

Theory and Practice of Musyarakah Accounting

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ABSTRACT

The musyarakah contract is a form of cooperation in the Islamic financial system that involves two or more parties to combine capital in a business under the principle of profit sharing. This study discusses the basic concept of musyarakah, its legal basis, the pillars of the contract, the types of musyarakah, as well as implementation and supervision standards based on sharia provisions and financial regulations in Indonesia. Furthermore, this study also describes the transaction flow, calculation techniques, and profit sharing mechanisms in musyarakah financing, using both revenue sharing and profit sharing approaches. The findings in the discussion indicate that the implementation of the musyarakah contract is based on the principles of fairness, transparency, and proportional risk sharing based on the capital contribution of each party. Supervision is carried out by the Sharia Supervisory Board (DPS) and the bank through on-site and off-site mechanisms to ensure compliance with sharia principles. The case study presented demonstrates the application of profit and loss sharing calculations that reflect the agreed ratio and capital portion. Overall, the musyarakah contract is a sharia financing instrument that is considered capable of supporting the development of partnership-based businesses while maintaining the values of fairness and sharia compliance.

Keywords: Musyarakah, Sharia Accounting, Sharia Financing, Profit Sharing, PSAK 106.

BACKGROUND

Development Islamic financial system in Indonesia is growing rapidly along with increasing awareness public to the importance of principles justice and blessings in economic activities. One important concept in Islamic financing is the Musyarakah contract, a form of cooperation between two or more parties who combine capital to run a joint venture, with profits and losses shared according to agreement. This contract is a crucial instrument in realizing economic activities based on the principles of mutual assistance (*ta'awun*) and justice (*'adl*).

In practice, Musyarakah not only serves as the basis for financing in Islamic financial institutions but also reflects Islamic values in joint business management. Therefore, a thorough understanding of the definition, legal basis, and pillars of Musyarakah is crucial to ensure its implementation complies with Sharia provisions and applicable Islamic accounting principles .

The legal basis for Musyarakah itself has been regulated in the Al-Qur'an and Hadith, which shows Islam's recognition of the concept of cooperation in property ownership and business management. Apart from that, the ulama have also provided views that strengthen the validity of this contract and determine its pillars so that its implementation is legal and in accordance with the Shari'a. By understanding these three aspects, it is hoped that we can provide a comprehensive picture of how Musyarakah is implemented in the sharia accounting system.

Understanding Musyarakah

Musyarakah is a form of business cooperation in Islamic economics where two or more parties pool their capital to run a business together. This capital contribution can be in the form of cash or non-cash assets in accordance with Islamic principles. Profits from the business are shared based on a pre-agreed ratio, while losses are borne in proportion to each party's capital contribution (Bank Indonesia, 2013).

According to Wali and Firdaus (2024), musyarakah, as a cooperative agreement, emphasizes fairness, transparency, and proportional risk sharing between business partners. This agreement reflects the principle of mutual assistance and a balance between capital and business results. Furthermore, Oktavia, in Pratiwi et al. (2023), explains that musyarakah is part of the syirkah system, or profit-sharing partnership. This collaboration is driven by a spirit of collaboration to increase the value of shared assets through business management carried out by the parties involved.

Thus, musyarakah can be understood as a form of business partnership in the Islamic financial system that replaces the practice of interest with a *profit and loss sharing system*, and creates a fair and mutually beneficial business mechanism in accordance with Islamic values.

Legal Basis and Pillars of Musyarakah

The legal basis for musyarakah is very strong in Islamic law, as the concept of partnership is based on the Qur'an and Hadith. Setiawan (2022) states that the Qur'an is the primary source of syirkah, as stated in several verses that indicate a form of joint ownership and management of assets based on justice. One such verse is contained in Surah An-Nisa, verse 12, which describes a form of joint ownership through an inheritance system. Furthermore, Surah Sad, verse 24, indicates that cooperation in ownership is legitimate as long as it is implemented according to the principle of justice and does not lead to injustice.

The hadith of the Prophet Muhammad (peace be upon him) further strengthens the legality of musyarakah. In a narration by Abu Hurairah, it is stated that Allah SWT acts as a third party in a partnership as long as the parties are honest and do not betray each other. This hadith emphasizes the importance of trust, honesty, and responsibility in implementing a musyarakah contract.

In terms of pillars, the implementation of musyarakah must fulfill the elements required for a valid contract. Scholars differ on the number of pillars. The Hanafi school of thought simplifies it to the *ijab and qabul* (consent) as the core of the contract. However, the majority of scholars stipulate that musyarakah must include the elements of *shigat* (a statement of agreement), the existence of parties to the contract (*al-aqidain*) who meet the legal requirements, and the object of the contract (*ma'qud alaih*), which includes capital and labor. These three elements form the foundation for a valid musyarakah contract.

Types of Musyarakah Contracts

Musyarakah consists of two general forms: *syirkah uqud* and *syirkah amlak* (Nofianti & Irfan, 2019). *Syirkah uqud* is a form of partnership that arises through a contractual agreement to run a business by combining capital, expertise, or reputation. These forms include *syirkah al-inan*, *syirkah a'mal*, *syirkah mufawadhah*, and *syirkah wujuh*, each with different characteristics related to the distribution of capital and risk.

Meanwhile, a *partnership agreement* arises without a contract, but rather through joint ownership, as in inheritance. This partnership is divided into *ikhtariyah* and *ijbariyah*, which distinguish whether the joint ownership occurs through agreement or automatically based on legal circumstances.

Standards for Implementing Musyarakah Contracts

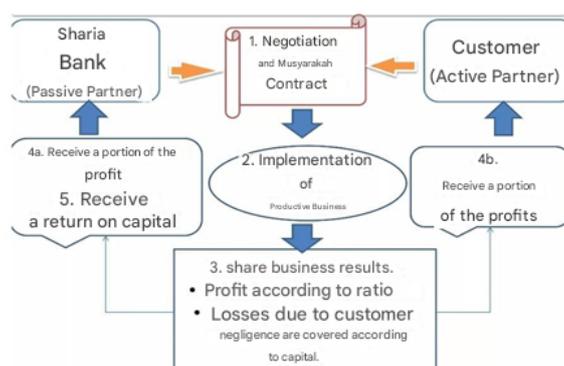
The implementation of a musyarakah contract is carried out through several administrative and technical stages in accordance with Islamic banking regulations (Financial Services Authority, 2016). The process begins with the financing application, document verification, business feasibility assessment, contract and collateral binding, and disbursement of funds. During the business, profits are distributed according to the ratio stipulated in the contract, while repayment of the financing marks the end of the partnership.

Musyarakah Contract Supervision Standards

Supervision in musyarakah contracts is carried out to ensure transactions comply with sharia principles. The role of the Sharia Supervisory Board (SSB) is crucial in ensuring information transparency, appropriate ratios, and compliance with the musyarakah principles (Khaddafi et al., 2016). Supervision is conducted through two methods: *on-the-spot* through direct visits to business locations, and *off-site* through review of financial reports, contracts, and bank transactions.

Musyarakah Transaction Flow

The musyarakah transaction process encompasses the stages of contract negotiation, business implementation, profit sharing, and capital repayment. This process ensures that the partnership is based on principles of fairness, trust, and legitimate agreement, enabling a productive and sharia-compliant business partnership.



The musyarakah transaction process begins with negotiations and continues until the contract is closed. Initially, the process begins with negotiations between the Islamic bank, acting as the passive partner, and the customer, acting as the active partner. During this phase, both parties agree on all key aspects of the partnership, such as the capital contribution, profit sharing ratio (*nisbah*), the duration of the partnership, and the rights and obligations of each party. Once all clauses are agreed upon, the musyarakah agreement is officially signed.

The next stage is implementing the productive business. After the funds are disbursed, the musyarakah capital is used to run the business according to the objectives stated in the contract. In this mechanism, the customer acts as the business manager, while the bank remains a passive partner, providing capital and overseeing the use of funds to ensure that the funds are used in accordance with the contract.

When a business generates a profit, it is distributed based on a predetermined ratio at the beginning of the agreement. If the business generates a profit, each party receives a share of the profits according to the agreed-upon percentage. Conversely, if the business experiences a loss, and the loss is not due to the manager's negligence, the loss is shared based on each party's proportionate capital contribution. After the profit is distributed, each party automatically receives a portion of the business's profits according to their capacity. At the end of the partnership period, the client is required to return the initial capital, and the musyarakah contract is considered complete once all obligations have been fulfilled.

In technical transaction calculations, the diminishing musyarakah mechanism is a frequently used method. In this scheme, the bank's ownership portion is gradually reduced in accordance with the customer's capital payments. Each payment consists of a return of capital and a share of the profits. Over time, the bank's profit proportion decreases in line with the decline in the capital portion held. This process requires accurate accounting records to ensure transparency and compliance with Sharia principles. At the end of the payment period, all the bank's capital is returned, and full ownership of the business transfers to the customer, thus ending the partnership.

Profit sharing in a musyarakah contract is based on a pre-agreed ratio (*nisbah*) and cannot be a fixed nominal amount. Two commonly used profit-sharing methods are *revenue sharing*, based on total business revenue, and *profit sharing*, calculated based on net profit after

deducting operating costs. In Islamic financial institutions, *the profit sharing method* is more frequently used because it more realistically reflects the financial condition of the business. This profit-sharing mechanism reflects the values of fairness, honesty, and transparency, and differentiates Islamic financing from the interest-based system of conventional financial institutions.

The musyarakah transaction scheme in Islamic financial institutions describes the stages of the financing process, starting from the customer's application to the termination of the contract. After the bank verifies documents, assesses business potential, and conducts a risk analysis, it issues a financing agreement. The contract is then signed and funds are disbursed for business operational needs. Throughout the business, the bank monitors the business through on- *site visits* and remote document monitoring . If the business generates a profit, the profit is shared based on the agreed ratio, while losses not due to negligence are borne according to the capital portion. At the end of the cooperation period, the customer returns the principal, and the contract is declared complete.

As an example of implementation, PT Maju Bersama entered into a musyarakah contract with a sharia bank to open a new branch. The total capital required is IDR 350,000,000, consisting of a contribution from PT Maju Bersama of IDR 200,000,000 and a contribution from the bank of IDR 150,000,000, with a profit ratio of 60:40. At the end of the period, the business earned a profit of IDR 70,000,000, so PT Maju Bersama received IDR 42,000,000 and the bank IDR 28,000,000. In the following period, the business suffered a loss of IDR 21,000,000, so the loss was charged according to the capital portion, which was approximately IDR 12,000,000 for PT Maju Bersama and IDR 9,000,000 for the bank. Accounting records are made through capital journals, profit sharing income, and loss recording according to sharia accounting principles.

Overall, the musyarakah transaction flow emphasizes the principles of cooperation, risk sharing, and fairness that are the basis for Islamic financial operations, and ensures that contracts are carried out in a trustworthy, transparent, and sharia-compliant manner.

RESEARCH METHODS

1. This study uses a library research approach , utilizing all materials contained in documents related to musyarakah contracts. The source material comes from references included in the manuscript, including official regulations such as PSAK 106, provisions of the Financial Services Authority (OJK), Islamic banking literature, and Islamic principles in the form of relevant Quranic verses and hadiths regarding musyarakah contracts. This approach was

chosen because the research topic is conceptual in nature and aims to provide an in-depth understanding of the theoretical basis and implementation of musyarakah contracts in the Islamic financial system.

2. Data collection was conducted through a review of documents discussing aspects of musyarakah contracts, including definitions, legal basis, pillars, contract types, operational procedures, and monitoring of musyarakah transactions. The data obtained were then analyzed descriptively through a process of identification, classification, and interpretation of information to develop a structured understanding. Descriptive analysis was used to explain the musyarakah mechanism based on practical procedures in Islamic financial institutions, including transaction schemes, profit-sharing calculations, and accounting records.
3. Furthermore, this study uses content analysis to illustrate the application of musharaka through case examples contained in the files. These examples are analyzed to demonstrate the alignment between theory and practice, particularly in the areas of profit sharing, loss calculation, and accounting journal entries. Thus, this method helps clarify how sharia principles are applied in actual musharaka practice.
4. Overall, this research method aims to provide a comprehensive understanding regarding the implementation of musyarakah contracts from legal, technical, procedural and accounting aspects by referring fully to the contents of the documents analyzed.

RESULTS AND DISCUSSION

Based on the review of the material in the document, it was found that the musyarakah contract is one of the important instruments in the sharia financing system based on capital cooperation and the application of the principle of *profit and loss sharing*. The characteristics of musyarakah indicate the involvement of two or more parties in running a business, where each party contributes capital, either in the form of money or non-cash assets. The results of the review indicate that this concept is in line with the principles of mutual assistance (*ta'awun*), justice (*al - 'adl*), trust, and equalizing the positions of the parties as business partners.

From a legal perspective, the document demonstrates that musyarakah has a strong legal basis in Islamic law. This is demonstrated through verses from the Qur'an, Hadith, and the views of Islamic scholars who regulate the validity of a contract through certain pillars and conditions. The existence of pillars such as the shigat *ijab qabul*, the parties to the contract (*al - 'aqidain*), and the object of the contract (*ma'qud 'alaih*) reinforces that musyarakah is not only a business practice, but also part of the provisions of muamalah transactions that have sharia legitimacy.

The differences in views of Islamic scholars regarding the pillars of musyarakah also demonstrate the dynamics of fiqh in the application of contracts according to the context of the times and contemporary economic needs.

The analysis also shows a classification of musyarakah types based on the practices and sources of the cooperation. The document divides musyarakah into two main forms: *syirkah uqud*, which occurs based on a contractual agreement, and *syirkah amlak*, which occurs automatically due to joint ownership, such as inheritance. This division illustrates that musyarakah is not limited to Islamic banking business activities but can also arise naturally in social conditions.

In terms of implementation, it is explained that the implementation of musyarakah in Islamic financial institutions has a systematic procedure. These stages include the financing application process, business feasibility verification, approval, collateral binding, capital disbursement, business implementation, and capital repayment at the end of the contract period. This procedure emphasizes the role of Islamic banks as strategic partners that not only provide capital but also conduct *on-site* and *off-site supervision* to ensure business activities are conducted in accordance with the contract and Islamic principles.

The discussion of calculation techniques also shows that the profit-sharing mechanism places great emphasis on proportional fairness. In diminishing musyarakah, the bank's ownership portion decreases as the customer repays capital until the business is fully owned by the active partner. This finding demonstrates the contractual flexibility within the musyarakah contract, allowing for changes in ownership without departing from sharia principles.

Furthermore, the profit-sharing mechanism is implemented through two methods: *revenue sharing* and *profit sharing*, with the latter being more widely used because it is considered more representative of the actual business conditions. The document emphasizes that profit sharing cannot be determined in a fixed nominal amount, as this would resemble usury. Any losses incurred must be borne according to the capital portion unless the losses arise from negligence on the part of one of the parties.

Through the presented case examples, the analysis demonstrates that the implementation of musyarakah is not merely theoretical but can be practically implemented through systematic accounting records. The case of PT Maju Bersama's financing with a sharia bank illustrates how profit sharing, loss management, and financial journal preparation are carried out in accordance with PSAK 106 principles.

Overall, the study results demonstrate that the musyarakah contract can be implemented as a fair, transparent, and sharia-compliant financing instrument. The contract structure, operational mechanisms, profit-sharing governance, and accounting records reflect the alignment between Islamic economic theory and modern financial practices.

CONCLUSION

Based on the discussion of the musyarakah contract, it can be concluded that musyarakah is a form of sharia financing carried out through cooperation between two or more parties who contribute capital to run a business activity together. This contract has a clear legal basis in the Qur'an, Hadith, and Islamic opinion. for scholars so that its existence legitimate And can be applied In the modern economic system, musyarakah emphasizes the principles of justice, transparency, trustworthiness, and mutual consent between the cooperating parties.

The implementation of musyarakah financing also has strict operational standards and supervision to ensure the use of funds according to the contract's objectives and to prevent any irregularities. Profit sharing is carried out based on ratio Which agreed since beginning, whereas Losses are shared based on the proportion of each party's capital. Through the transaction flow, profit-sharing mechanism, oversight standards, and case studies presented, it is clear that the musyarakah contract is an instrument capable of providing proportional profits for both parties as long as it is managed properly and in accordance with sharia principles.

SUGGESTION

The author recommends that each party involved in a musyarakah contract thoroughly understand the principles of sharia, the provisions of the contract, and their respective rights and obligations so that cooperation can run optimally. Sharia financial institutions need to improve the effectiveness of their supervision. Good in a way direct and through analysis Financial reports are required to prevent misuse of funds. Customers, as active partners, are also expected to submit business reports transparently and responsibly, as agreed. Furthermore, public understanding is crucial. to contract musharakah need improved through education and Islamic financial literacy. Further research can be conducted by comparing implementation musharakah in the sector business Which different and review its impact on the development of Islamic financing in Indonesia so that its utilization can be more optimal in the future.

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