, where the majority of the population is Muslim, the sharia-based economy is growing rapidly. From banking and capital markets to accounting based on sharia principles, there is a rising interest among various Muslim communities, both domestically and globally. One of the books that will enrich the literature on Islamic accounting is *Akuntansi Syariah*. The goal of this book is to provide readers with a deeper understanding of how the principles of Islamic accounting can be applied in the presentation of financial data (Nasution et al, 2021).

However, the implementation of the Islamic accounting system in Islamic insurance in Indonesia still faces several challenges, such as the limited availability of competent human resources in Islamic accounting, a lack of understanding regarding the applicable Islamic accounting standards, and differences in the interpretation of standards, which result in inconsistency in reporting (Nasution & Welly, 2023). Therefore, this study will explore the extent to which the Islamic accounting system has been implemented in Islamic insurance in Indonesia, as well as identify the obstacles and opportunities faced.

## RESEARCH METHODS

This article uses a qualitative research method with a literature study approach. The aim is to gain a deeper understanding of the application of Islamic accounting principles in the Islamic insurance sector, identify the challenges and obstacles faced in its implementation, explore concepts related to Islamic accounting, and examine its application in the context of Islamic insurance in Indonesia. This method involves gathering information from various reliable sources, such as books, scholarly articles, and other relevant references that can support a better understanding of the discussed topic.

## RESULTS AND DISCUSSION

### 1. Theories and Basic Concepts of Islamic Accounting

Akuntansi syariah, a sub-system of Islamic economics, aims to realize the consequences of the concept of tauhid (belief in the oneness of God) by promoting accountability for all economic transactions and events, including production processes within organizations.

The essence of Islamic accounting lies in its adherence to Islamic principles, particularly in the accounting cycle. It encompasses transactions governed by Islamic financial instruments such as murabahah (cost-plus sale), musyarakah (profit-sharing partnership), and mudharabah (profit-sharing investment).

One key principle of Islamic accounting is the prohibition of riba (interest). This means that returns on investments are not based on a fixed percentage of the principal amount but rather on the actual profits generated by the investment. The concept of time value of money is also incorporated, but its application is tailored to comply with Islamic principles.

## 2. Development of Islamic Accounting in Indonesia

The development of accounting in Indonesia has been influenced by both ideological and economic factors, which have also impacted the growth of Islamic accounting in the country. One of the key drivers of the rapid growth of Islamic accounting today is the expansion of Islamic financial institutions and Islamic banking. This has encouraged accountants to adopt a mindset that prioritizes honesty, justice, and compliance with sharia principles.

Several factors have contributed to the faster development of Islamic accounting compared to previous years. The first factor is the initial motivation driven by the desire for substantial profits (profit maximization = capitalist mindset). The second factor is the growing awareness among businesses of the importance of the social aspects related to profit maximization. Finally, business is seen as a means to achieve broader goals, rather than an end in itself.

The rapid growth of Islamic financial institutions has been a key catalyst in the development of Islamic accounting. Along with this expansion, various complex challenges have arisen that need to be addressed by the Islamic financial system, including in terms of accounting practices. Theoretical, operational, and implementation issues are part of these challenges. According to Sukardi (2009), the theoretical aspect requires the establishment of stronger mechanisms for the distribution of profits and losses.

In the operational context, innovation, effective intermediation, and the implementation of strict risk management and control are essential. Meanwhile, at the implementation stage, the accounting system must be adapted to the prevailing regulations and the social conditions of contemporary society.

## 3. Implementation of Islamic Accounting in Islamic Insurance

The concept of Takaful is one type of Islamic accounting system widely used in the Islamic insurance industry. Essentially, there are many similarities between the accounting of Takaful companies and conventional insurance. The Takaful Act of 1984 and the Conventional Insurance Act of 1963 regulate the operations of both systems. Since Takaful insurance is adapted to the business perspective, Takaful accounting is also structured in accordance with Islamic principles to align with the sharia business outlook. Undoubtedly, the accounting used in Takaful differs from the accounting applied in conventional insurance.

## 4. Islamic Accounting Treatment in Islamic Insurance

An accountant responsible for preparing the financial statements of an Islamic insurance company must adhere to PSAK 108 (Statement of Financial Accounting Standards 108). This accounting standard specifically regulates the recognition, measurement, and presentation of transactions related to participant contributions, underwriting surplus, and technical reserves. In addition, PSAK 108 outlines the procedures for preparing financial statements. These include the following (Rahayu et al., 2019):

- a. It serves as a guideline for regulating Islamic insurance transactions, including calculations, creation, disclosure, and recognition.
- b. Transactions involving participant contributions, profits or loss guarantees, and the allocation of remaining charity funds are part of these transactions.
- c. In Islamic insurance, the agreement or contract is between the investor and the charity or *tijarah.fund*.

- d. Capital originating from full ownership by the participants is referred to as the fulfillment of claims or demands.
- e. The participants' share of the fund is calculated as income.
- f. Any surplus, excess, or deficit in the charity fund is recorded as a change.
- g. PSAK also covers the treatment of investment results.

In the practice of Islamic insurance (takaful) accounting, premiums paid by participants are allocated into two parts: the tabarru' fund and the management fee. The tabarru' fund represents participants' contributions intended for social purposes and is managed separately. Meanwhile, the management fee is the service compensation provided to the insurance company for managing participants' funds. These two types of funds are recorded separately in the bookkeeping process but are presented in aggregate in the financial statements. Income derived from the investment of participants' funds is recorded as investment income.

When the company receives premiums, it records an increase in claims expenses on the debit side and a decrease in cash on the credit side. When receiving claims from securities, bonds, and mutual funds, it records an increase in cash on the debit side and an increase in investment income on the credit side.

#### 5. Legal Foundations of Islamic Accounting

The legal foundation of Islamic accounting in Indonesia is derived from a combination of Islamic sources and national regulations. These include:

- a. Al-Quran and Hadith: The primary sources of Islamic law, providing fundamental principles for ethical and just economic practices.
- b. Ijma and Qiyas: Consensus among scholars and analogical reasoning, respectively, used to interpret and apply Islamic principles in contemporary contexts.
- c. Fiqh Muamalah: Islamic jurisprudence dealing with commercial transactions, offering guidance on financial dealings.
- d. Kitab Al-Kharaj: Islamic texts on taxation, providing insights into revenue management and distribution.
- e. Fatwa: Legal pronouncements by Islamic scholars, offering interpretations of Islamic law relevant to specific issues.
- f. Peraturan Bank Indonesia: Regulations issued by the central bank, setting standards for Islamic banking operations.
- g. Undang-Undang Perbankan Syariah: Legislation governing Islamic banking in Indonesia, outlining legal frameworks and principles.
- h. Standar Akuntansi Keuangan Syariah (SAK Syariah): Accounting standards developed by the Indonesian Institute of Accountants (IAI) based on Islamic principles and MUI (Majelis Ulama Indonesia) fatwas.

#### 6. Definition of Sharia Insurance

Insurance or also known as ta'min (derived from Arabic), namely coverage. To offer something means to give a certain amount of money or pay a certain obligation, or in other words bear something that is in accordance with the initial rules of the contract. This insurance is a liability to cover future risks. In Indonesia, the definition of sharia insurance put forward by DSN is an institution whose activities mutually assist a number of participating parties in sharia insurance products either in the form of business or skin through sharia agreement. From this DSN definition it can be concluded that Sharia insurance contains elements of help and protection.

Whereas Another insurance term is risk management in accordance with the rules Islamic law, which in its activities involves insurance participants. The aim of the establishment of this special sharia insurance institution is to: help participants, provide guarantees about risks that occur in the future coming. With this sharia insurance, it can be beneficial for people people who participate in sharia insurance products. Need to know that the principle of sharia insurance is profitable for participants sharia insurance (Tho'in & Anik, 2017).

#### 7. Sharia Insurance Legal Regulations in Indonesia

In Indonesia, sharia-based insurance activities have now emerged recognition and appropriate place both from a sociological, juridical and legal perspective philosophical. Sociologically, this means that the law still applies even if society does not agree, this is called the theory of power, or applicable and accepted law by the community, this is called recognition theory. Apart from that, insurance can also apply philosophically if they have achieved the ideals they aspire to. From a juridical perspective, sharia-based insurance operational guidelines refer to on the determination of the National Sharia Council of the Indonesian Ulema Council Number 21 2001.

The content of the fatwa is that sharia insurance is an institution that in its activities, namely efforts to help each other among fellow participants or the insurance institution itself based on an initial agreement. The contract in accordance with sharia, namely that there are no elements of fraud, ambiguity, gambling, usury. and other things that are prohibited by the Shari'a. Establishment of regulations which is recognized or which has the force of Indonesian national law, namely the Constitution Republic of Indonesia in 1945, PP replacing laws, PP, Presidential Decree and Regional Regulations. So deep This is a determination issued by DSN regarding sharia insurance guidelines does not yet have legal force in Indonesia.

There are 42 sharia insurance companies in Indonesia sharia insurance, which consists of 2 sharia general insurance along with 20 insurance units general sharia, and there are 3 sharia life insurance along with 17 life insurance units sharia. These notes are known based on the results of data from research by Sharia Insurance Association institution. From the results of data researched by the Association Sharia insurance is proof that sharia insurance exists its existence is recognized by the people of Indonesia. In Indonesia, the formation of sharia insurance is also based on Q.S al- Ma'idah verse 2, in that verse Allah commands humans to doing good things such as helping each other and staying away from wrongdoing brings harm and Allah commands humans to always do it fear him (Effendi, 2016).

#### 8. Sharia Insurance Concept in Indonesia

Insurance is an institution that uses an aggregate or aggregate system where all participants provide funds or donations to be used in payment of certain risk claims. This is based on PSAK 108 or statement financial accounting standards. The donation has conditions and is a right belongs to joint participants, not company income. In other words, mean from PSAK 108, namely that insurance participants deposit money according to the agreement for use when there is a risk or danger to the participant. In this case, the insurance agency stands on the basis of mutual cooperation. Meanwhile, insurance during the period This contemporary means that participants deposit a certain amount of money in 2 ways, namely as savings and policy funds. Savings are a mandate from participants and profit sharing from net investment income (Meiliana, 2015).

### 9. Sharia Insurance Transaction Accounting Based on PSAK 108

An accountant in the process of making recognition, measurement, and The presentation of financial statement transactions must be guided by PSAK 108 or others we are familiar with the Statement of Financial Accounting Standards, which is in The statement contains provisions relating to the transaction participant contributions, surplus, and benevolent fund reserves. Statement of Financial Accounting Standards 108 also contains provisions in preparing financial reports, including:

1. Aims as a guide in managing validation, calculations, creation, and disclosure of transactions that occur in insurance sharia.
2. The transaction concerns participant participation, advantages, or deficit insurance, setting aside remaining benevolent funds.
3. Agreement or contract in sharia insurance, namely a fund agreement virtue of mutual assistance between fellow participants and agreement *tijarah* or agreement for business between investors and insurance companies as manager.
4. Fulfillment of demands or claims constitutes funds sourced from full ownership of the participant.
5. Fund participation from the parties is recorded as benevolent fund income.
6. Remaining benevolent funds, surplus and deficit are recorded as changes in remaining funds virtue.
7. Treatment of investment returns refers to PSAK.

One of the accounting treatments in sharia insurance is premiums that is, some of the funds are recognized as *tabarru'* funds, while for some the rest is used as a fee to the manager. In this case, the accounting records recorded separately and then put together in the financial statements. Recording These fee contributions are recorded by the insurance company as fee income, and recording of benevolent funds is recorded by the company as benevolent funds'. Meanwhile, investment activities are recorded as investment income (Muhammad et al., 2017).

When premium receipts are recorded and recognized by the company, cash increases on the debit side and premium income increases on the credit side. On claim fulfillment, So the company records claims expenses increasing by debit and cash decreasing next to credit. In investments, the company records securities, bonds, mutual funds increases on the debit side and cash decreases on the credit side. As for results investment, cash is recorded as an increase in debit and investment income increases next to credit.

## CONCLUSION

Islamic accounting in Indonesia originated from the concerns of the Muslim community regarding the compliance of conventional accounting practices with Islamic principles. Consequently, Islamic accounting was established to address these concerns. In the context of Islamic insurance (*takaful*), Islamic accounting involves the processes of recording, classifying, summarizing, and reporting financial transactions based on Sharia principles. The principles used in Islamic insurance accounting include the principles of accountability, justice, and trust. The guidelines for preparing accounting practices in Islamic insurance are outlined in PSAK 108 (Indonesian Sharia Accounting Standards No. 108), which contains the basic framework for Islamic accounting.

This accounting process results in financial statements for Islamic insurance that present cash flows, profit and loss, changes in equity, and the financial position of the Islamic financial institution. These financial statements serve as accountability reports for the financial activities of the Islamic insurance entity. Transactions in Islamic insurance accounting primarily involve participants' contributions, whether for investment purposes or charitable funds (tabarru'). Agreements in Islamic insurance typically include tabarru' agreements and investment or business agreements. The accounting treatment for Islamic insurance in Indonesia is based on PSAK 108 and includes recognition, measurement, technical presentation, and reporting. The recognition of long-term and short-term contracts differs depending on the occurrence of events, whether they have reached maturity or not. The implementation and application of Islamic accounting in the Indonesian Islamic insurance industry are predominantly carried out by takaful companies.

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