ACCOUNTING OF REFINANCING AND TAKE OVER FOR MURABAHAH CONTRACT

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Abstract

The development of community needs necessitates the dynamics of services at Islamic financial institutions, especially in contract schemes or transaction models. Besides being influenced by the financial capacity of the community, there is also a rational choice to get cheaper transaction options. So, in the practice of Islamic finance, refinancing and take over transaction schemes are also developing. This article was written with the aim of describing the accounting treatment of refinancing transactions and taking over for *murabahah* contracts and analyzing them based on sharia compliance (sharia compliance). The research approach used is the literature on *fiqh* laws as guidelines for sharia compliance which has been regulated in the DSN MUI fatwa. The findings that the author can convey in this article are that there are several rational reasons for the recognition and treatment of PSAK-based accounting which regulates refinancing and take over transactions with the obligation to recognize the existence of margins in both transactions. Meanwhile, in *fiqh*, there is actually a deviation from compliance with sharia.

Keywords: Sharia Accounting, Refinancing, Take Over, Sharia Compliance

INTRODUCTION

Accounting is a tool in providing the value of public trust in the activities of an organization or business entity, especially in the context of reviewing financial performance. In practice, the accounting profession is required to be professional, have ethics or morals and be able to prove fairness in every financial transaction. The application of ethics is expected to be able to direct accountants to act ethically, fulfill compliance with the accounting system and compliance with religion (Matnin, 2018). The variety of transactions needed to fulfill various needs in the financial sector is a challenge for accountants to create accounting treatments that can represent real transactions.

The contracts that are currently developing are in the form of multi-contract transactions, which previously were rare. The development of Islamic bank products in the context of multi-contracts is able to answer and solve the needs of the community, several products and which are developing are refinancing and take over. Both contracts are quite popular and in demand due to the situation and conditions in society which are increasingly inclined to be independent and choose practical values. The era of globalization as it is today, where technology has benefited to make transactions as quickly as possible, so that the world of Islamic banking is also required to provide relevant products and services. (Haryono, 2019). Therefore, product innovation or Islamic banking contracts are needed to facilitate transactions carried out and also as evidence of the superiority of the existence of Islamic banking in today's financial and economic activities. Furthermore, to create harmonization in the transaction scheme agreement, bankers must have accurate business communication techniques, so that they can be understood by debtors (Kunaifi & Syam, 2021).

One of the main contracts that are widely transacted is the *murabahah* contract (see table). This contract is considered very popular, so in fact various problems such as non-performance funding (NPF) also occur in many *murabahah* contracts. Some of the solutions initiated by Islamic financial institutions to avoid default or bad credit, refinancing and take over services are provided, both of which basically apply multi-contract or hybrid contracts. On this basis, it is necessary to discuss the two multi-contract products with the aim of providing a complete understanding so as not to confuse and doubt the public in applying the two. Helping the public in choosing the right product to achieve

falah is part of sharia marketing activities (Kunaifi, 2016). In addition, this paper will also discuss the accounting treatment of each of these contracts, namely *murabahah*, refinancing, and take over.

Table 1
Activities of Islamic Commercial Banks and Sharia Business Units in Indonesia
(in billion rupiahs)

Contract	Year			
	2018	2019	2020	2021
Profit sharing: <i>Mudharabah/</i> <i>Musyarakah</i> etc.	145.507	171.270	186.773	194.329
Purchase Base: <i>Murabahah/</i> <i>Qard/Istishna'</i>	164.088	173.323	188.536	200.324

Source: OJK

The table above shows that buying and selling activities with the *murabahah* contract scheme still dominate production activities at Islamic commercial banks (BUS) and sharia business units (UUS). As in the same report, it is known that the number of BUS in Indonesia is 12 banks, and there are 20 UUS owned by conventional banks.

RESEARCH METHOD

To obtain valid data, the researchers obtained data through primary and secondary sources. Primary sources were obtained through informants at one of the Islamic commercial banks and non-Islamic financial institutions. While the secondary data sources are obtained through the website of Islamic financial institutions and the financial services authority (OJK). Data were collected for descriptive qualitative analysis. Informants in this study came from managers of Islamic financial institutions, namely managers of sharia cooperatives, managers of Islamic commercial banks, and sharia financial software consultants. The use of primary data sources in this article is similar to research on the monetary system in Islam (Aang Kunaifi, 2021), and field research on spiritual leadership (Rosyid, Kunaifi, & Asyari, 2021).

MURABAHAH CONTRACT

Murabahah contract is a type of buying and selling and transactions that are permitted by sharia. The majority of scholars, companions, *tabi'in*. and the priests of the *madzhab*, except for the Maliki *madzhab*, which states that the law of buying and selling *murabahah* is *khilaaful awla*. The arguments regarding the permissibility of the *murabahah* contract include; Al-Qur'an surah al-Baqarah verse 275, surah an-Nisaa verse 29, Hadith narrated from Abu Bakr ra in Sahih Bukhari about the purchase of camels by the Messenger of Allah to Abu Bakr ra., Hadith about the permissibility of selling goods at a profit dirhams or two dirhams for every ten dirhams from Ibn Mas'ud ra., *murabahah* transactions have fulfilled the elements of benefit in social life, especially for those who are not experienced with the existence of goods and information on their prices (Zuhayli (Az), 2011). The detailed explanation has been written by MUI in the fatwa of DSN MUI No.04/IV/2000 (Sam & Et.al, 2014).

The hallmark of a *murabahah* contract is the exchange of goods at a clear price, with the following conditions; both parties (the seller and the buyer know the first price/acquisition price), the buyer knows the amount of profit requested by the seller, the capital submitted is in the form of *mitsliyat* goods (of the same type and has the same use), the *murabahah* contract if it is carried out on usury goods then must avoid factors the occurrence of usury *nasiah*, and finally the transactions that preceded it should be carried out legally. Usually, the buyer's payment is made on credit or deferred (deferred payment) which in fiqh terms is called *bay' bit taqsith*. Permissibility of payment on credit based on the argument (Zuhayli (Az), 2011), as states Suhendi (Suhendi, 2008), and (Sam & Et.al, 2014):

al-Baqarah verses 282

يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايَنْتُمْ بِدَيْنٍ إِلَى أَجَلٍ مُسَمًّى فَاكْتُبُوهُ

"O you who believe! If you make a debt (non-cash transaction) for a specified time, you should write it down."

an-Nisaa verses 29

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ

"O you who believe! Do not eat each other's property in a vanity (untrue) way, except in a trade that takes place on the basis of consensual (agreed upon by both parties) between you."

Hadith

عن عائشة رضي الله عنها، قالت: «اشترى رسول الله صلى الله عليه وسلم من يهودي طعاما بنسيئة، ورهنه درعه». (متفق عليه)

"From 'Aisyah r.a, that the Prophet once bought food from a Jew with a cash payment (with a certain time period) and he pawned his armor to him." (Bukhori-Muslim).

Hadith

عن عائشة رضي الله عنها، قالت: جاءتني بريرة فقالت: كاتبت أهلي على تسع أواق، في كل عام وقية. (متفق عليه)

"From 'Aisyah r.a said: "that Bariroh came to me saying: My lord has set (ransom for my release) as many as nine waq which every year I must pay one *waq*." (Bukhori dan Muslim).

Structurally, the murabaha contract implemented in Islamic financial institutions is described as follows:

Figure 1
Murabaha Contract Process Scheme

Source: Alamad and Author

The explanation of figure above: a) *Binding promise to purchase*, buyers/customers make binding requests and promises to buy certain products to the bank; b) *Deliver product*, the supplier sends the goods needed by the bank customer; c) *Bank pay spot*, payment by cash; d) *Sell goods using murabahah contract*; e) *Pay deferred*, the customer makes a delayed payment or credit/installment; f) The accounting treatment is based on the 2013 revised PSAK 102, which is a statement of financial accounting standards whose application is commonly practiced in Islamic financial institutions or sharia financing cooperatives that implement *murabahah* contracts in their position as sellers or buyers as

well as individuals or companies that carry out *murabahah* transactions with Islamic financial institutions. or sharia cooperative (Nurhayati & Wasilah, 2019), and also as states by Abd Rahman (Abd Rahman & Et.al, 2020):

Recognition of *murabahah* assets, when Islamic Financial Institutions (LKS) make purchases of goods to be contracted for *murabahah* to customers:

Dr. <i>murabahah</i> assets	xxx	
Cr.Cash		xxx

***Murabahah* assets selling:**

Dr. accounts receivable of <i>murabahah</i>	xxx	
Cr.Asset of <i>murabahah</i>		xxx
Cr.Margin of deffered <i>murabahah</i>		xxx

Acceptance of *murabahah* installments:

Dr.Cash	xxx	
Cr. accounts receivable of <i>murabahah</i>		xxx
Dr.Margin of deffered <i>murabahah</i>	xxx	
Cr.Income of <i>murabahah</i>		xxx

In addition to the main *murabahah* contract, there are often other similar contracts called *Tawarruq* or monetization, which are transactions to get cash through the sale of certain goods for cash, which were previously purchased on credit to other parties. Examples of cases that often occur in sharia cooperatives or BMTs, someone who has a need for religious activities actually needs money to buy many necessities. Then convey these needs to the cooperative through customer service. The cooperative provides suggestions for a *tawarruq* contract to avoid a qard contract, so to meet the needs of members/customers it is advisable to buy and sell *murabahah* with an installment payment system. The cooperative, which has a partnership with hanphone A counter, performs a salam contract for cellphone products that are required by counter A (a third party). The cooperative buys the mobile phone at shop B and then resells it to members/customers with a *murabahah* contract. After the *murabahah* contract is completed, members/customers who need funds are asked to resell to counter A through the cooperative/bank. Furthermore,

members of the cooperative get a price according to the agreement of the cooperative and a third party (counter A) and is known and agreed upon by the members. *Tawarruq* is similar to *bay' al-inah*, only in *bay' al-inah* it only involves 2 parties, so in *Tawarruq* it involves a third party. This contract is recorded in accounting by Islamic banking and non-bank Islamic financial institutions, the same as *murabahah* contracts. The following is the *Tawarruq* contract scheme: (Alamad, 2019), and also as states Agustianto Mingka (Agustianto, 2014):

Figure 2
Scheme of tawarruq contract

Source: Alamad and Author

The explanation of the schematic above is as follows: a) Broker 1 sells goods to the Bank; b) Bank pays in cash for goods purchased from broker 1; c) Banks make sales with *murabahah* contracts to customers; d) Banks act as agents to sell goods (which have been purchased by customers) to brokers 2; e) Broker 2 makes payments to the bank's customers; e) Customers make payments in installments to the bank.

SHARIA REFINANCING

Refinancing is carried out to pay off loans by applying for new loans with lower interest rates and still at the same bank. This is done to ease the repayment of debts for both individuals and companies. In the practice of Islamic finance, refinancing products are often carried out as risk mitigation in completing non-performance financing (NPF). Refinancing in sharia (sharia refinancing) can be realized for financing for prospective customers who already have full assets, it can also be done for financing for prospective

customers who are receiving financing but have not paid it off. (“Fatwa DSN MUI Tentang Pembiayaan Ulang (Refinancing) Syariah,” t.t.).

Refinancing that is practiced at Sharia Financial Institutions (LKS) is sharia allowed as contained in the fatwa of the Sharia Council of the Indonesian Ulema Council number: 89/DSN-MUI/XII/2013. The refinancing scheme is intended to finance a financing for assets that are experiencing bottlenecks. The contract options specified are *musyarakah mutanaqishah*. The technical implementation is; LKS buys some assets in the form of purchasing part of the capital value (70-80%), resulting in a *syirkah amwal/’inan* contract. The next step is the customer rents the asset to the LKS as the business manager. The rental income is a profit that will be divided according to the *syirkah* portion. Each period, the LKS capital is returned gradually by the customer, so that the ownership of the LKS *syirkah mutanaqishah* capital is reduced until it runs out, at that time the assets and overall capital return to the customer. (Mingka, 2016). A brief description of the contract in question is as shown in figure 3 below:

Figure 3
Refinancing Flow According to Agustianto Mingka

Source: Hand out of Agustianto Mingka

As for *murabahah* financing, which is in cases of loss or failure to pay by customers due to decreased ability to pay, refinancing is usually done in the form of rescheduling only. The LKS determines the residual value of the old receivables by purchasing the asset in question. Then the customer buys back the asset at the same price, but with an installment contract and a lighter tempo and in accordance with the ability of the customer. The purpose of refinancing in the *murabahah* contract scheme is to reduce the NPF ratio as a form of risk mitigation (Matnin, 2021). In addition to rescheduling, LKS also conducts reconditioning, so that customers are also given a deterrent effect, for example by asking for additional guarantees and so on, the aim of which is to discipline customers. In other cases, refinancing in a *murabahah* contract is the transfer of the function of assets that were originally the object of the transaction to become collateral or guarantees for new non-*murabahah* financing. (Eric, 2021). The standard accounting treatment carried out is (Rahman, 2021):

Dr. Asset of <i>murabahah</i>	xxx	
Cr. Account receivable of <i>murabahah</i>		xxx
Dr. Account receivable of <i>murabahah</i> (<i>refinancing</i>)	xxx	
Cr. Asset of <i>murabahah</i>		xxx

TAKE OVER

Take over is a transfer of debt in a certain contract scheme from one bank to another. Usually, this is mostly done by customers who want to migrate, namely converting their transactions from conventional to sharia contracts. The transfer of debt itself in sharia is the actualization of the *hiwalah* contract, although in the take over there is not only a single *hiwalah* contract but also several accompanying contracts. So that take over is a form of hybrid contract.

One example of a take over contract case as occurred in Islamic banking is as follows: A customer who transacts asset purchases at Bank X with a *murabahah* contract is unable to continue the transaction due to a decreased ability to pay installments, and intends to apply for a take over through Bank Y with more periodic payments. light. Bank Y approved the customer's application with a new contract, namely *ijarah muntahiya bittamlik* (IMBT) or *musyarakah mutanaqisah* (MMQ). Note that the take over of a

murabahah contract cannot be carried out with the same contract (*murabahah*), because the ownership of the asset already belongs to the bank taking over. The schema of the take over transaction above can be illustrated in figure 4 below:

Source: Author, adapted from interview

The MUI fatwa states that there are several combinations of contracts (*al-uqud al-murakkabah*). In contemporary fiqh studies, it is stated that there are at least 7 contract schemes that are suitable for take over products, including: (Agustianto, 2014); a) *Qard* and *bay' murabbahah*; b) *Syirkah milkiyah* and *murabbahah*; c) *Syirkah milkiyah* and *ijarah muntahiyah bit tamlik*; d) *Musyarakah mutanaqisah*; e) *Ijarah* and *qard*; f) *Qard*, *bay'*, and *ijarah muntahiyah bit tamlik*g) *Hawalah*

In principle, the transfer of debt from one party to another is permissible as a form of realizing benefit, as the words of the Prophet Muhammad narrated from Abu Hurairah:

مَطْلُ الْغَيِّ ظُلْمٌ

“Procrastinating debt is a form of injustice”

For this reason, sharia has regulated the *hiwalah* contract with the pillars that must be fulfilled, among others; parties who are in debt and at the same time have receivables (*muhil*), parties who only have receivables (*muhal*), people who have debts and are obliged to pay debts to *muhil* (*muhal 'alaih*), *muhal* debts to *muhal* (*muhal bih*), *muhal 'alaih* debts to *muhil*, and *sighat* (*ijab qabul*).

As for the accounting treatment of LKS recording, it depends on the contract scheme to be used, in accordance with the applicable MUI fatwa. Meanwhile, the provisions for taking margin for the LKS taking over are permitted provided that there is a legal transfer of ownership of the asset (Andreany, 2018). Based on the discussion above, refinancing accounting records are simpler than take over. However, as a technical issue it does not require confusing assessment and analysis for bankers. An important object that must be a concern for sharia bankers or sharia financial institutions is to determine the right contract scheme so that it is protected from elements that are prohibited in sharia.

CONCLUSION

Those are some of the contract provisions which are actually quite complex regarding financing and take over. The study of hybrid contracts is very urgent, in addition to solving *muamalah* problems for the common good, as well as avoiding misunderstandings over the similarities and differences in transactions or products between LKS and non-Islamic financial institutions.

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